



**SENATE FISCAL OFFICE  
REPORT**

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**GOVERNOR'S BUDGET  
FY2013 AND FY2012 SUPPLEMENTAL**

**2012-H-7323**

**BUDGET ANALYSIS**

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MARCH 13, 2012

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## EXECUTIVE SUMMARY

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## Executive Summary

The Governor's FY2013 Budget recommendation totals \$7,943.4 million from all funds, of which \$3,269.2 million is from general revenues.

	FY2011 Final	FY2012 Enacted	FY2012 Governor	Change from Enacted	% Change	FY2013 Governor	Change from Enacted	% Change
<b>Expenditures by Function</b>								
General Government	\$1,744.7	\$1,417.9	\$1,755.5	\$337.6	23.8%	\$1,404.1	(\$13.8)	-1.0%
Human Services	3,012.5	3,112.8	3,136.2	23.3	0.8%	3,179.6	66.7	2.1%
Education	2,103.3	2,167.2	2,220.9	53.6	2.5%	2,265.8	98.6	4.5%
Public Safety	439.5	474.5	504.0	29.5	6.2%	496.7	22.3	4.7%
Natural Resources	73.4	102.8	112.7	10.0	9.7%	104.9	2.1	2.0%
Transportation	345.2	427.0	440.9	13.9	3.2%	492.3	65.3	15.3%
<b>Total</b>	<b>\$7,718.6</b>	<b>\$7,702.2</b>	<b>\$8,170.1</b>	<b>\$467.9</b>	<b>6.1%</b>	<b>\$7,943.4</b>	<b>\$241.2</b>	<b>3.1%</b>
<b>Expenditures by Fund</b>								
General Revenue	\$2,956.2	\$3,142.5	\$3,172.8	\$30.3	1.0%	\$3,269.2	\$126.7	4.0%
Federal Funds	2,748.0	2,606.5	2,865.9	259.5	10.0%	2,594.2	(12.3)	-0.5%
Restricted Receipts	158.9	189.6	227.1	37.4	19.7%	224.1	34.5	18.2%
Other Funds	1,855.6	1,763.6	1,904.3	140.7	8.0%	1,855.9	92.4	5.2%
<b>Total</b>	<b>\$7,718.6</b>	<b>\$7,702.2</b>	<b>\$8,170.1</b>	<b>\$467.9</b>	<b>6.1%</b>	<b>\$7,943.4</b>	<b>\$241.2</b>	<b>3.1%</b>
<b>FTE Authorization</b>	<b>14,957.6</b>	<b>14,942.2</b>	<b>14,934.0</b>	<b>(8.2)</b>	<b>-0.1%</b>	<b>14,837.7</b>	<b>(104.5)</b>	<b>-0.7%</b>

\$ millions

The Governor's FY2013 Budget closes the anticipated \$120.0 million current services operating deficit through a series of revenue enhancements and expenditure reductions. Based on an initial review of the Governor's budget recommendation, it appears that the FY2013 Budget relies on nearly \$75.0 million in revenue enhancements to close approximately 62.5 percent of the projected deficit, and includes approximately \$45.0 million in expenditure reductions, representing nearly 37.5 percent of the total budget solution.

### FIVE YEAR FORECAST

The Governor's FY2013 Budget estimates the State will experience increasing deficits in the five-year forecast, increasing from \$103.6 million in FY2014 to \$464.4 million in FY2017. Deficits grow to 11.7 percent of projected spending by FY2017. The forecast assumes a loss of \$310.6 million in lottery transfers over the five-year period due to the expected expansion of gaming in Massachusetts, and does not assume table games are offered at Rhode Island establishments given they are not current law.

This summary outlines key provisions of the Governor's FY2013 Budget Request. The Senate Fiscal Office provides a more in-depth analysis on the proposals and their potential impact on the budget, services and taxpayers in the departmental summaries and special reports included in this report.

## Revenue Changes

The Governor proposes \$236.7 million in general revenue enhancements for FY2013. Net of \$143.8 million for the annually-enacted hospital license fee, revenues are proposed to grow by \$92.9 million, or 2.8 percent above the November 2011 revenue estimates. Approximately \$14.0 million (15.1 percent) of the changes are one-time revenue enhancements.

**Sales Tax Expansion:** The Governor proposes eliminating the sales tax exemption for clothing and footwear valued at over \$175, and expands the tax to several currently-exempt services, including: taxi and other road transportation services; non-veterinary pet services; moving, storage warehousing and freight services; and car washes. The changes result in an estimated \$28.1 million in net additional revenues.

**Meals and Beverage Tax:** The Governor increases the 1.0 percent tax on meals and beverages by an additional 2.0 percentage points, with additional funds deposited with the State. The proposal increases revenues by \$39.5 million.

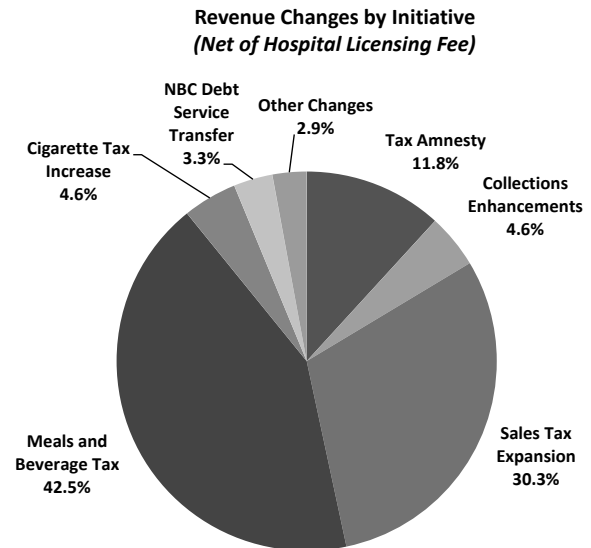
**Tax Amnesty:** The proposal includes a 75-day tax amnesty program from September 1 through November 15, 2012. Penalties would be waived and interest owed would be reduced by 25.0 percent, resulting in an estimated \$10.9 million in additional revenue collections.

**Tobacco Taxes:** The Governor proposes to increase the Cigarette Tax by \$0.04/pack, to \$3.50; to expand the definition of little cigars; and to raise the maximum Cigar Tax from \$0.50 to \$1.00 per cigar. The proposal is estimated to raise \$4.3 million.

**Collections Enhancements:** The Governor proposes \$4.3 million in revenue collection enhancement activities. These include an additional 4.0 FTE positions in Taxation for the Tobacco Enforcement Task Force, which is estimated to raise \$2.9 million, and reallocating 2.0 FTE Revenue Agents from the Tax Preparations section to the Audit Unit, generating an estimated \$1.3 million. The revenue figures assume an August 1 start-date.

**Other Revenue Items:** The Governor's proposal expands the Hotel Tax to include vacation properties and Bed and Breakfasts; reinstates the Project Status program with RIEDC; and expands eligibility for the motion picture production tax credit.

**Narragansett Bay Commission Reserve Transfer for Debt Service:** The Governor recommends transferring \$3.1 million from the Narragansett Bay Commission's excess reserves for the FY2013 debt service payment on general obligation debt used to finance capital projects for the Commission.



## Expenditure Changes by Agency

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Unless otherwise specified, dollar amounts refer to general revenue.

**Statewide:** The Governor proposes \$2.1 million in general revenue savings, reflecting a 25.0 percent reduction for all community service grants. The proposal includes eliminating Election Day as a holiday for state employees, and replacing it with a personal day, resulting in an estimated \$590,000 in general revenue overtime savings.

**Administration:** The Governor includes \$1.5 million for the I-195 land purchase and \$600,000 in Certificates of Participation for information technology investments. Per the FY2012 Budget as Enacted, the Governor transfers LIHEAP and Weatherization into the Department of Human Services. The Governor recommends shifting \$354,803 in personnel costs from general revenue to Rhode Island Capital Plan funds.

The Governor includes several economic development initiatives under the Department of Administration. These include a \$500,000 reduction in the Slater Technology Fund, reducing the appropriation to \$1.5 million; a \$350,000 reduction to the Experimental Program to Stimulate Competitive Research (EPScore ), reducing program funding to \$1.15 million which will be sufficient to match federal funds, an increase of \$250,000 derived from the increased lodgings tax, to the Economic Development Corporation for Tourism promotion; the addition of \$1.5 million to cover debt service costs on the I-195 land purchase, and adds \$4.3 million in federal funds for the State Small Business Credit Initiative (SSBCI).

**Labor and Training:** The Governor freezes the Police and Firefighters' Relief benefits at the FY2012 Revised Budget level; includes \$18.6 million for the interest payment on prior Unemployment Insurance borrowing; and reduces 105.8 FTE positions from the enacted level to reflect the loss of federal funds.

**General Treasurer:** The Governor includes \$580,720 in FY2012 and \$408,660 in FY2013 for actuarial studies and legal expenses for anticipated litigation associated with the recent pension reforms. The budget proposal includes \$1.0 million over two years to fund the administrative costs of the defined contribution pension plan.

**Governor:** The Governor includes \$1.1 million in federal funding and 6.0 FTE positions to staff the Health Benefits Exchange.

**Executive Office of Health and Human Services:** The Governor recommends transferring the remaining Medicaid funding to OHHS from DHS, requiring a shift of \$813.9 million in Medicaid spending in FY2013 from DHS. This transfer of resources and programs also includes \$14.0 million allocated for the procurement of Medicaid Management Information Systems. The Governor also includes an additional 5.0 FTE positions to establish a Program Audit and Oversight Unit within Central Management.

The November 2011 Caseload Estimating Conference (CEC) adopted total financing of \$827.5 million in general revenue for the Medical Assistance program. However, the Governor recommends a \$26.2 million reduction below the CEC adopted levels:

- \$14.0 million in general revenue savings (\$28.9 million in all funds) through an across-the-board 4.14 percent reduction of all managed care capitation rates.
- \$3.0 million in general revenue savings (\$6.3 million in all funds) through the utilization review and modification of services for beneficiaries of Home and Community Based Services (HCBS) whose monthly expenditures levels indicate medically unnecessary services.

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- \$2.7 million in general revenue savings (\$5.6 million in all funds) through eliminating dental services for adults age 21 and older in the fee-for-service segment of the Medical Assistance program.
- \$2.5 million in general revenue savings (\$5.1 million in all funds) through refinements to the Medicaid managed care programs such as reductions to allowable administrative expenses and the transition to lower-cost Primary Care Medical Home settings.
- \$1.9 million in general revenue savings (\$4.0 million in all funds) by reinstating the “lesser of” logic edits with the State paying inpatient claims at an amount equal to the lesser of a hospital’s billing rate or the Medicaid rate.
- \$1.8 million in general revenue savings (\$3.7 million in all funds) through additional initiatives including increased frequency of post-payment surveillance utilization reviews (SURs) and the expansion of the Medicaid Estate Recovery Program to include insurance claims. These savings also include \$789,000 in all funds savings and \$383,000 general funds savings from an initiative that requires clinical utilization reviews of children with special health care needs (Katie Beckett) when per-month costs reach a set amount.

**Human Services:** The Governor recommends that the FY2013 resident census at the Veterans’ Home be limited to the current level and delays the expansion of the census until FY2014 in order to reduce nursing costs. This recommendation eliminates 35.0 clinical FTE positions from the revised FY2012 budget and adds 9.0 FTE positions for FY2013 in support of the FY2014 expansion.

Additionally, the Governor recommends the transfer of \$19.2 million in federal funds from DOA to DHS for the Low Income Home Energy Assistance Program and the Weatherization Assistance Program, further consolidating the delivery of public assistance within DHS.

The Governor also proposes to institute a co-pay on child care for families with income over 100.0 percent of the federal poverty level (an increase of \$5.00 per week), and to institute a \$2.00 co-pay for trips to adult day care sites.

**Behavioral Healthcare, Developmental Disabilities, and Hospitals:** The Governor recommends \$189.3 million in general revenue for FY2013, an increase of \$5.2 million above the enacted budget. Continued overall Medicaid growth trends as well as a year-over-year decrease in the FMAP require an additional \$7.1 million in general revenue spending. This increase is partially offset by \$2.0 million in savings from phase two of the Behavioral Health Homes initiative and its expansion to the medically-complex developmentally disabled and methadone populations.

**Health:** The Governor recommends eliminating 8.0 FTE positions to achieve \$694,323 in savings within the Health Laboratories program. The Governor adds 6.0 FTE positions for additional Food Inspectors, with 3.0 FTE positions in the first three quarters of the fiscal year and the remaining 3.0 FTE positions financed in the fourth quarter of the fiscal year, for an increase in expenditures of \$230,000.

**Children, Youth and Families:** The Governor increases DCYF spending by \$500,000 for special education costs for youth in the custody of DCYF following a change in methodology by RIDE and reduces aftercare services for youth aging out of care by 20.0 percent to achieve \$374,862 in savings. The Governor also eliminates life skills assessment, education, and transition planning support for training school youth to achieve \$53,185 in savings.

**Elementary and Secondary Education:** The Governor restores \$2.0 million in general revenue funding for Adult Basic Education programs and \$32.3 million in federal Education Jobs funds used to reduce general revenue funding for education funding in FY2012. The Education Jobs funds restoration is offset by a \$476,787 reduction to reflect the use of supplemental federal Education Jobs funds grant to replace general revenue in FY2013.

The Governor eliminates \$240,000 in general revenue funding for the non-public textbook reimbursement program, \$270,000 for the administrative support of the school breakfast program, and \$350,000 for the Rhode Island Telecommunications (E-Rate) fund. The programs would remain in place but would no longer receive state funding. An additional \$762,239 in revenue for the E-Rate program would be generated by broadening the fee charged on land-lines to include wireless lines.

Group Home Aid decreases by \$420,000 to reflect fewer beds. The Governor recommends a \$2.1 million school housing aid increase and proposes to freeze the minimum share ratio at 35.0 percent, instead of increasing to 40.0 percent, as enacted by the General Assembly in 2011.

The Governor reduces the State contribution for teacher retirement by \$3.4 million from the FY2012 Budget as Enacted based on changes from the 2011 pension reform.

**Higher Education:** The Governor proposes to merge the Rhode Island Higher Education Assistance Authority (RIHEAA) and its 39.6 FTE positions into the Office of Higher Education. The Governor indicates an interest in using RIHEAA's operating reserve fund of \$20.0 million to establish a scholarship fund.

The Governor's budget recommendation reflects undergraduate instate tuition and fee increases of 9.5 percent at the University of Rhode Island (URI), 4.0 percent at Rhode Island College (RIC), and 7.8 percent at the Community College of Rhode Island (CCRI), as well as out-of-state tuition and fee increases of 2.0 at URI, 4.0 at RIC, and 7.8 at CCRI.

The proposal includes 14.0 FTE positions for new faculty at the University of Rhode Island, 8.0 FTE positions for new faculty at Rhode Island College, and 2.0 FTE staff positions at Rhode Island College.

**Corrections:** The Governor funds Correctional Officer training classes in both FY2012 and FY2013, reducing overtime by \$8.2 million, and proposes changes to the law related to the negotiation of overtime in Correctional Officer contracts.

**Judiciary:** The Governor adds \$3.4 million for Judicial operations, largely in personnel costs, and shifts \$1.1 million in operating costs to other state agencies occupying space in courthouses.

**Public Safety:** The Governor increases general revenues for the Department by \$5.1 million, largely for contracts with the State Police and the Sheriffs, and 3.0 FTE positions are added for the State Fire Marshal. The Budget also includes an initiative to have the Municipal Police Training Academy become self-supporting through tuition payments from participants.

**Department of Environmental Management:** The Governor recommends a general revenue reduction of \$760,606. This reduction includes shifting eligible personnel to restricted receipts (\$350,000), eliminating the Pollution Discharge Fee Program (\$100,000), eliminating the Water Well Drilling Licensure Program (\$100,000), reducing staff in permitting programs to reflect reduced application activity (\$200,000), and maintaining certain vacancies (\$150,000), offset by increases in operating costs (\$156,000).

The Governor recommends Rhode Island Capital Plan (RICAP) funds of \$1.3 million in FY2012 and \$3.1 million FY2013 for sailing improvements at Fort Adams to allow for the hosting of large sailing events such as America's Cup, the Extreme Sailing Championship and the Volvo Regatta.

**Transportation:** The Governor recommends several initiatives to provide additional funding for transportation including:

- Increased funding of \$13.6 million by accelerating the fee increase for vehicle registrations and operation license fees which were enacted in the FY2012 budget. These fees were proposed to be phased-in over three years beginning in FY2014. The Governor recommends the fees be implemented at the full amount beginning January 1, 2013, and that initially these fees be used to

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address short-term operations and highway maintenance needs, rather than as a match to federal funds to alleviate the need to issue General Obligation bonds, for which they were originally intended.

- Restructure the Department's debt, saving \$10.9 million in FY2013.
- Decrease debt service expenses by shifting the Department's debt service costs to general revenue funds under the Department of Administration budget. This shift will occur annually, beginning in FY2013, in \$10.0 million increments until all transportation debt service costs are being charged to the Department of Administration.
- For FY2012, a shift of debt service from the Department to general revenue (\$2.0 million) and Build America Bonds (\$2.0 million).

**Rhode Island Turnpike and Bridge Authority (RITBA):** The Governor proposes transferring ownership of the Jamestown Verrazano Bridge and the Sakonnet River Bridge to RITBA. This would allow the Authority to implement tolling on the Sakonnet River Bridge to maintain the investments in RITBA-operated bridges.

## State Aid and Education Aid

### State Aid

**Central Falls:** The Governor's FY2012 Supplemental Budget proposal includes a Stabilization Payment of \$2.6 million to the City of Central Falls, to be deposited into a restricted account, which will be used to provide transition payments over five years to retirees based on an agreement between the Receiver for the City of Central Falls, the Department of Revenue, and the negotiating team for the Central Falls retirees.

**Distressed Community Relief Fund:** The Governor's FY2013 Budget proposal maintains the Distressed Community Fund at the FY2012 level of \$10.4 million; however, Cranston now qualifies as a distressed community and will receive a 50.0 percent appropriation of \$1.2 million.

**Payment in Lieu of Taxes (PILOT):** PILOT funding is maintained at the FY2012 Enacted level of \$33.1 million. This represents a reimbursement rate of 21.4 percent. A current law reimbursement at 27.0 percent of forgone tax revenue would require an additional appropriation of \$8.6 million.

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

**Library Grant-in-Aid:** The Governor recommends \$8.8 million for State Aid to Libraries, the same level as the FY2012 Budget as Enacted. A current law reimbursement of 25.0 percent of second prior year expenses would require an additional appropriation of \$955,554.

**Library Construction Aid:** The Governor recommends \$2.5 million in FY2013 to fund reimbursements to communities for up to 50.0 percent of eligible costs of approved library construction projects. The 2011 General Assembly enacted legislation which places a moratorium on the acceptance of new applications for library construction projects.

**Meals & Beverage Tax:** The Governor proposes to increase the meals and beverage tax from 1.0 percent to 3.0 percent. However, the revenue increase would be deposited with the State.

**Hotel Tax:** The Governor proposes to expand the hotel tax to include the rental of vacation homes and the rental of rooms in bed and breakfast inns that have fewer than three bedrooms. This expansion to the tax base is expected to increase aid to municipalities by \$540,851.

### Education Aid

The Governor recommends an additional \$69.7 million in education aid, which would restore the expiring Education Jobs Funds (\$32.0 million), fully fund the second year of the transition of the new school funding formula, fund the categorical aid programs under the transition program, and add \$11.0 million over the amount required by the current transition plan to increase resources to school districts. While the Governor restores the federal Jobs Fund monies provided in FY2012, the FY2013 recommendation supplants the \$500,000 in additional federal Education Jobs funds made available to the districts on November 1, 2011.

#### Governor's Recommended Education Aid

Restore Federal Education Jobs Fund	\$32.0
Year 2 of Funding formula	21.6
Additional funding for Underfunded Districts	11.0
Year 2 of Transportation Categorical	1.1
Year 2 of Regional Bonus	(0.4)
Career and Technical (new)	3.0
Early Childhood (new)	1.5
High-Cost Special Education (new)	0.5
General Revenue Reduction for Suppl. Job Fund	(0.5)
<b>Total</b>	<b>\$69.7</b>

*\$ in millions*

## Capital and Technology Investments

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**November 2012 Bond Referenda:** The Governor recommends a total of \$201.4 million in new bond referenda for the November 2012 ballot for voter consideration.

<b>November 2012 Bond Referenda</b>	
Nursing Education Facility	\$65.2
RIC Capital Improvements	44.7
Affordable Housing Development	25.0
Open Space and Recreational Development	25.0
Transportation Infrastructure	20.0
Wastewater and Drinking Water Infrastructure	20.0
RIPTA Bus Purchase/Rehabilitation	1.5
<b>Total</b>	<b>\$201.4</b>

*\$ in millions*

**Quasi-Public Agency Debt Requests:** The Governor recommends \$221.5 million in “Kushner” authorizations for three quasi-public agencies:

- \$7.5 million bond issue under the Quonset Development Corporation for dredging around Pier I and Pier II at the Davisville section of the Quonset Business Park.
- \$40.0 million bond issue under the Resource Recovery Corporation to build a leachate collection system at the State landfill.
- \$174.0 million bond issue for the RI Airport Corporation for various improvements, including the runway expansion, at T. F. Green Airport.

**Technology Infrastructure:** The Governor recommends a \$6.5 million one-time payment into the Technology Investment Fund FY2012 funded from the receipt of bond premiums on the sale of the 2011 Series A General Obligation bonds. Further financing of this fund would come from the proceeds of State property sales. The Governor also proposes a total of \$56.5 million in Certificates of Participation (COPs) over the next several years in order to finance three major technology projects.

- Implement the remaining models of the statewide financial information system (\$11.5 million).
- Install a new integrated tax system for the Division of Taxation (\$25.0 million).
- Provide access to wireless infrastructure throughout the State’s classrooms (\$20.0 million).



## Consolidations, Transfers, and Studies

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**Office of Management and Budget:** The Governor recommends creating an Office of Management and Budget (OMB), replacing the Budget Office and Bureau of Audits within the Department of Administration, and incorporating ARRA-funds tracking currently undertaken by the Governor's Office of Economic Recovery and Reinvestment. In addition to the responsibilities formerly charged to the Budget Office, the OMB will be responsible for performance management and federal grants management.

**Rhode Island Higher Education Assistance Authority and Office of Higher Education:** The Governor recommends merging the Rhode Island Higher Education Assistance Authority (RIHEAA) with the Office of Higher Education (OHE).

**Oversight and Administration of State and Federal Energy Programs:** The Governor recommends that all oversight and administration of state and federal energy programs be centralized within the Office of Energy Resources (OER). This would affect programs within the Department of Environmental Management (DEM), Economic Development Council (EDC), and the Energy Efficiency and Resource Management Council (EERMC).

**Review of Environmental Management and Protection Programs:** The Governor has directed the new OMB to review all environmental management and protection programs in state government agencies and departments and identify potential consolidations and areas for savings.

**OHHS Reorganization:** The Governor recommends shifting all Medicaid programs to OHHS and transferring 4.0 FTE positions from the Department of Health and 1.0 FTE position from the Department of Human Services into the Executive Office of Health and Human Services.

**Rhode Island Public Telecommunications Authority:** The Governor recommends general revenue financing of \$426,000, a decrease of \$522,000 from the enacted budget. The Governor recommends financing the Authority for a six-month period in FY2013, after which the State would no longer finance the Authority's operations. The Governor recommends that the Authority partner with alternative institutions or community groups with the capacity to assume the Authority's operating expenses.

**Heating Assistance:** The Governor recommends transferring 9.0 FTE positions from the Office of Energy Resources to the Department of Human Services as part of the transfer of the LIHEAP and the Weatherization Assistance Program.

**Personnel System:** The Governor instructed the Department of Administration to undertake a complete analysis of the State's personnel system and to recommend alternatives to the State's current merit system. The Governor recommends an expenditure of \$300,000 to conduct the study in FY2012, which would be offset by \$819,438 in savings generated from the reduction of 10.0 FTE positions within the Department of Administration's Office of Classification and Examinations and 2.0 FTE positions in the Employee Services Unit in FY2013.

**Performance Management:** A statewide performance management initiative began in FY2012, requiring all agencies to engage in an extensive review with the goal of eliminating or improving programs as well as determining the level of performance of each agency in order to identify areas in need of improvement. As a result of the initial review, the Governor recommends the elimination, reduction, or reorganization of various programs within departments and agencies in order to increase efficiencies and generate savings. The newly proposed Office of Management and Budget would be responsible for the future oversight of this program.

## FY2012 Supplemental

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FY2012 opened with \$7.0 million in additional surplus funds above the budgeted \$57.2 million. The November 2011 Revenue Estimating Conference identified \$19.4 million in additional anticipated collections for FY2012. The additional resources offset the bulk of the estimated \$32.6 million in departmental spending deficits that were identified in the statewide first quarter report for FY2012.

The Governor's budget recommends \$30.2 million in additional general revenue expenditures above the FY2012 Budget as Enacted. The increases are primarily in the General Government, Human Services and Public Safety areas, and largely reflect year-to-date spending patterns in the first quarter report. The sole revenue enhancement in FY2012 is the proposed transfer of \$6.0 million in issued bond premiums from the RICAP fund to general revenues. Following are a few items of note in the Supplemental proposal:

- **Administration:** Adds \$770,000 in one-time funding for the America's Cup event.
- **Labor and Training:** Adds \$110.1 million in federal Extended Unemployment Compensation funds.
- **Revenue:** Adds \$2.6 million supplemental retirement payments for Central Falls retirees, and funds 14.5 unauthorized FTE positions at the Division of Motor Vehicles.
- **Governor:** Adds funding to hire the Health Benefits Exchange Director in the third quarter.
- **Children, Youth and Families:** Adds \$7.1 million in general revenue funding for unachieved savings and reimbursement rate miscalculations.
- **Human Services:** Provides funding for Medicaid programming shifts to the Office of Health and Human Services; heating assistance funds shift to DHS from Administration.
- **BHDDH:** Adds \$2.8 million general revenue increase, largely for unachieved turnover at the hospitals.
- **RIDE:** Provides \$2.7 million reduction in school housing aid payments based on completed projects, offset by a \$2.4 million increase in teacher retirement due to a higher than projected wage base.
- **Corrections:** Provides \$3.1 million increase for payroll base adjustments and \$1.8 million for additional overtime at institutions.
- **Judiciary:** Adds \$1.6 million general revenue, primarily for unachieved turnover.
- **Military Staff:** Increases general revenues by \$231,000 for unachieved indirect cost recovery initiative and \$100,000 in State match funds for Tropical Storm Irene expenses.
- **Public Safety:** Adds \$3.7 million increase, primarily for unbudgeted Trooper contract increases.
- **Environmental Management:** Provides \$316,755 increase for State match for Tropical Storm Irene expenses.



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## DEPARTMENTAL SUMMARIES

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## Department of Administration

Expenditures by Program	FY2011	FY2012	FY2012	Change from		FY2013	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Accounts & Control	\$3.5	\$3.8	\$3.8	\$0.0	0.8%	\$3.8	\$0.1	1.7%
Auditing	1.2	1.4	1.2	(0.1)	-9.5%	-	(1.4)	-100.0%
Budgeting/Office of Management and Budget	1.9	2.0	2.4	0.4	18.2%	3.4	1.4	70.8%
Capital Projects and Property Management	3.5	3.9	4.1	0.2	5.6%	3.6	(0.3)	-7.8%
Central Management	1.5	1.3	2.2	0.9	66.2%	2.0	0.7	55.5%
Debt Service Payments	190.8	200.9	191.7	(9.2)	-4.6%	204.2	3.3	1.6%
Energy Resources	48.0	53.5	74.3	20.8	38.9%	12.8	(40.7)	-76.0%
Facilities Management	34.5	36.5	36.6	0.1	0.3%	37.7	1.2	3.3%
General	107.6	43.2	60.7	17.5	40.5%	58.8	15.6	36.1%
Human Resources	10.6	11.5	11.1	(0.4)	-3.5%	11.0	(0.5)	-4.3%
Information Technology	27.0	30.4	30.5	0.1	0.3%	35.9	5.5	18.1%
Internal Service Programs	1.3	-	-	-	0.0%	-	-	0.0%
Legal Services	1.7	1.8	1.9	0.1	5.6%	2.0	0.2	11.1%
Library and Information Services	2.2	2.2	2.4	0.2	9.1%	2.3	0.1	4.5%
Personnel Appeal Board	0.1	0.1	0.1	-	0.0%	0.0	(0.1)	-65.1%
Personnel Reform	-	(3.0)	-	3.0	-100.0%	-	3.0	-100.0%
Planning	14.1	21.7	21.4	(0.3)	-1.4%	17.7	(4.0)	-18.4%
Purchasing	2.2	2.8	2.6	(0.2)	-7.1%	2.8	-	0.0%
Security Services	15.8	-	-	-	0.0%	-	-	0.0%
<b>Total</b>	<b>\$467.5</b>	<b>\$413.9</b>	<b>\$447.0</b>	<b>\$33.1</b>	<b>8.0%</b>	<b>\$398.1</b>	<b>(\$15.8)</b>	<b>-3.8%</b>
<b>Expenditures by Source</b>								
General Revenue	\$331.6	\$246.4	\$248.9	\$2.5	1.0%	\$257.0	\$10.6	4.3%
Federal Funds	43.6	56.1	65.4	9.3	16.6%	25.7	(30.4)	-54.2%
Federal Funds (ARRA)	20.7	13.0	31.1	18.1	139.2%	0.2	(12.8)	-98.5%
Restricted Receipts	14.2	20.1	19.6	(0.5)	-2.5%	27.5	7.4	36.8%
Other Funds	57.4	78.3	81.9	3.6	4.6%	87.7	9.4	12.0%
<b>Total</b>	<b>\$467.5</b>	<b>\$413.9</b>	<b>\$447.0</b>	<b>\$33.1</b>	<b>8.0%</b>	<b>\$398.1</b>	<b>(\$15.8)</b>	<b>-3.8%</b>
Authorized FTE Levels	871.6	694.6	694.2	(0.4)	-0.1%	665.6	(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 and is comprised of 19 sub-programs with specific functions.

### MAJOR ISSUES AND TRENDS FOR FY2013

The Governor's proposal includes several reorganizations of programs within the Department. This includes the creation of the Office of Management and Budget (OMB) and the elimination of the Bureau of Audits. The Governor incorporates the functions of the Bureau of Audits and the State Budget Office into OMB.

In addition, the Governor consolidates the oversight and administration of all state and federal renewable energy programs to the Office of Energy Resources (OER), transferring programs from the Department of Environmental Management (DEM), Economic Development Corporation (EDC), and the Energy Efficiency and Resource Management Council (EERMC). The Regional Greenhouse Gas Initiative from DEM and the Renewable Energy Program from EDC would also transfer to OER.

The Governor shifts 4.0 FTE general revenue funded positions in the Capital Projects and Property Management Program to the General Program, and recommends that these positions be funded with Rhode Island Capital Plan (RICAP) funds.

## 14 | DEPARTMENTAL SUMMARIES

The Governor proposes a \$2.1 million (25.0 percent) statewide reduction to community service objective grants in state departments and agencies, including a reduction of \$289,871 in the Department of Administration.

### CENTRAL MANAGEMENT

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

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

The Governor recommends 18.4 FTE positions in FY2012 and 19.4 FTE positions in FY2013. The FY2012 Budget as Enacted authorized 18.0 FTE positions in Central Management.

<b>Central Management</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$1,326,065</b>
<i>Target and Other Adjustments</i>	<i>5,423</i>
Personnel	691,035
<b>FY2013 Governor</b>	<b>\$2,022,523</b>

### **Personnel** **\$691,035**

The Governor adds \$691,035 in general revenue to fully fund filled FTE positions, including the personnel costs for the Executive Director and Executive Assistant to the Director positions. The Governor's recommendation also restores personnel reductions that were taken in the FY2012 Budget as Enacted. The increase reflects \$503,825 for salaries and \$187,210 for benefits.

### ACCOUNTS AND CONTROL

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

The program also prepares several publications, including the Comprehensive Annual Financial Report, Condensed State Financial Report, State Payroll Manual, Procedural Handbook of the Department of Administration, and the Consolidated Statewide Cost Allocation Plan. The Governor recommends 37.0 FTE positions in FY2012 and FY2013, consistent with the enacted level.

<b>Accounts and Control</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$3,751,998</b>
<i>Target and Other Adjustments</i>	<i>63,351</i>
<b>FY2013 Governor</b>	<b>\$3,815,349</b>

**BUDGET/OFFICE OF MANAGEMENT AND BUDGET**

The Governor proposes to establish the Office of Management and Budget (OMB) to serve as the principal agency for budget, performance management, and federal grants management. OMB will include the Budget Office, which will retain its existing authority to provide 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 prepares fiscal notes on legislation and is responsible for economic analysis and revenue estimating, and participating in the Revenue and Caseload Estimating Conferences. The Budget Office also performs capital development program analysis and develops financing plans for execution. This includes presentations to bond rating agencies, preparing debt offering circulars, tracking of expenditures against authorizations, and debt management.

The Governor recommends 17.6 FTE positions in FY2012 and 28.6 FTE positions in FY2013, an increase of 11.0 FTE positions. (Discussed below)

<b>Budgeting</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$2,015,159</b>
<i>Target and Other Adjustments</i>	<i>245,091</i>
Office of Management and Budget	743,805
<b>FY2013 Governor</b>	<b>\$3,004,055</b>

**Office of Management and Budget** **\$743,805**

The Governor establishes the Office of Management and Budget (OMB) to serve as the principal agency for budget, performance management, and federal grants management. The Governor adds 11.0 FTE positions. The OMB will have three functional units: Budget Office, Performance Management, and Federal Grants Management.

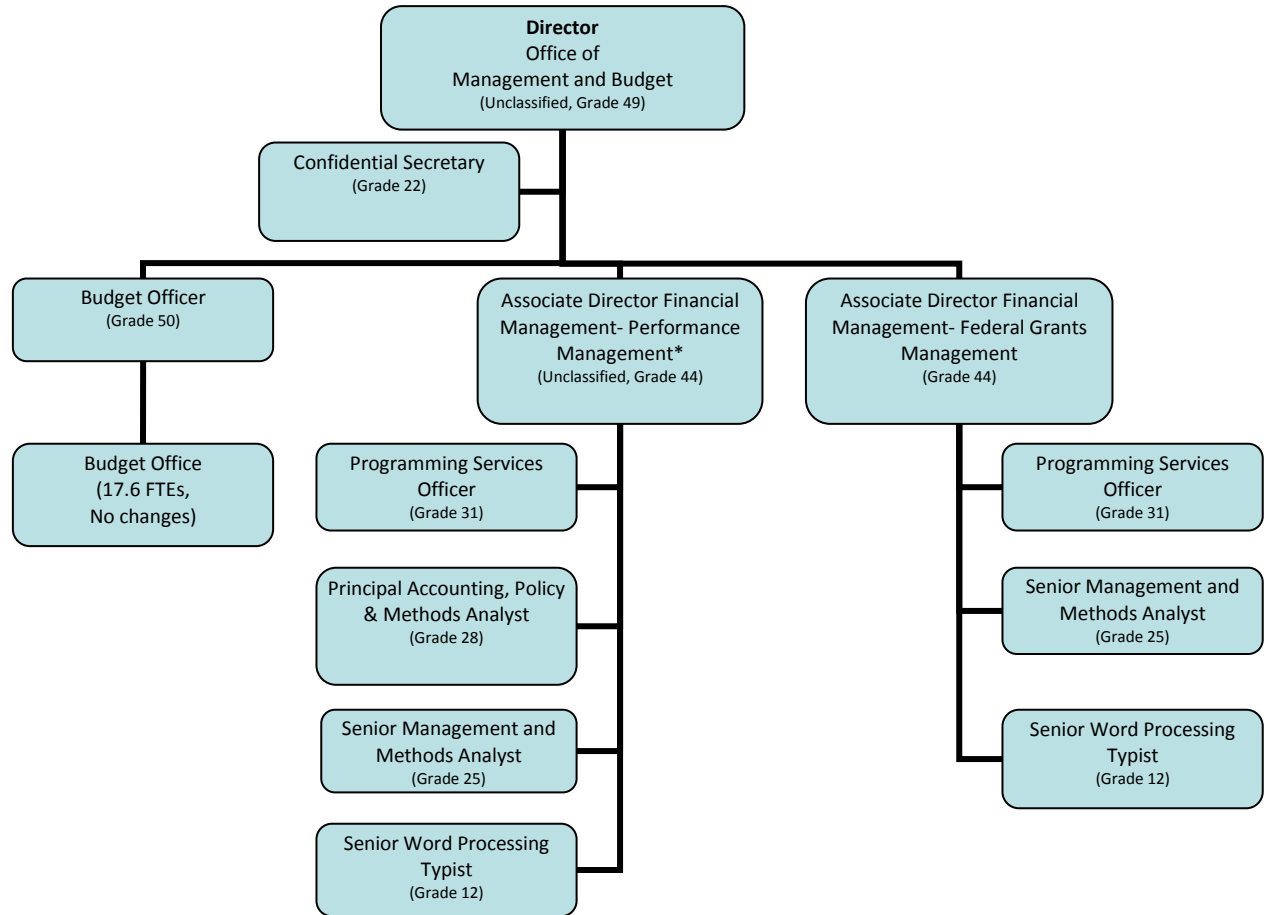
<b>Position</b>	<b>FTE</b>	<b>Salary</b>	<b>Total Cost</b>
Director, Office of Management and Budget	1.0	\$130,010	\$194,932
Confidential Secretary	1.0	44,747	76,895
Associate Director of Financial Management	1.0	101,408	155,769
Programming Services Officer	1.0	60,156	97,988
Senior Management and Methods Analyst	1.0	46,283	79,077
Senior Management and Methods Analyst	1.0	46,283	79,077
Sr. Word Processing Typist	1.0	32,894	60,067
<b>Total General Revenue Funded Positions</b>	<b>7.0</b>	<b>\$461,781</b>	<b>\$743,805</b>
Associate Director of Financial Management	1.0	\$101,408	\$155,769
Programming Services Officer	1.0	60,156	97,988
Principal Accounting, Policy and Methods Analyst	1.0	53,570	88,636
Sr. Word Processing Typist	1.0	32,894	60,067
<b>Total Restricted Receipt Funded Positions</b>	<b>4.0</b>	<b>\$248,028</b>	<b>\$402,460</b>

In creating the Office of Management and Budget (OMB), the Governor absorbs the State Budget Office into the OMB, eliminates the Bureau of Audits and eliminates the Governor's Office of Economic Recovery and Reinvestment, but incorporates the tracking of American Recovery and Reinvestment Act (ARRA) funds.

In addition to the responsibilities formerly charged to the Budget Office, the OMB will have a Performance Management Unit. In FY 2012, the State began a performance management initiative

requiring all agencies to engage in an extensive review of their programs. The proposed Performance Management Unit in the OMB will be responsible for future oversight of the performance management initiative beginning in FY2013. This program is intended to increase efficiencies and generate savings within State programs by determining the level of performance in each agency and by identifying areas in need of improvement. In addition to the Performance Management Unit, the Governor creates the Federal Grants Management Unit within the OMB to improve the application process for and use of federal grants by the State.

**Office of Management and Budget – Proposed Organizational Chart**



**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 includes purchase order production and record keeping, bid preparation and opening, requisition tracking, and vendor files. The standards and specifications staff works with agency representatives to develop statewide standards for goods and services to be solicited. The Rhode Island Vendor Information Program (RIVIP) is an electronic system for registering potential bidders and providing bid and other information to vendors and the general public. The Minority Business Enterprise function is responsible for supporting State laws and policies to ensure full participation of minority business enterprises in state-funded construction programs and projects, and State purchases of goods and services.



The Governor recommends 29.0 FTE positions in FY2012 and FY2013, consistent with the enacted level.

<b>Purchasing</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$2,445,901</b>
<i>Target and Other Adjustments</i>	<i>(4,433)</i>
<b>FY2013 Governor</b>	<b>\$2,441,468</b>

## BUREAU OF AUDITS

The Bureau of Audits performs the auditing function for the executive branch of state government. The Bureau provides the Director of Administration with an independent appraisal and evaluation of the effectiveness of financial and operational control through objective analyses, evaluations, and recommendations on operations, systems, controls, and contracted services.

The Governor recommends 12.0 FTE positions in FY2012 and 0.0 FTE positions in FY2013, reflecting the elimination of the Bureau of Audits.

<b>Auditing</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$1,376,922</b>
<i>Target and Other Adjustments</i>	<i>90,515</i>
Eliminate Bureau of Audits	<i>(1,467,437)</i>
<b>FY2013 Governor</b>	<b>-</b>

### ***Eliminate Bureau of Audits*** ***(\$1.5 million)***

As part of a Department-wide reorganization, the Governor creates the Office of Management and Budget (OMB). The reorganization transfers the functions of the Bureau of Audits to OMB and eliminates 12.0 FTE positions. In addition, OMB assumes the functions of the State Budget Office, making it a subprogram of OMB, establishes a performance management program, and assumes federal grants management and American Recovery and Reinvestment Act (ARRA) funds tracking.

*Analyst's Note: The Governor's proposal is not clear whether the new OMB will conduct audits as previously prepared by the Bureau of Audits.*

## HUMAN RESOURCES

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

The Governor recommends 116.0 FTE positions in FY2012 and 106.0 FTE positions in FY2013, reflecting the elimination of 10.0 FTE positions within the Office of Classification and Examination.

<b>Human Resources</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$8,952,981</b>
<i>Target and Other Adjustments</i>	<i>235,882</i>
Eliminate Office of Classification and Examinations & Employee Services Unit	<i>(819,438)</i>
<b>FY2013 Governor</b>	<b>\$8,369,425</b>

**Eliminate Office of Classification and Examinations & Employee Services Unit (\$819,438)**

The Governor eliminates the Office of Classification and Examinations, along with 10.0 FTE positions, and eliminates the Employee Services Unit and 2.0 FTE positions under the Human Resources program. This results in general revenue savings of \$819,438 in FY2013. The elimination of this office occurs in connection of the Governor’s instructions to the Director of the Department of Administration to undertake a comprehensive analysis of the State’s personnel system in FY2012. The Governor recommends \$300,000 in FY2012 to undertake this analysis.

**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.

<b>Personnel Appeal Board</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$73,560</b>
<i>Target and Other Adjustments</i>	<i>1,476</i>
Board Compensation	(40,104)
<b>FY2013 Governor</b>	<b>\$34,932</b>

**Board Compensation (\$40,104)**

Article 23 of the Governor’s FY2013 Budget eliminates compensation to the five members of the Personnel Appeal Board, generating \$40,104 in general revenue savings. The savings represent salary and benefit costs for the five Board members and is not net of any increase for any other costs. Each Board member receives \$7,200 per year as established by RIGL 36-3-8, for a total of \$36,000. In addition, there are associated FICA and Medicare benefit payments of \$4,104. Board members will continue to be reimbursed for travel, incidental, and clerical expenses.

**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. This includes grants made to the Rhode Island Economic Development Corporation, the Slater Centers of Excellence and the RI Research Alliance.

The Governor recommends no FTE positions for FY2012 and 4.0 FTE positions in FY2013, allocating 4.0 FTE positions from the Capital Projects and Property Management program for services provided to capital projects and funded through RI Capital Plan funds.

*Analyst’s Note: The Governor’s recommendation includes the use of RICAP funds to cover personnel costs. It is unclear how this relates to the State constitutional amendment passed in 2006 that limits the use of the RICAP exclusively to capital projects.*

<b>General</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$24,029,598</b>

<i>Target and Other Adjustments</i>	<i>(4)</i>
EDC - Tourism	250,000
EDC - Slater Technology Fund	(500,000)
EDC - Research Alliance (EPsCor)	(350,000)
Resource Sharing and State Library Aid	(350,058)
Community Service Objective Grant Reductions	(289,871)
<b>FY2013 Governor</b>	<b>\$22,789,665</b>

<b>General</b>	<b>Other Fund Changes</b>
Cost Allocation to General Program - RICAP Fund 4.0 FTE Positions	\$555,367

***Economic Development Corporation - Tourism*** ***\$250,000***

The Governor recommends an appropriation of \$4.3 million for the Economic Development Corporation (EDC), an increase of \$250,000 as compared to the FY2012 Budget as Enacted. The Governor recommends that the added funds be used to enhance State tourism.

***Economic Development Corporation – Slater Centers of Excellence*** ***(\$500,000)***

The Governor recommends an appropriation of \$1.5 million to the Slater Centers of Excellence in FY2013. This reflects a reduction of \$500,000 from the FY2012 Budget as Enacted. Since FY1997, the State has appropriated \$42.6 million to stimulate the growth of new industries in the state.

**Appropriation History**

<b>FY</b>	<b>Centers for Excellence</b>	<b>Slater Technology Fund</b>	<b>Slater Centers of Excellence</b>	<b>Total</b>
1997	\$0.75	\$0.00	\$0.00	\$0.75
1998	1.00	2.00	-	3.00
1999	1.00	1.25	-	2.25
2000	0.75	0.75	-	1.50
2001	3.25	2.00	-	5.25
2002	2.38	-	-	2.38
2003	2.50	-	-	2.50
2004	-	-	4.00	4.00
2005	-	-	3.00	3.00
2006	-	-	3.00	3.00
2007	-	-	3.00	3.00
2008	-	-	2.92	2.92
2009	-	-	3.00	3.00
2010	-	-	2.00	2.00
2011	-	-	2.00	2.00
2012	-	-	2.00	2.00
<b>Total</b>	<b>\$11.63</b>	<b>\$6.00</b>	<b>\$24.92</b>	<b>\$42.55</b>
<i>2013 Gov</i>	-	-	<i>1.50</i>	<i>1.50</i>
<b>Total</b>	<b>\$11.63</b>	<b>\$6.00</b>	<b>\$26.42</b>	<b>\$44.05</b>

*\$ in Millions*

*Analyst's Note: In August 2011, the State, through the Economic Development Corporation (EDC), received a \$13.1 million federal fund award for the State Small Business Credit Initiative (SSBCI), of which the Slater Centers of Excellence will receive \$9.0 million over a 4-year period of time, providing all expenditure timetables are met. The State funds reduction is offset by the receipt of the SSBCI federal funds. The Governor intends to reduce the state appropriation each year to make the Slater Centers self-sufficient through the use of the SSBCI award and private funding.*

**Economic Development Corporation – Research Alliance (EPsCor) (\$350,000)**

The Governor reduces \$350,000 of the State’s match to the National Science Foundation’s Experimental Program to Stimulate Competitive Research (EPsCor). The Economic Development Corporation indicated that the reduced appropriation is sufficient for the State to continue to drawdown the three-year federal award.

**State Library Aid (\$350,058)**

The Governor reduces the State Library Construction Aid by \$350,058 in general revenue. The Office of Library and Information Services makes awards to municipalities and free public libraries 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 for a period of up to 20 years. For FY2013, the Governor recommends a decrease in funding of \$350,058 from \$2.8 million to \$2.5 million, to reflect actual reimbursement costs.

The 2011 General Assembly instituted a moratorium on approval of library construction projects by the Chief of Library Services for the period from passage through July 1, 2014.

**Community Service Objective Grant Reductions (\$289,871)**

The Governor recommends a 25.0 percent reduction to community service objective grants in state departments and agencies. Community service objective grants often supplement program objectives. The FY2012 Budget as Enacted includes \$8.3 million in community service objective funding in 15 agencies. The Governor reduces funding by \$2.1 million statewide, including a reduction of \$289,871 in the Department of Administration and the Economic Development Corporation.

**Cost Allocation to General Program – RICAP Fund 4.0 FTE Positions \$555,367**

The Governor allocates the costs for 4.0 FTE positions that provide services to the State’s various capital projects to the General program, and funds the positions using Rhode Island Capital Plan funds. The cost allocation reflects an increase of \$555,367 comprised of \$354,083 for salaries and \$200,564 for benefits. The positions are:

<u>Capital Project Positions</u>	<u>FTEs</u>	<u>Amount</u>
Chief, Property Management	1.0	\$179,297
Architect - Building Commission	1.0	117,243
Chief, Facilities Management Officer	1.0	149,881
Architect	1.0	108,945
<b>Total</b>	<b>4.0</b>	<b>\$555,367</b>

*Amount reflects salary and benefit totals.*

*Analyst's Note: The Governor’s recommendation includes the use of RICAP funds to cover personnel costs. It is unclear how this relates to the State constitutional amendment passed in 2006 that limits the use of RICAP exclusively to capital projects.*

**DEBT SERVICE**

The Debt Service Payments program reflects funding for 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 Economic Development Corporation, or other obligations that are part of the State's net tax supported debt.

<b>Debt Service</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$144,742,359</b>
<i>Target and Other Adjustments</i>	<i>(2,931,072)</i>
General Obligation Bonds	7,088,316
Historic Structures Tax Credit	(1,375,574)
Certificates of Participation (COPs)	3,814,786
Tax Anticipation Notes (TANs)	(849,248)
Information Technology - (COPS)	600,000
I-195 Land Purchase	1,470,000
<b>FY2013 Governor</b>	<b>\$152,559,567</b>

**General Obligation Bonds** **\$7.1 million**

The Governor recommends an appropriation of \$68.3 million for general obligation bond debt service in FY2013. This reflects a net increase of \$7.1 million from the \$61.2 million appropriated in the FY2012 Budget as Enacted.

**Historic Structures Tax Credit** **(\$1.4 million)**

The Governor recommends an appropriation of \$21.3 million in general revenue, a decrease of \$1.4 million from the FY2012 Budget as Enacted, for debt service costs associated with the Rhode Island Economic Development Corporation (RIEDC) bonds issued to facilitate the processing and payment of historic structures tax credit redemptions. Article 4, Section 4, of the FY2009 Budget as Enacted authorized the RIEDC to issue up to \$356.2 million of debt under the Public Corporation Debt Management Act (Kushner Act) to facilitate the payment of historic structures tax credit redemptions. To date, the RIEDC has issued \$150.0 million of these bonds. The current services projection anticipates a debt issuance of \$40.0 million in FY2012 and \$35.2 million in FY2013.

The Budget Office does not project any new issuance until FY2014, thereby lowering the estimated debt service to \$21.3 million, reflecting a savings of \$7.1 million from current services and a savings of \$1.4 million as compared to the FY2012 Budget as Enacted.

**Certificates of Participation (COPs)** **\$3.8 million**

The Governor recommends an appropriation of \$30.4 million in general revenue to cover the debt service on 13 projects financed through Certificates of Participation (COPs). This reflects an increase of \$3.8 million from the FY2012 Budget as Enacted, and an increase of \$2.8 million as compared to the current services level. Two projects comprise the majority of the adjustments: the Governor recommends an increase of \$4.1 million for the Energy Conservation project related to the projected COPs issuance of \$20.0 million for the second phase of energy conservation in FY2013 and a decrease of \$297,249 for COPs funded Technology projects to reflect the level of funding required for this service.

**Tax Anticipation Notes (TANs)**

**(\$849,248)**

The Governor recommends a general revenue appropriation of \$473,889 to cover the anticipated interest costs for the proposed \$300.0 million TANs issuance in FY2013. This is a decrease of \$849,248 as compared to the amount appropriated to cover the costs associated with the \$350.0 million TANs issuance in the FY2012 Budget as Enacted. However, based on the actual interest earnings and costs in FY2012, the Governor anticipates that the TANs issuance costs will remain the same in FY2013.

TANs Issuance Expense	Cost Estimate	
	Original	Revised
TANs interest expense	\$6,727,778	\$2,688,889
Issuance costs	100,000	110,000
<b>Total</b>	<b>6,827,778</b>	<b>2,798,889</b>
Net premium received (restricted receipts)	4,712,675	2,055,000
Estimated interest earnings	780,424	270,000
<b>Total</b>	<b>5,493,099</b>	<b>2,325,000</b>
Required general revenue appropriation	1,323,137	473,889
Actual FY2012 appropriation	1,323,137	1,323,137
<b>Difference/general revenue appropriation</b>	<b>\$0</b>	<b>(\$849,248)</b>

**Information Technology – (COPS)**

**\$600,000**

The Governor recommends an increase of \$600,000 in general revenue over the FY2012 Budget as Enacted for new COPs issuance debt service for three technology initiatives: a new Integrated Tax System, continuing implementation of the RIFANS financial management system, and investment in technology infrastructure in schools. The \$600,000 appropriation reflects an interest-only payment during FY2013. Total requested funding is \$56.5 million to be issued over four years.

Potential COPs Issuance	Project	FY2013	FY2014	FY2015	FY2016	Total
Department of Administration	RIFANS Implementation	\$5.0	\$3.5	\$2.0	\$1.0	\$11.5
Department of Revenue	Integrated Tax System	5.0	6.5	8.0	5.0	24.5
Elementary and Secondary Education	LEA Technology Infrastructure	5.0	5.0	5.0	5.0	20.0
<b>Total</b>		<b>\$15.0</b>	<b>\$15.0</b>	<b>\$15.0</b>	<b>\$11.0</b>	<b>\$56.0</b>

**I-195 Land Purchase**

**\$1.5 million**

The Governor recommends an increase of \$1.5 million in general revenue, over the FY2012 Budget as Enacted, for debt service related to the Economic Development Corporation’s (EDC) \$42.0 million revenue bond to acquire the land made available by the relocation of Route I-195. The land is owned by the Rhode Island Department of Transportation. The intended goal is that through the eventual sale of this land, the EDC will use these proceeds to repay the revenue bonds. Until such time permits, the State will be responsible for the debt service. The \$1.5 million reflects an interest-only payment in FY2013.

*Analyst’s Note: Future State appropriated debt service payments are unknown but should be expected because the timing of the land sales and actual sales proceeds are unknown.*

**LEGAL SERVICES**

Legal Services is responsible for establishing, managing and maintaining legal resources to support all departments and agencies within the executive branch. Legal Services manages and assists attorneys within the departments and agencies that provide legal services in programmatic areas. The Governor recommends 15.6 FTE positions in FY2012 and FY2013, consistent with the enacted level.

<b>Legal Services</b>	<b>General Revenue</b>
FY2012 Enacted	\$1,825,486
<i>Target and Other Adjustments</i>	60,531
Chief of Legal Services	120,978
<b>FY2013 Governor</b>	<b>\$2,006,995</b>

**Chief of Legal Services** **\$120,978**

The Governor recommends an increase of \$120,978 in general revenue, reflecting salary and benefit expenses for a Chief of Legal Services position. The federal Low Income Home Energy Assistance Program (LIHEAP) within the Department's Office of Energy Resources financed approximately 70.0 percent of this position in Legal Services. Approximately 30.0 percent of the personnel costs were financed by general revenues. The subsequent transfer of LIHEAP administration and federal funds to the Department of Human Services leaves the position partially unfunded for FY2013. The Governor recommends the general revenue appropriation to fully fund this position.

### FACILITIES MANAGEMENT

The Division of Facilities Management provides maintenance and operations services at 140 buildings under the direct jurisdiction of the Department of Administration. The areas of responsibility include the State-owned buildings at the Capitol Hill Complex, Pastore Center, Zambarano Campus, Veterans' Home, Ladd Center and numerous other state buildings. The program also includes State Fleet Operations, Environmental Compliance, Asset Protection, and Surplus Property functions. The Governor recommends 113.5 FTE positions in FY2012 and FY2013, consistent with the enacted level.

<b>Facilities Management</b>	<b>General Revenue</b>
FY2012 Enacted	\$31,519,155
<i>Target and Other Adjustments</i>	366,055
Capital Center Utilities	(616,563)
Operating Expenses Net of Utilities	1,421,677
<b>FY2013 Governor</b>	<b>\$32,690,324</b>

**Capital Center Utilities** **(\$616,563)**

The Governor recommends a general revenue appropriation of \$14.4 million to pay the Capital Center utility expenses, reflecting a reduction of \$616,563 from the FY2012 Budget as Enacted. The Governor's recommendation based the Capital Center utility expense reduction on forecasted commodity and utility expenditures.

<b>Operating Supplies and Expenses</b>	<b>FY2012 Enacted</b>	<b>FY2013 GOV</b>	<b>Change</b>
CUF: Overhead	\$3,672,187	\$3,050,115	(\$622,072)
Electricity	351,819	234,612	(117,207)
Fuel: Natural Gas	9,739,910	9,881,870	141,960
Telecommunication Overhead	22,874	45,460	22,586
Telephone Charges	54,711	25,500	(29,211)
Telephone and Telegraph	1,229	1,424	195
Water	1,210,257	1,197,443	(12,814)
<b>Grand Total</b>	<b>\$15,052,987</b>	<b>\$14,436,424</b>	<b>(\$616,563)</b>

**Operating Expenses Net of Utilities****\$1.4 million**

The Governor recommends an increase of \$1.4 million in general revenue, reflecting operating expenses net of utility expenses. The majority of the adjustments occur within four natural accounts.

<b>Operating Expense</b>	<b>FY2012 Enacted</b>	<b>FY2013 GOV</b>	<b>Change</b>
Facilities Management	(656,211)	-	656,211
Property Insurance	267,163	364,800	97,637
Janitorial Supplies & Equipment	178,249	280,012	101,763
Sewer Use	1,597,656	1,691,338	93,682
All Other Adjustments	3,555,607	4,027,991	472,384
<b>Total</b>	<b>\$4,942,464</b>	<b>\$6,364,141</b>	<b>\$1,421,677</b>

- The increase of \$656,211 for Facilities Management is a paper accounting adjustment. The Office of Health and Human Services account for additional revenue to support facilities management costs in the FY2012 Enacted Budget, which was reflected in a “mirror” account. The funds in this “mirror” account should have been distributed across all natural accounts covering personnel, professional contracted services, operating, and capital expenses. These funds should not have been listed as a stand-alone account, but rather in all other natural accounts. The accounting error has been corrected for FY2013, and the revenues supporting these facilities management costs are now distributed in the proper natural accounts. This action appears to increase the facilities management program, whereas the funds are accounted for in other accounts.
- The \$97,637 increase in property insurance cost reflects an increase in the property insurance premium following the revaluation of the State House and Cranston Street Armory, which significantly increased the insurable values.
- The \$101,763 increase in janitorial supplies reflects the exhaustion of stock in the State’s warehouse over the last two years, which resulted in savings through cost avoidance. The stock needs to be replaced.
- The \$42,682 increase in sewer use fees reflects the sewer rate change imposed by the City of Cranston.

**CAPITAL PROJECTS AND PROPERTY MANAGEMENT**

The Division of Capital Projects and Property Management is responsible for the planning, design and construction of new state facilities, and renovations to existing buildings. The program also solicits, negotiates, and administers real estate leases. The program is responsible for a variety of related activities including administering the Building Code Commission, the Contractors’ Registration and Licensing Board, and the Fire Code Board of Appeal and Review.

- 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.



The Governor recommends 33.0 FTE positions in FY2012 and 29.0 FTE positions in FY2013, reflecting the allocation of 4.0 FTE positions to the General program and funded using Rhode Island Capital Plan funds.

<b>Capital Projects and Property Management</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$2,429,894</b>
<i>Target and Other Adjustments</i>	<i>310,416</i>
Cost Allocation to General Program	<i>(555,367)</i>
<b>FY2013 Governor</b>	<b>\$2,184,943</b>

**Cost Allocation to General Program** **(\$555,367)**

The Governor shifts the costs for 4.0 FTE positions that provide services to the State's various capital projects to the General program in FY2013. The shift reflects a reduction of \$555,367, comprised of \$354,803 for salaries and \$200,564 for benefits. The positions are:

<b>Capital Project Positions</b>	<b>FTEs</b>	<b>Amount</b>
Chief, Property Management	1.0	\$179,297
Architect - Building Commission	1.0	117,243
Chief, Facilities Management Officer	1.0	149,881
Architect	1.0	108,945
<b>Total</b>	<b>4.0</b>	<b>\$555,367</b>

*Amount reflects salary and benefit totals.*

*Analyst's Note: The Governor's recommendation includes the use RICAP funds to cover personnel costs. It is unclear how this relates to the State constitutional amendment passed in 2006 that limits the use of the RICAP exclusively to capital projects.*

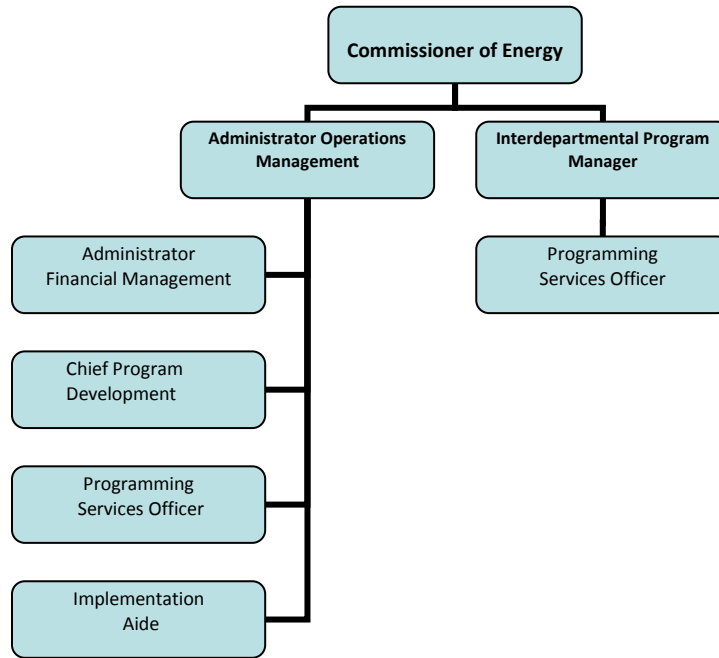
## **ENERGY RESOURCES**

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.

### **Office of Energy Resources Consolidation**

Under Article 4 of the FY2013 Budget, the Governor transfers oversight and administration of all state and federal renewable energy programs to the Office of Energy Resources (OER). This would affect programs within the Department of Environmental Management (DEM), Economic Development Corporation (EDC), and the Energy Efficiency and Resource Management Council (EERMC). The transfer to OER includes the Regional Greenhouse Gas Initiative from DEM and the Renewable Energy Program from EDC. (For further details concerning the Governor's Office of Energy Resources reorganization proposal, please see the Reorganization and Reporting Requirements Analysis.)

Office of Energy Resources – Proposed Organizational Chart



The Governor recommends 16.9 FTE positions in FY2012 and 7.0 FTE positions in FY2013, reflecting the transfer of 8.0 FTEs with the Low-Income Home Energy Assistance Program and the Weatherization Assistance Program to the Department of Human Services, the elimination of 1.0 FTE Commissioner of Energy position, and the elimination of the 0.9 FTE position cost allocation from the Central Management program.

<b>Energy Office</b>	<b>Other Fund Changes</b>
FY2012 Enacted	<b>\$53,551,892</b>
<i>Target and Other Adjustments</i>	
LIHEAP/Weatherization Transfer to DHS	(32,986)
ARRA - Funding Elimination	(11,702,624)
Energy Efficiency and Resource Management Council (EERMC)	1,280,642
Renewable Energy Fund - Administration	250,000
Demand Side Management	3,300,000
<b>FY2013 Governor</b>	<b>\$12,848,205</b>

**LIHEAP/Weatherization Transfer to DHS (federal) (\$33.8 million)**

In accordance with the FY2012 Budget as Enacted, the Governor transfers all authority, and most financial resources, and 8.0 FTE positions for the federal Low-Income Home Energy Assistance Program (LIHEAP) and the Weatherization Assistance Program (WAP) from the Office of Energy Resources (OER) to the Department of Human Services (DHS). The change is part of a larger effort to centralize direct benefit social service programs at DHS. LIHEAP provides heating assistance to eligible low-income individuals and families and WAP provides home weatherization grants and heating system upgrades to eligible low-income individuals and families.

**ARRA – Funding Elimination (federal) (\$11.7 million)**

The Governor recommends an \$11.7 million decrease in Energy Office funds primarily due to the expiration of funds provided through the federal American Recovery and Reinvestment Act (ARRA). The energy programs receiving the greatest decline are: State Energy Plan (\$4.4 million), which received ARRA funds to establish state energy priorities and to support energy efficiency and renewable energy programs; the ARRA Weatherization Program (\$5.0 million), which provided low income and other eligible individuals with weatherization improvements; and the ARRA Energy Conservation Block Grant (\$2.4 million), which allotted funds to all municipalities of the state.

**Energy Efficiency and Resource Management Council (restricted receipts) \$1.3 million**

The Governor transfers oversight and administration of the Energy Efficiency and Resource Management Council (EERMC) to the Office of Energy Resources, though EERMC will remain a separate entity funded by a 2.0 percent systems benefit charge to ratepayers. Established in 2006 under the Comprehensive Energy Conservation, Efficiency, and Affordability Act, the EERMC evaluates and makes recommendations for energy plans and programs; provides stakeholder involvement in energy planning; monitors and evaluates the effectiveness of energy programs; and promotes public awareness of energy issues. Currently, funds from the EERMC provide \$9,000 in personnel support to OER as well as covering the costs for one contract service employee. The Governor's recommendation will increase the amount of personnel to \$518,637, of which \$336,577 will be applied to OER salaries.

*Analyst's Note: On February 15, 2012, the Senate Finance Committee received testimony stating concerns that the transfer and absorption of the EERMC into OER will allow the Department to use ratepayer provided proceeds of the EERMC to fund personnel costs within the OER, instead of using the full receipts on energy efficiency projects that are intended to reduce energy costs to ratepayers.*

**Renewable Energy Fund – Administration (restricted receipts) \$250,000**

The Governor transfers \$250,000 and technical management of the Renewable Energy Fund (REF) at the Economic Development Corporation (EDC) back to the Office of Energy Resources (OER). The increase of \$250,000 in restricted receipts reflects the transfer of funds for the administration of the REF program. The REF provides grants, loans, and other financing for renewable energy projects that produce electricity in a cleaner, more sustainable manner. Specifically, the REF provides incentives for business, commercial and institutional projects, affordable housing developments, municipal renewable energy projects, and technical and feasibility studies.

**Demand-Side Management Grant (restricted receipts) \$3.3 million**

The Governor adds \$3.3 million in restricted receipts for the demand-side management grant for heating assistance, a restricted receipt account funded by a utility assessment and used for appliance management, weatherization, and gas and electric boiler replacement.

**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 Governor recommends 190.5 FTE positions in FY2012 and 184.9 FTE positions in FY2013. The decrease relates to the projected reduction of federal funds in State agencies, i.e. Department of Labor and Training that are used to fund centralized information technology FTE positions in DoIT.

<b>Information Technology</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$19,949,105</b>
<i>Target and Other Adjustments</i>	<i>259,935</i>
Contract Professional Services	(75,945)
RIFANS Contract Services	80,080
<b>FY2013 Governor</b>	<b>\$20,213,175</b>

***Contract Professional Services*** ***(\$75,945)***

The Governor recommends a general revenue appropriation of \$654,580 to fund contracted professional services within DoIT. There are five technical support contractors that support the State's local area network and infrastructure. These contractors support the information technology infrastructure for the Department of Human Services and the Department of Behavioral Health, Developmental Disabilities, and Hospitals. Based on a projection that the State will receive less federal funds, DoIT projects a reduction in the amount of contractor hours for FY2013, resulting in a decrease of \$75,945.

***RIFANS Contract Services*** ***\$80,080***

The Governor includes \$80,080 in general revenue for a part-time Oracle Database Administrator to manage the Department of Administration and the Department of Transportation RIFANS operations. The General Assembly eliminated funding for this position in the FY2012 Budget as Enacted. The Department determined that the security and administrative risks were too great to eliminate funding for the position.

## **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 four subprograms: Statewide Planning, Strategic Planning and Economic Development, Housing and Community 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 the planning and prioritizing of state and federal transportation funding.
- Strategic Planning and Economic Development is involved in all major interest areas using policy analysis and the planning process to prepare issue briefs and draft strategic plans that address current topics of special interest. Housing and Community Development administers the Housing Resources Commission (HRC) and the federal Community Development Block Grant (CDBG) program.
- The HRC 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 CDBG program provides funding to 33 municipalities to address housing and community development needs. This includes the Neighborhood Stabilization Program of the Housing and Economic Recovery Act of 2008, which addresses the impact of foreclosure statewide.
- The FY2012 Budget as Enacted transferred the Water Resources Board (WRB) along with 3.0 FTE positions into the Department of Administration, Division of Planning, and eliminated the Water Resources Board as a separate state agency. The WRB manages the planning and development of twenty-nine major water supply systems and the Big River Management Area.

The Governor recommends 38.7 FTE positions in FY2012 and 38.6 FTE positions in FY2013, reflecting a 0.1 FTE position cost allocation from the Central Management program.

<b>Planning</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$4,075,067</b>
<i>Target and Other Adjustments</i>	<i>(114,941)</i>
<b>FY2013 Governor</b>	<b>\$3,960,126</b>

### **LIBRARY AND INFORMATION SERVICES**

The Office of Library and Information Services (OLIS) is comprised of four subprograms under the jurisdiction of the Chief Information Officer. OLIS coordinates inter-library cooperation, maintains and develops the Rhode Island Library Network, operates the Regional Library for the Blind and Physically Handicapped, and promotes overall library development through various grant-in-aid programs for public and institutional libraries. The Governor recommends 13.0 FTE positions in FY2012 and FY2013, consistent with the enacted level.

<b>Library and Information Services</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$932,971</b>
<i>Target and Other Adjustments</i>	<i>1,018</i>
<b>FY2013 Governor</b>	<b>\$933,989</b>

*Analyst's Note: The 2011 General Assembly instituted a moratorium on approval of library construction projects by the Chief of the Office of Library Services for the period from passage through July 1, 2014.*

### **SELECTED CAPITAL PROJECTS**

The Governor recommends a total of \$366.7 million in projects from prior to FY2012 to FY2017, of which \$172.5 million is from RICAP funds and \$5.7 million is general revenue. Selected projects include:

- \$8.5 million in RICAP funds to demolish buildings A and D at the Pastore Center in Cranston. The buildings have been vacant since 1985 and are in disrepair
- \$6.2 million in RICAP funds to renovate or purchase a new facility for the Board of Elections
- \$17.8 million in RICAP funds for continued renovations to the State House
- \$11.5 million in Certificates of Participation (COPs) for the state's financial accounting system (RIFANS) to enhance the existing system and provide additional finance modules to improve the reporting capabilities. The Governor recommends \$5.0 million in FY2013, and \$6.5 million distributed over FY2014 to FY2016
- \$15.6 million in restricted receipts for the Information Technology Investment Fund, for projects such as a vital records information system at the Department of Health, and an integrated licensing system at the Department of Environmental Management. The Governor recommends \$6.6 million in FY2013 and \$2.0 million each year from FY2014 to FY2017
- \$14.8 million in RICAP funds for the continued renovations to the Veterans' Memorial Auditorium. The Governor recommends \$4.0 million in FY2013, \$3.9 million in FY2014, and \$2.1 million in FY2015

*(For details of the Governor's complete capital proposal, see the Capital Budget Analysis.)*



## Department of Business Regulation

Expenditures by Program	FY2011	FY2012	FY2012	Change from		FY2013	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$1.0	\$1.2	\$1.1	(\$0.1)	-5.8%	\$1.2	(\$0.0)	0.0%
Banking Regulation	1.3	1.6	1.6	(0.0)	-0.1%	1.9	0.3	16.6%
Securities Regulation	0.8	1.1	0.9	(0.2)	-18.8%	1.1	0.0	1.6%
Insurance Regulation	5.4	5.3	5.3	(0.1)	-1.0%	5.4	0.0	0.9%
Board of Accountancy	0.2	0.2	0.1	(0.0)	-17.6%	0.1	(0.1)	-51.7%
Commercial Licensing, Racing & Athletics	0.9	1.2	1.0	(0.2)	-17.2%	1.2	0.0	0.4%
Boards for Design Professionals	0.3	0.2	0.3	0.1	31.1%	0.2	0.0	1.0%
Office of Health Insurance Commissioner	-	7.2	7.2	0.0	0.5%	3.1	(4.1)	-57.5%
<b>Total</b>	<b>\$9.9</b>	<b>\$18.0</b>	<b>\$17.6</b>	<b>(\$0.5)</b>	<b>-2.5%</b>	<b>\$14.1</b>	<b>(\$3.9)</b>	<b>-21.6%</b>
<b>Expenditures by Source</b>								
General Revenue	\$8.1	\$9.4	\$8.8	(\$0.6)	-6.4%	\$9.6	\$0.2	1.9%
Federal Funds	0.5	6.8	6.8	0.0	0.2%	2.5	(4.3)	(0.6)
Restricted Receipts	1.3	1.8	1.9	0.1	7.9%	2.0	0.2	11.2%
Other Funds	-	-	-	-		0.0	0.0	-
<b>Total</b>	<b>\$9.9</b>	<b>\$18.0</b>	<b>\$17.6</b>	<b>(\$0.5)</b>	<b>-2.5%</b>	<b>\$14.1</b>	<b>(\$3.9)</b>	<b>-21.6%</b>
Authorized FTE Levels	93.0	96.0	96.0	-	0.0%	94.0	(2.0)	-2.1%

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

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

### MAJOR ISSUES AND TRENDS FOR FY2013

The Department of Business Regulation (DBR) is primarily a regulatory agency, with the bulk of funding (91.9 percent) going towards personnel expenses. Of the total budget, 72.8 percent is salaries and wages, and another 19.1 percent is contracted professional services. The Governor's recommendation reduces total funding by \$3.9 million, including a \$4.3 million reduction in federal funds, partially offset by increases from general revenue and restricted receipt sources.

The Governor's budget proposal does not include any major policy initiative changes for the DBR. Personnel funding is added to hire authorized FTE positions in the Banking Regulation Division, as these are revenue-producing positions. The proposal eliminates 1.0 federally-funded FTE position (Insurance Regulation) and 1.0 general revenue-funded FTE position (Board of Accountancy). The Governor's recommendation includes authorization for 94.0 FTE positions in FY2013. Federal funds decrease by more than \$4.1 million in the Office of the Health Insurance Commissioner from the FY2012 Budget as Enacted level. However, the Office indicates that a carry-forward request will be forthcoming as they will not use all of the funds in the current fiscal year.

**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. For FY2013, general revenues comprise 98.6 percent of the Central Management budget, and the Governor's proposal reduces general revenue funding by \$16,981 (1.5 percent) from the FY2012 enacted level. The Governor recommends a staffing level of 9.0 FTE positions in FY2012 and FY2013 for the program, unchanged from the enacted levels.

<b>Central Management</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$1,162,041</b>
<i>Target and Other Adjustments</i>	<i>(16,981)</i>
<b>FY2013 Governor</b>	<b>\$1,145,060</b>

**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. For FY2013, general revenues comprise 93.3 percent of the Banking Regulation budget, and the Governor's proposal increases general revenue funding by \$265,528 (18.0 percent) from the FY2012 enacted level. The Governor recommends a staffing level of 15.0 FTE positions in FY2012 and FY2013 for the program, unchanged from the enacted levels.

<b>Banking Regulation</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$1,472,238</b>
<i>Target and Other Adjustments</i>	<i>(25,739)</i>
Personnel	291,267
<b>FY2013 Governor</b>	<b>\$1,737,766</b>

**Personnel** **\$291,267**

The Governor adds \$291,267 in general revenue funding in FY2013 to fully fund the 15.0 FTE positions in the Banking Regulation division. Currently, 4.0 FTE positions are vacant: 1.0 FTE State Chief Bank Examiner, 1.0 FTE Assistant Supervisor of Examinations, and 2.0 FTE Bank Examiner positions. The FY2012 Budget as Enacted includes turnover savings based on an average 3.0 FTE position vacancy rate.

	<b>Salary</b>	<b>Benefits</b>	<b>Total</b>
State Chief Bank Examiner	\$87,964	\$52,120	\$140,084
Assistant Supervisor of Examinations	71,488	45,530	117,018
Bank Examiner	45,448	24,617	70,065
Bank Examiner	45,448	24,617	70,065
<b>Total Salaries</b>	<b>\$250,348</b>	<b>\$146,884</b>	<b>\$397,232</b>

Bank Examiners are revenue producing positions. The Department charges 1.5 times the hourly rate equivalent of salary and benefit costs for actual time worked on an examination. Departmental revenue estimates are based on the Division being fully-staffed for FY2013.



**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. For FY2013, general revenues comprise 98.6 percent of the Securities Regulation budget, and the Governor's proposal increases general revenue funding by \$16,863 (1.6 percent) from the FY2012 enacted level. The Governor recommends 9.0 FTE positions in FY2012 and 10.0 FTE positions in FY2013 for the program. The new position is a licensing aide that will be transferred from the Board for Design Professionals, subsequent to the automation of the licensing function at the Board. The transfer was proposed as part of the FY2012 Budget but did not occur because the CAVU E-licensing system is currently being tested. The system is expected to go live within the next few months.

<b>Securities Regulation</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$1,051,512</b>
<i>Target and Other Adjustments</i>	
<b>FY2013 Governor</b>	<b>16,863</b> <b>\$1,068,375</b>

**COMMERCIAL LICENSING, RACING AND ATHLETICS**

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

For FY2013, general revenues comprise 58.3 percent of the Securities Regulation budget, with restricted receipts comprising the remainder. The Governor's proposal reduces general revenue funding by \$34,415 (4.6 percent) from the FY2012 enacted level. The Governor recommends a staffing level of 11.0 FTE positions in FY2012 and FY2013, consistent with the enacted level.

<b>Commercial Licensing Racing &amp; Athletics</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$753,526</b>
<i>Target and Other Adjustments</i>	
<b>FY2013 Governor</b>	<b>(34,415)</b> <b>\$719,111</b>

**INSURANCE REGULATION**

Insurance Regulation conducts financial examinations of domestic insurance companies to ensure compliance with the 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.

For FY2013, general revenues comprise 75.8 percent of the Insurance Regulation budget, with restricted receipts comprising the remainder. The Governor's proposal increases general revenue funding by \$34,660 (0.9 percent) from the FY2012 enacted level. The Governor recommends 38.0 FTE positions in FY2012 and 37.0 FTE positions in FY2013 for the program. The proposal includes the reduction of 1.0 FTE Director of Consumer Protection/Education federally-funded position.

<b>Insurance Regulation</b>	<b>General Revenue</b>
FY2012 Enacted	\$4,031,865
<i>Target and Other Adjustments</i>	34,660
<b>FY2013 Governor</b>	<b>\$4,066,525</b>

### 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 with passage of the FY2012 Budget.

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 division is also engaged in policy and legislative development, rate hearing administration, regulatory development and promulgation, consumer affairs, and provider affairs.

General revenues comprise 17.7 percent of the Office's budget, with federal funding accounting for 82.0 percent of the FY2013 total. Federal funds decline by \$4.1 million (62.2 percent) from the FY2012 Budget as Enacted. The Governor recommends 9.0 FTE positions in both FY2012 and FY2013 for the Office.

<b>Office of Health Insurance Commissioner</b>	<b>General Revenue</b>
FY2012 Enacted	\$547,168
<i>Target and Other Adjustments</i>	(4,239)
<b>FY2013 Governor</b>	<b>\$542,929</b>

<b>Office of Health Insurance Commissioner</b>	<b>Other Funds Changes</b>
Federal Funds Changes	(\$4,140,474)

### **Federal Funds Changes**

**(\$4.1 million)**

The Governor recommends \$4.1 million in federal funds reductions from the FY2012 Budget as Enacted for the Office of the Health Insurance Commissioner. However, the Office indicates that a carry-forward request will be forthcoming as it will not use all of the funds in the current fiscal year. Through February 26, 2012, \$1.3 million of the \$6.7 million in appropriated funding has been spent or encumbered.

<b>Federal Funds Changes</b>	<b>FY2012 Enacted</b>	<b>Expended or Encumbered through 2/26/12</b>	<b>FY2012 Governor</b>	<b>FY2013 Governor</b>	<b>FY2013 Change to Enacted</b>
Exchange Establishment One Grant	\$5,116,436	\$460,514	\$4,395,632	\$845,036	(\$4,271,400)
Exchange Policy Grant	712,000	421,689	601,552	85,973	(626,027)
Rate Review Grant	826,525	422,212	744,815	123,187	(703,338)
Rate Review Grant II	-	-	987,950	1,460,291	1,460,291
<b>Totals</b>	<b>\$6,654,961</b>	<b>\$1,304,415</b>	<b>\$6,729,949</b>	<b>\$2,514,487</b>	<b>(\$4,140,474)</b>

**Exchange Establishment One Grant and Exchange Policy Grant:** The Governor recommends a total decrease of \$4.9 million for state planning and establishment grants funded through the Patient Protection and Affordable Care Act. According to the Catalog of Federal Domestic Assistance, the grants are to "provide assistance for activities related to establishing an Exchange that facilitates the purchase of qualified health plans, provides for the establishment of a Small Business Health Options

Program (SHOP Exchange), and meets the requirements set forth by the Secretary and the Affordable Care Act.”

**Rate Review Grants:** The Governor recommends a net \$756,953 federal funds increase for rate review grants funded through the Patient Protection and Affordable Care Act. According to the Catalog of Federal Domestic Assistance, the grants are to “assist States in reviewing and, if appropriate under State law, approving premium increases for health insurance coverage, and in providing information and certain data requirements to the HHS Secretary on premium increase patterns. Grant funds may also be used to establish data centers that will compile and publish fee schedule information.”

## 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.

<b>Board of Accountancy</b>	<b>General Revenue</b>
FY2012 Enacted	\$170,668
<i>Target and Other Adjustments</i>	-
Personnel	(88,185)
<b>FY2013 Governor</b>	<b>\$82,483</b>

**Personnel** **(\$88,185)**

The Governor reduces personnel funding for the Board by \$88,185 (51.7 percent) in FY2013. The Governor recommends 2.0 FTE positions in FY2012 and 1.0 FTE position in FY2013, eliminating 1.0 FTE Administrative Officer from the Board. The Department indicates that the Board can use general departmental pooled administrative support staff.

## 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.

General revenues comprise the Boards’ entire budget, and the Governor recommends a \$2,439 (1.0 percent) increase for FY2013. The Governor includes 3.0 FTE positions FY2011 and 2.0 FTE positions in FY2012 for the program. The recommendation reduces 1.0 FTE Administrative Assistant, and is contingent upon the implementation of the automated licensing function, which is expected to be completed by early FY2013. The position elimination was included in the FY2012 Budget as Enacted, however the automation project was delayed.

<b>Design Professionals</b>	<b>General Revenue</b>
FY2012 Enacted	\$247,360
<i>Target and Other Adjustments</i>	2,439
<b>FY2013 Governor</b>	<b>\$249,799</b>



## Department of Labor and Training

Expenditures by Program	FY2011	FY2012	FY2012	Change from		FY2013	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$0.5	\$1.6	\$1.9	\$0.3	18.8%	\$0.8	(\$0.8)	-50.0%
Income Support	860.9	522.2	801.8	279.6	53.5%	509.5	(12.7)	-2.4%
Injured Workers Services	8.0	8.6	9.2	0.6	7.0%	9.2	0.6	7.0%
Labor Relations Board	0.4	0.4	0.4	(0.0)	-0.6%	0.3	(0.1)	-25.5%
Workforce Development Services	40.2	36.0	34.8	(1.2)	-3.3%	29.7	(6.3)	-17.5%
Workforce Regulation and Safety	2.5	2.9	2.8	(0.1)	-3.4%	2.9	-	0.0%
<b>Total</b>	<b>\$912.5</b>	<b>\$571.7</b>	<b>\$850.9</b>	<b>\$279.2</b>	<b>48.8%</b>	<b>\$552.4</b>	<b>(\$19.3)</b>	<b>-3.4%</b>
<b>Expenditures by Source</b>								
General Revenue	\$6.9	\$7.6	\$7.6	\$0.0	0.0%	\$7.6	\$0.0	0.0%
Federal Funds	38.8	48.5	52.5	4.0	8.2%	35.6	(12.9)	-26.6%
Federal Funds (ARRA)	195.3	51.3	160.4	109.1	212.7%	7.9	(43.4)	-84.6%
Restricted Receipts	20.8	17.1	43.5	26.4	154.4%	36.7	19.6	114.6%
Other Funds	650.7	447.2	586.9	139.7	31.2%	464.6	17.4	3.9%
<b>Total</b>	<b>\$912.5</b>	<b>\$571.7</b>	<b>\$850.9</b>	<b>\$279.2</b>	<b>48.8%</b>	<b>\$552.4</b>	<b>(\$19.3)</b>	<b>-3.4%</b>
Authorized FTE Levels	512.2	470.2	470.1	(0.1)	0.0%	364.4	(105.8)	-22.5%

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

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

### MAJOR ISSUES AND TRENDS FOR FY2013

General revenues of \$7.6 million, which represent only 1.4 percent of the Department's total budget, are level-funded from the previous year. Federal funds decreased \$56.3 million, based on Department projections of expiring federal funds. Other funds increase a net \$18.0 million, primarily driven by the payment of interest on the unemployment insurance (UI) fund borrowings from the federal government and a projected increase in Temporary Disability Insurance benefit payments. Restricted receipts increase \$19.6 million, reflecting the portion of the Job Development Assessment collected to pay the interest and principal on the federal UI borrowings.

#### **Staffing Reduction**

The Governor recommends 364.4 FTE positions in FY2013, 105.8 FTE positions less than the FY2012 Budget as Enacted. The reduction reflects a projected loss in federal funding in FY2013, the loss of 37.0 FTE positions in the Workforce Development Services program, and a loss of 68.7 FTE positions in the Income Support programs. The Governor's recommendation also accounts for a 0.1 FTE position error.

#### **Police and Firefighters' Relief Fund**

The Governor recommends passage of Article 16 in the FY2013 Budget, which would create a police and fire relief fund review panel composed of five members selected by the Director of the Department of Labor and Training. The review panel would be responsible for monitoring benefit and tuition payments, and promulgating rules and regulations to establish income and asset eligibility standards in awarding benefit and tuition payments. Article 16 also constrains future expenditures from the police officers' and firefighters' relief funds by limiting future appropriations to the amount provided in the FY2012 Budget as Enacted and by amending language that sets the statutory benefit amount as the cap.

Enacting these changes will result in \$124,150 in general revenue savings for FY2013 and projects out-year savings of approximately \$1.0 million by FY2017. The projected out-year savings reflects the difference between future annuity costs, calculated by assuming a 3.93 percent average growth of the annuity expense, and the cost in the FY2012 Revised Budget. The following table illustrates the projected out-year savings:

<b>Police Officer &amp; Firefighter Relief</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
Annuity Totals (assumes 3.93 percent growth)	\$4,189,085	\$4,313,235	\$4,482,824	\$4,659,081	\$4,842,268	\$5,032,657
Projected Savings		124,150	293,739	469,996	653,183	843,572

### **Unemployment Insurance Trust Fund Loan Repayment**

Title XII of the federal Social Security Act allows states to borrow from the Federal Unemployment Account (FUA) in the event of insufficient State Unemployment Trust Fund reserves. The RI Unemployment Trust Fund has essentially been insolvent since March 2009 because Unemployment Insurance benefit payments have outpaced employer UI contributions. The outstanding principal balance of the FUA borrowing is \$254.7 million as of February 27, 2012. State borrowing may peak at \$297.0 million at the end of April 2012, with the balance dropping to \$200.0 million by the end of CY2012.

<b>State</b>	<b>FUA UI Trust Fund Loans</b>	<b>% of Total Borrowed</b>	<b>Unemployment Rate</b>
California	10,060.2	26.6%	11.1%
New York	3,550.1	9.4%	9.4%
Pennsylvania	3,522.0	9.3%	7.6%
North Carolina	2,668.4	7.1%	9.9%
Illinois	2,255.9	6.0%	9.8%
Ohio	2,171.3	5.7%	8.1%
Indiana	2,011.8	5.3%	9.0%
Florida	1,832.5	4.8%	9.9%
New Jersey	1,428.4	3.8%	9.0%
Wisconsin	1,275.5	3.4%	7.1%
Kentucky	948.7	2.5%	9.1%
Nevada	786.7	2.1%	12.6%
South Carolina	782.5	2.1%	9.5%
Missouri	772.4	2.0%	8.0%
Georgia	736.7	1.9%	9.7%
Connecticut	709.9	1.9%	8.2%
Colorado	382.2	1.0%	7.9%
Arizona	370.2	1.0%	8.7%
Arkansas	330.9	0.9%	7.7%
Virginia	319.7	0.8%	6.2%
<b>Rhode Island</b>	<b>254.7</b>	<b>0.7%</b>	<b>10.9%</b>
Minnesota	177.7	0.5%	5.7%
Michigan	118.3	0.3%	9.3%
Kansas	95.0	0.3%	6.3%
Vermont	77.7	0.2%	5.1%
Delaware	68.0	0.2%	7.4%
Alabama	58.7	0.2%	8.1%
Virgin Islands	32.4	0.09%	<i>not listed</i>
<b>Total</b>	<b>\$37,798.5</b>	<b>100.0%</b>	

*\$ in millions.*

*Source: US Bureau of Labor Statistics, Loans as of February 9, 2012*

*Unemployment rates as of December 2011*

*\* RI Rate as reported of March 5, 2012*

### **FEDERAL FUA UI LOAN ACTIVITY**

As of February 9, 2012, the U.S. Bureau of Labor Statistics reports that \$37.8 billion has been loaned to 27 states and 1 territory by the FUA. As illustrated in the following table, the top 10 states have borrowed \$30.7 billion, or 81.4 percent, of the funds from the FUA. In comparison, the total borrowing for the bottom nine states and 1 territory, including Rhode Island, is \$1.5 billion (4.1 percent) of the funds from FUA.

### **UI Loan Interest Payment**

The federal loans to support the State Unemployment Trust Fund remained interest free through December 31, 2010, but interest began to accrue on January 1, 2011. The State made the first interest payment, totaling \$7.1 million on September 30, 2011 (FY2012). The projected payment for FY2013 is \$7.8 million. To raise funds for the loan interest, the General Assembly passed Article 22 of the FY2011 Budget as Enacted, allowing for the use of 0.30 percent out of the 0.51 percent Job Development Assessment to be used to pay the principal and/or interest due on the advances that the State received from the federal government. This is expected to generate receipts of \$18.0 million annually to pay the interest due on the advances. Any excess raised can be used to pay back the principal.

*Analyst's Note: Last year, President Obama proposed a 2-year deferral of states' interest payments on FUA borrowings and a 2-year postponement of the automatic federal 0.3 percent UI surcharge on employers. If it had passed Congress, the State would have delayed paying \$23.4 million in interest payments and employers would have delayed paying \$27.0 million in UI surcharges. However, Congress did not pass those provisions and Rhode Island employers began paying the additional 0.3 percent FUTA tax on January 31, 2012, on 2011 wages.*

### **CURRENT RHODE ISLAND STATISTICS**

Rhode Island currently provides some of the highest UI benefits in the nation. The state consistently ranks nationally among the top 10 highest UI benefits paid and had the second highest average UI benefits paid in New England in CY2011, but as of January 1, 2012, Rhode Island's maximum weekly UI benefit dropped from the second highest to the third highest in New England.

12 Months Ending 3rd Quarter 2011 Average UI Benefits Paid				12 Months Ending 3rd Quarter 2011 Average Weekly UI Benefits Paid			
State	Amount	New England	National	State	Amount	New England	National
<b>Rhode Island</b>	<b>\$6,108</b>	<b>2</b>	<b>5</b>	<b>Rhode Island</b>	<b>\$361.70</b>	<b>2</b>	<b>5</b>
Connecticut	5,766	3	10	Connecticut	316.91	3	12
Maine	4,363	5	30	Maine	277.83	5	30
Massachusetts	6,987	1	3	Massachusetts	379.35	1	3
New Hampshire	4,008	6	35	New Hampshire	272.80	6	32
Vermont	4,651	4	21	Vermont	285.04	4	28

Maximum Weekly UI Benefit				Maximum Weekly UI Benefit with Dependents Allowance			
State	Amount	New England	National	State	Rate	New England	National
<b>Rhode Island</b>	<b>\$566</b>	<b>3</b>	<b>6</b>	<b>Rhode Island</b>	<b>\$707</b>	<b>2</b>	<b>2</b>
Connecticut	573	2	4	Connecticut	648	3	3
Maine	366	6	35	Maine	549	4	8
Massachusetts	653	1	1	Massachusetts	979	1	1
New Hampshire	427	4	19	New Hampshire*	427	5	26
Vermont	425	5	21	Vermont*	425	6	28

Source: RI Dept. of Labor & Training

\* No dependent's benefit provision

### **Unemployment Insurance Payment Backlog**

In 2009, the General Assembly determined that the Department of Labor and Training was unable to fully process and administer claimant queries regarding unemployment insurance benefits in a timely manner due to the lack of planning by the Department. The General Assembly found that as of January 20, 2009, the Department had in excess of 10,000 internet filed claims, 1,800 individuals awaiting a return telephone call, almost 1,700 emails requiring a response to individuals requesting assistance or information, and an average telephone wait period exceeding 75 minutes.

In order to rectify the escalating problem within the Department, the General Assembly enacted legislation that allowed the Department to hire, on an interim basis, retired Unemployment Insurance employees, for the purpose of alleviating claim loads associated with sustained high unemployment rates. The employment term for the rehired retired UI employees ended on April 8, 2009. The legislation required the Department to file a weekly status report with the Legislature.

The following table illustrates the current claims reported by the Department on March 1, 2012, in comparison to the amounts reported by the Department at the known peak and low periods:

## 40 | DEPARTMENTAL SUMMARIES

Issue	March 1, 2012		Peak	Low	
	Amounts	Amounts	Date	Amounts	Date
Pending Internet claims	587	10,945	February 4, 2009	10	October 20, 2010
Pending telephone responses	149	2,041	February 4, 2009	0	September 29, 2010
Average call wait time (in minutes)	31	78	March 18, 2009	13	October 27, 2010
Pending email responses	115	4,930	February 3, 2010	5	September 22, 2010
Individuals receiving UI benefits	32,269	39,168	March 17, 2010	24,608	November 2, 2011
Individuals eligible and waiting to receive benefits	1,305	2,536	March 18, 2009	108	July 8, 2009

The following table highlights various points of the Department’s weekly compilation of the UI processing reports and compares them to the period when the claims backlog “peaked”.

	UI Process Report				
	Peak 1/28/2009	2/2 - 2/9	Reporting Period 2012 2/9 - 2/15	2/16 - 2/22	2/23 - 2/29
<b>Individual Receiving Benefits</b>					
Unemployment Insurance	16,852	16,771	17,048	17,230	18,819
Emergency Unemployment Compensation 1	4,581	4,730	4,716	4,746	4,813
Emergency Unemployment Compensation 2	4,225	2,984	2,991	2,984	2,951
Emergency Unemployment Compensation 3	-	2,818	2,808	2,696	2,684
Emergency Unemployment Compensation 4	-	1,175	1,177	1,149	1,157
Extended Benefits	1	1,113	1,159	1,157	1,146
High Extended Benefits	-	710	697	693	699
Disaster Unemployment Assistance (DUA)	-	-	-	-	-
<b>Total</b>	<b>25,659</b>	<b>30,301</b>	<b>30,596</b>	<b>30,655</b>	<b>32,269</b>
Eligible in waiting Period	839	1,326	1,260	1,142	1,305
Pending Internet Claims	10,874	663	493	1,105	587
Internet Claims Received	-	1,266	1,067	1,935	1,197
Internet Claims Processed	-	1,426	1,237	1,323	1,715
Return Calls/All Sources	1,809	226	180	130	149
UI Calls/All Sources Received	-	446	346	254	277
UI Calls/All Sources Processed	-	448	392	304	258
UI HELP Emails to Return	1,694	242	156	119	115
UI HELP Emails Received	-	355	242	203	220
UI HELP Emails Processed	-	424	328	240	224
Average Call Wait (minutes)	N/A	31	31	31	31
<b>Interviewers Processing Claims</b>					
Benefit Claims Specialist	13	13	13	13	13
Sr. E & T Interviewer F/T	24	70	70	70	70
Sr. E & T Interviewer P/T	13	16	16	16	16
<b>Office Hours</b>					
Overtime Hours	M-F 8-4PM	M-F 7:30-5PM	M-F 7:30-5PM	M-F 7:30-5PM	M-F 7:30-5PM
Overtime Hours	M-F 7-8AM				
Overtime Hours	M-Th 4-7PM				
Overtime Hours	Sat 8-3PM				

### FY2012 BUDGET AS ENACTED UI REFORMS

In March 2010, the Employment Security Advisory Council (ESAC) reviewed nine options to return the UI Trust Fund to solvency. The Governor included Article 4 in the FY2012 proposed budget to implement these options. On May 27, 2011, the Governor amended Article 4, modifying the two employer tax rate changes and eliminating the proposed changes affecting the maximum weekly



dependent's allowance. The General Assembly further provided technical amendments to the article to include current law language that was previously deleted in the article.

The article reduced the surcharge cost on employers by \$45.0 million over the next four years. In addition, the changes reduce interest payments by \$8.5 million and reduce the State's total UI benefits paid by \$355.6 million. These changes result in repaying the federal loans by 2015, and create a \$115.9 million reserve in the UI Trust Fund which would increase to \$541.1 million by 2020.

The taxable wage base changes began on January 1, 2012, and:

- Eliminate the current taxable wage base table and replace it with a set taxable wage base at 46.5 percent of the average annual wage and maintain it at that level going forward. This will generate additional revenue of \$1.0 million in 2012. This action increased the taxable wage base from \$19,000 to \$19,600. *(The Governor's original budget article would have replaced the current taxable wage base table with an adjustable one based on the average annual wage that would increase the taxable wage base 1.0 percentage point annually from 47.0 percent of the statewide average to 50.0 percent by 2015.)*
- Raise the taxable wage base for the highest tax rated group (those that pay the highest UI rate of 10.0 percent) to \$1,500 above the taxable wage base for all other employers, estimated to increase annual revenue by \$1.5 million. *(The Governor's original budget article would have raised the taxable wage base for the highest tax rated group to \$3,000.)*

The UI benefit changes would begin July 1, 2012, and:

- Freeze the maximum weekly benefit and reduce the percentage going forward used in calculating the amount each year from 67.0 percent to 57.5 percent of the statewide average weekly wage. This would generate savings of \$1.1 million in FY2012.
- Reduce the weekly benefit amount formula over a three-year period, from 4.62 percent to 3.85 percent of the highest quarter, essentially changing the calculation for the weekly benefit amount from 60.0 percent to 50.0 percent of lost wages. This would save \$2.7 million in FY2012 and over \$25.1 million once it is fully implemented.
- Modify the calculation of the weekly benefit from the highest quarter to the average of the two highest quarters in the base period, thereby mitigating the impact of overtime and bonuses, resulting in savings of \$2.2 million, commencing in FY2012.
- Increase the number of weeks an individual has to work in the base period to qualify for the 26 week maximum duration of unemployment benefits from 43.4 weeks to 47.3 weeks. This is estimated to save \$2.3 million annually, commencing in FY2013.
- Delay a claimant's ability to collect UI benefits for up to 26 weeks, by allocating the use of severance pay in lieu of a person's ability to begin collecting UI benefits. Currently, severance pay does not impede a person's ability to collect UI benefits. This would save \$1.1 million in FY2012 and save approximately \$2.0 million annually.
- Require individuals discharged voluntarily or for misconduct to complete eight weeks of work with earnings at least equal to the benefit amount. (This proposal is intended to make it more difficult for high-wage earners to re-qualify for benefits.) There is no savings estimate available for this proposal.

*Analyst's Note: The Governor's original budget article proposed to reduce an individual's maximum weekly dependent's allowance from 5.0 percent to 3.0 percent per dependent, over a two-year period. This would have reduced the maximum weekly dependent adjustment from \$27.00 to \$16.00 per dependent and save \$2.7 million annually, but the General Assembly removed this item from the Governor's amended article.*

**CENTRAL MANAGEMENT**

The Central Management program is responsible for supervising, coordinating, and monitoring all departmental functions. The Central Management program provides leadership, management, strategic planning, and control of departmental activities. The Governor recommends 3.0 FTE positions in FY2012 and in FY2013, consistent with the FY2012 Budget as Enacted.

<b>Central Management</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$113,640</b>
<i>Target and Other Adjustments</i>	<i>(6,330)</i>
<b>FY2013 Governor</b>	<b>\$107,310</b>

**WORKFORCE DEVELOPMENT SERVICES**

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

The Governor recommends 140.9 FTE positions in FY2012 and 115.0 FTE positions in FY2013 for the program. The decrease reflects the termination of 37.0 FTE positions, partially offset by the cost allocations of 11.1 FTE positions from other department programs. The 37.0 FTE position reductions are due to the projected loss of federal funds.

<b>Workforce Development Services</b>	<b>Other Fund Changes</b>
FY2012 Enacted	<b>\$36,033,528</b>
<i>Target and Other Adjustments</i>	<i>(100,304)</i>
Personnel	<i>(2,473,979)</i>
Operating Transfers	<i>(600,238)</i>
Workforce Assistance Grants	<i>(3,510,475)</i>
Human Resources Investment Council	<i>368,332</i>
<b>FY2013 Governor</b>	<b>\$29,716,864</b>

**Personnel (federal funds) (\$2.5 million)**

The Department projects a reduction in the availability of federal funds for the Workforce Development Services program in FY2013. As such, the Department requested less funding for personnel costs. The Governor concurred with the Department's projection and recommends a reduction of \$2.5 million and 37.0 FTE positions in FY2013, consistent with the FY2012 Budget as Enacted.

**Operating Transfers (federal funds) (\$600,238)**

The Governor recommends a reduction of \$600,238, reflecting a \$445,421 reduction in federal Workforce Investment Act (WIA) funds for the federal Adult Program and Dislocated Workers Programs, and a reduction of \$154,817 for federal Trade Readjustment Act funds. These funds are received by the state to fund adult and dislocated worker programs and Trade Readjustment Act programs at the State's institutions of higher education. The recommendation is composed of a \$179,108 reduction in program transfers to the Community College of Rhode Island, a reduction of \$151,187 to the University of Rhode Island, and a reduction of \$269,943 to Rhode Island College.

**Workforce Assistance Grants (federal funds) (\$3.5 million)**

The Governor recommends a reduction of \$3.5 million in the Workforce Development Services assistance and grants, which reflects a decrease in federal Workforce Investment Act (WIA) funds.

**Human Resources Investment Council (restricted receipts) \$368,332**

The Governor recommends a restricted receipt increase of \$368,332 in the Human Resource Investment Council (HRIC) – Phase II program. The change reflects the projected increase in Job Development Fund collections for FY2013. The Department, through the Governor’s Workforce Board Rhode Island (GWBRI), will use the funds for additional workforce training opportunities for businesses. The Department anticipates that the additional funds will be distributed to programs such as the Incumbent Worker Training program or for the Workforce Expansion Program. However, the exact details have not yet been formalized by the GWBRI.

*Analyst’s Note: The Governor’s Workforce Board Rhode Island (GWBRI) is the administrative body managing the disbursement of funds raised from the Job Development Assessment that funds the Human Resources Investment Council. The GWBRI supplanted the statutorily created Human Resources Investment Council (HRIC). In 2005, to meet the requirement of the federal Workforce Investment Act of 1998, Governor Carcieri issued Executive Order 05-18, to unify the mandates defined by the U.S. Department of Labor’s Workforce Investment Act and by the statutes creating the HRIC into a single board, named the Governor’s Workforce Board Rhode Island. The GWBRI receives both federal and state funding.*

The state appropriation for the GWBRI/HRIC is derived from the Job Development Assessment and from the carry-forward of unexpended funds from the previous fiscal year. Over the last four fiscal years, proceeds from the Job Development Assessment have averaged \$10.8 million per year. The GWBRI is projected to receive \$11.9 million in FY2013, of which \$11.8 million is derived from the Job Development Assessment and \$146,309 reflects the carry-forward of funds from FY2012. The Department projects FY2013 end of year balance of \$163,064.

				FY2012	FY2012
Job Development Assessment	FY2009	FY2010	FY2011	Projected	Projected
Assessment Collections	\$9.6	\$10.5	\$11.7	\$11.4	\$11.8
Carry-forward Prior Fiscal Year	\$9.6	\$5.8	\$1.2	\$2.0	\$0.1

**Adult Literacy Funding:** In the FY2012 Budget as Enacted, the General Assembly eliminated the \$2.3 million general revenue appropriation within the Rhode Island Department of Education (RIDE) to fund the Adult Literacy program. The General Assembly directed the GWBRI to provide \$2.3 million in unobligated HRIC restricted receipts to fund the Adult Literacy program in FY2012. This action increased the HRIC funding to RIDE from \$3.5 million to \$5.8 million.

In the FY2013 Budget, the Governor restores \$2.0 million in general revenue to fund the Adult Literacy program at RIDE. The reduced appropriation matches historical expenditure levels.

*Analyst’s Note: Article 24 of the FY2012 Budget as Enacted requires the HRIC to “develop and maintain a comprehensive inventory and analysis of workforce development activities in the state no later than December 1, 2011, to support the biennial report in subsection 42-102-9 (h).” The analysis is to include demographics on the population served, identify funding sources used for the programs, the range of services provided, and examine the role of the employer in workforce development activities. The Article requires the plan to be submitted to the Governor and General Assembly by March 15, 2012.*

*On February 17, 2012, the GWBRI/HRIC requested that the deadline be extended to September 30, 2012, to allow the GWBRI flexibility in completing the upcoming GWBRI Strategic Plan Update, to allow the GWBRI to work on other high priority items, and to allow the new GWBRI Executive Director and Chairperson time to gain experience before producing the Biennial Plan.*

**WORKFORCE REGULATION AND SAFETY**

The Workforce Regulation and Safety Program enforces laws relating to professional regulation, labor standards, occupational health and safety, and certification of weights and measures. The Governor recommends 27.6 FTE positions in FY2012 and 28.2 FTE positions in FY2013, reflecting a minor cost allocation change in the program.

<b>Workforce Regulation and Safety</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$2,901,435</b>
<i>Target and Other Adjustments</i>	<i>93,117</i>
<b>FY2013 Governor</b>	<b>\$2,994,552</b>

**INCOME SUPPORT**

The Income Support program encompasses all functions and activities related to Unemployment Insurance, Temporary Disability Insurance, and the Police and Firefighters' Relief Funds. The Governor recommends 253.2 FTE positions in FY2012 and 172.8 FTE positions in FY2013 for the program, reflecting the a reduction of 68.7 FTE positions due to the loss of federal funds and a net FTE cost allocation reduction to other Department programs of 11.7 FTE positions.

<b>Income Support</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$4,163,873</b>
<i>Target and Other Adjustments</i>	<i>4,398</i>
Police and Firefighters' Relief Fund	78,097
<b>FY2013 Governor</b>	<b>\$4,246,368</b>
<b>Income Support</b>	<b>Other Fund Changes</b>
FY2012 Enacted	<b>\$517,989,778</b>
<i>Target and Other Adjustments</i>	<i>(3,069,508)</i>
Employment Security Trust Funds (other funds)	14,290,548
Employment Security Trust Funds (federal funds)	(42,533,000)
UI Trust Fund Interest Payment (other funds)	18,572,493
<b>FY2013 Governor</b>	<b>\$505,250,311</b>

**Police and Firefighters' Relief Fund****\$78,097**

The Governor adds \$78,097 in general revenue to cover the projected net increase in Police and Firefighters' annuity and tuition benefits. This reflects an increase of \$82,717 in the annuity and tuition benefits paid to the families of deceased or injured police officers and firefighters, offset by a decrease of \$4,620 in annuity benefit payments.

	FY2012 Enacted	FY2013 Gov	FY2013 Gov to FY2012
<b>Police Officers' Relief Fund</b>			
Police Officer Annuities	\$931,500	\$937,125	\$5,625
Tuition Benefits	217,704	257,184	39,480
Supplemental Pension	-	5	5
<b>Total</b>	<b>\$1,149,204</b>	<b>\$1,194,314</b>	<b>\$45,110</b>
<b>Firefighters' Relief Fund</b>			
Firefighter Annuities	\$2,510,500	\$2,500,250	(\$10,250)
Tuition Benefits	451,284	494,521	43,237
Supplemental Pension	-	-	-
<b>Total</b>	<b>\$2,961,784</b>	<b>\$2,994,771</b>	<b>\$32,987</b>
<b>Grand Total</b>	<b>\$4,110,988</b>	<b>\$4,189,085</b>	<b>\$78,097</b>

Under RIGL 45-19, the spouse of a deceased police officer or firefighter receives an annual annuity of \$3,600 per year for as long as they remain unmarried, or if there is no spouse a total sum not exceeding \$10,000 is payable to the parent(s) of the deceased police officer or firefighter. In addition, an annuity of \$1,200 per year is paid to each 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.

*Analyst's Note: The Governor recommends passage of Article 16 in the FY2013 Budget, which would constrain future expenditures from the police officers' and firefighters' relief funds by limiting future appropriations to the amount provided in the FY2012 Budget as Enacted and by amending language that sets the statutory benefit amount as the cap.*

#### **Employment Security Trust Fund (other funds)**

**\$14.3 million**

The Governor recommends a \$14.3 million net increase in expenditures from the Employment Security Trust Fund as compared to the FY2012 Budget as Enacted. The Governor's recommendation reflects a \$2.2 million decrease in unemployment insurance (UI) benefit payments due to several factors including the expiration of federal funding for emergency unemployment compensation benefits and the exhaustion of benefits by many long-term unemployed individuals. Other adjustments include an increase of \$10.0 million in Temporary Disability Insurance (TDI) payments and include an increase of \$5.5 million for federal civilian employee layoffs and for former military personnel as troops return from the wars in Iraq and Afghanistan.

*Analyst's Note: The Labor Market Information (LMI) office in the Department of Labor and Training is reviewing the projections for TDI payments, examining year-to-date benefit payment data. The LMI indicates that TDI payments have trended downward over the past several months. The Department will continue to review the data and may offer a budget amendment to reduce the TDI appropriation for FY2013.*

#### **Employment Security Trust Fund (federal funds)**

**(\$42.5 million)**

The Governor recommends a \$42.5 million reduction in expenditures from the Employment Security Trust Fund as compared to the FY2012 Budget as Enacted. The Governor's recommendation reflects the cessation of the federal Extended Unemployment Compensation funds on February 28, 2012.

*Analyst's Note: President Obama recently signed legislation authorizing an extension of the federal Extended Unemployment Compensation (EUC) benefits. When the Department originally projected the receipt and expenditure of EUC funds, the program was scheduled to cease February 28, 2012. The new expiration date is December 31, 2012. A budget amendment is anticipated that will increase the federal fund expenditures to December 31, 2012.*

**UI Trust Fund Interest Payment (other funds)****\$18.6 million**

The Governor recommends \$18.6 million in other funds for the payment of interest on the Federal Unemployment Administration (FUA) loans from the federal government to maintain the solvency of the state's Unemployment Trust Fund. The \$18.6 million portion is generated from the 0.3 percent of the 0.51 percent Job Development Assessment.

*Analyst's Note: In FY2012, the State made the first interest payment, totaling \$7.1 million on September 30, 2011 (FY2012). The projected payment for FY2013 is \$7.8 million. The receipts generated by the 0.3 percent portion of the Job Development Assessment exceed the amount of the State's interest payment. The balance remains in the Job Development Fund in a separate account that can only be used for the payment of interest on the loan or for the loan principal. Eventually, the unused funds will be applied to the loan principal. Once the funds are used for principal repayment, they are gone.*

*The Department is researching the federal loan provisions to see if it may be possible to either make a repayment later this year to classify the State's 2012 borrowings as a short-term cash flow loan. If it is possible, the reclassified designation would allow these funds to be borrowed interest free or try to freeze the employer tax credit reduction at 0.6 percent for next year.*

**INJURED WORKERS SERVICES**

The Injured Workers Services program operates the state's Workers' Compensation System. The Donley Rehabilitation Center provides rehabilitation services, including evaluations, therapy, and counseling for workers injured on the job. A Workers' Compensation Education Unit provides information to workers and employers regarding workers' compensation laws and regulations. The Governor recommends 43.4 FTE positions in FY2012 and FY2013, consistent with the FY2012 Budget as Enacted.

<b>Injured Workers Services</b>	<b>Other Fund Changes</b>
FY2012 Enacted	<b>\$8,555,089</b>
<i>Target and Other Adjustments</i>	<i>336,017</i>
Contracted Professional Services	150,000
Claims and Settlements	110,000
<b>FY2013 Governor</b>	<b>\$9,151,106</b>

**Contracted Professional Services (restricted receipts)****\$150,000**

The Governor recommends an increase of \$150,000 in restricted receipts for contracted services for information technology mainly related to software design to complete the Re-Write project.

**Claims and Settlements (restricted receipts)****\$110,000**

The Governor recommends an increase of \$110,000 in restricted receipts for claims and settlements reflecting the projected claims for FY2013 based on the aging of the population of the Second Injury fund recipients.

**LABOR RELATIONS BOARD**

The Labor Relations Board 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 Governor recommends 2.0 FTE positions in FY2012 and FY2013, consistent with the enacted level.

<b>Labor Relations Board</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$396,538</b>
<i>Target and Other Adjustments</i>	<i>(10,095)</i>
Eliminate Board Compensation	<i>(94,258)</i>
<b>FY2013 Governor</b>	<b>\$292,185</b>

***Eliminate Board Compensation*** ***(\$94,258)***

Article 23 in the Governor's FY2013 Budget eliminates compensation to the members of the Labor Relations Board, effective July 1, 2012. RIGL 28-7-7 authorizes compensation for six board members of the Labor Relations Board as established by the Unclassified Pay Plan Board.

<b>Board Member</b>	<b>Salary</b>	<b>FICA &amp; Medicare</b>	<b>Accrual</b>	<b>Total</b>
Commissioner	\$15,301	\$1,171	\$60	\$16,532
Chairperson	15,190	1,162	60	16,412
Commissioner	14,660	1,122	60	15,842
Commissioner	14,020	1,072	63	15,155
Commissioner	14,020	1,072	66	15,158
Commissioner	14,020	1,072	65	15,157
<b>Total</b>	<b>\$87,211</b>	<b>\$6,671</b>	<b>\$376</b>	<b>\$94,258</b>

The total annual compensation received by the Board members is \$94,258, comprising \$87,211 in total salary and benefits of \$7,047 for FICA, Medicare, and payroll accrual costs. Board members will continue to be reimbursed for travel, incidental, and clerical expenses.

**SELECTED CAPITAL PROJECTS**

The Governor recommends a total of \$3.4 million in projects between FY2012 and FY2017, \$2.5 million of which is RICAP funds. The projects include:

- \$1.7 million (\$770,000 in RICAP funds) in FY2012 for the Center General slate roof replacement
- \$1.7 million in RICAP funds between FY2012 and FY2016 for a Center General Asset Protection plan. The plan is comprised of nine projects to address deficiencies throughout buildings 68, 69, and 71, housing both the Department of Labor and Training and the Department of Business Regulation

*(For details of the Governor's complete capital proposal, see the Capital Budget Analysis.)*





## Department of Revenue

<b>Expenditures by Program</b>	<b>FY2011 Actual</b>	<b>FY2012 Enacted</b>	<b>FY2012 Governor</b>	<b>Change from Enacted</b>		<b>FY2013 Governor</b>	<b>Change from Enacted</b>	
Director of Revenue	\$0.6	\$0.8	\$0.8	(\$0.0)	-0.9%	\$0.8	(\$0.0)	-0.1%
Lottery Division	224.0	218.5	227.8	9.3	4.3%	232.7	14.2	6.5%
Municipal Finance	2.1	1.9	2.6	0.7	35.9%	2.1	0.2	8.5%
Office of Revenue Analysis	0.4	0.4	0.4	(0.0)	-2.0%	0.5	0.1	23.5%
Registry of Motor Vehicles	19.4	18.9	20.1	1.2	6.2%	19.9	1.0	5.3%
State Aid	-	55.5	58.1	2.5	0.0	56.0	0.5	0.9%
Taxation	22.0	20.6	20.7	0.1	0.6%	21.3	0.7	3.5%
<b>Total</b>	<b>\$268.5</b>	<b>\$316.7</b>	<b>\$330.5</b>	<b>\$13.8</b>	<b>4.4%</b>	<b>\$333.3</b>	<b>\$16.7</b>	<b>5.3%</b>
<b>Expenditures by Source</b>								
General Revenue	\$35.1	\$92.6	\$96.5	\$3.9	4.2%	\$95.0	\$2.4	2.6%
Federal Funds	1.1	2.6	2.2	(0.5)	-17.9%	2.6	(0.1)	-2.7%
Federal Funds - ARRA	0.0	0.0	0.0	0.0		0.0	0.0	
Restricted Receipts	4.8	1.9	2.2	0.3	18.2%	1.9	0.1	3.2%
Other Funds	227.4	219.6	229.6	10.0	4.6%	233.9	14.3	6.5%
<b>Total</b>	<b>\$268.5</b>	<b>\$316.7</b>	<b>\$330.5</b>	<b>\$13.8</b>	<b>4.4%</b>	<b>\$333.3</b>	<b>\$16.7</b>	<b>5.3%</b>
Authorized FTE Levels	426.5	434.5	449.0	14.5	3.3%	458.0	23.5	5.5%

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

The Department of Revenue was created as a separate department within the executive branch of government as part of the FY2007 Budget as Enacted. The Department is headed by a Director who is appointed by the Governor subject to the advice and consent of the Senate. The Department has seven program functions consisting of the Director's Office, the Lottery Division, Municipal Finance (formerly property valuation), the Office of Revenue Analysis, the Registry of Motor Vehicles, the Division of Taxation, and included as part of the FY2012 Budget as Enacted, the State Aid program.

### MAJOR ISSUES AND TRENDS FOR FY2013

The Governor's budget for the Department of Revenue includes a number of changes for FY2013. The Division of Municipal Finance adds 6.0 FTE positions to undertake municipal audits; and funding for Central Falls decreases, representing the anticipated end of the Receivership. Funding for potential legal challenges remains in FY2013. An increasing number of communities are requiring State assistance to navigate fiscal challenges. The City of East Providence has a fiscal overseer and budget commission, and the cities of Woonsocket and Pawtucket face current-year cash-flow challenges.

The budget for the Division of Taxation adds personnel to expand taxpayer compliance and enforcement, and includes funding for the Division to advertise and undertake the proposed tax amnesty period later in the year. The Division is in the first year of implementing personal income tax changes that were enacted in 2010 and became effective for tax year 2011. The Governor includes capital plan funding beginning in FY2013 to install an Integrated Tax System which will enhance tax compliance and collections.

The Division of Motor Vehicles continues to implement the Rhode Island Motor Vehicle System (RIMS) database upgrade; however, delays and cost overruns plague the project, and no new timelines or budgets have been identified. The General Assembly included \$150,000 in the FY2012 Budget as Enacted for consultant services to explore alternatives and develop a plan for enhanced customer service delivery by the Division. To date the funding has not been spent, and instead the Governor added 14.5 unbudgeted FTE positions in FY2012 to enhance customer service at the Division of Motor Vehicles.

**DIRECTOR OF REVENUE**

The Office of the Director is responsible for the administration of the Department. Functions include personnel management and legal support for the Department of Revenue. The Governor recommends 6.0 FTE positions in FY2012 and FY2013 for the program, consistent with the FY2012 Budget as Enacted.

<b>Director of Revenue</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$784,261</b>
<i>Target and Other Adjustments</i>	<i>(873)</i>
<b>FY2013 Governor</b>	<b>\$783,388</b>

**OFFICE OF REVENUE ANALYSIS**

The Office of Revenue Analysis analyzes the State's tax systems and revenue streams. The Office prepares the biennial Tax Expenditures Report, cost-benefit analyses of tax proposals, and fiscal notes for revenue-related legislation. The Office houses and is the primary operator of the State's Sales Tax and Personal Income Tax models. The Office is currently behind schedule in issuing the 2012 Tax Expenditures Report and the 2012 Unified Economic Development Budget Report. The Governor recommends 4.0 FTE positions in FY2012 and FY2013 for the program, consistent with the FY2012 Budget as Enacted.

<b>Office of Revenue Analysis</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$435,910</b>
<i>Target and Other Adjustments</i>	<i>(17,625)</i>
Senior Revenue Analyst Position	120,000
<b>FY2013 Governor</b>	<b>\$538,285</b>

**Senior Revenue Analyst Position** **\$120,000**

The Governor recommends \$120,000 in personnel funding for FY2013 to fill an authorized but unfunded Senior Revenue Analyst position in the Office of Revenue Analysis. The position has only been filled for six weeks since creation of the Office in FY2006. Office of Revenue Analysis staff indicate that holding the position vacant leads to delayed publishing of various reports and revenue maximization efforts. The Governor's proposal assumes that the position would be vacant for four pay periods in FY2013.

**LOTTERY DIVISION**

The Rhode Island Lottery was created in 1974 and was transferred into the Department of Revenue in 2006. The Lottery is responsible for promoting and selling games, including Daily Numbers, Keno, and instant games (scratch tickets), multi-state pool games (PowerBall and MegaMillions), and the authorization and licensing of video lottery terminals (VLTs) at Twin River and Newport Grand. No general revenues support the Division: it is entirely funded with other funds. The Governor recommends 53.0 FTE positions in FY2012 and FY2013 for the program, consistent with the FY2012 Budget as Enacted.

<b>Lottery Division</b>	<b>Other Funds</b>
FY2012 Enacted	<b>\$218,537,728</b>
<i>Target and Other Adjustments</i>	<i>268,447</i>
Commission Payments	13,938,793
<b>FY2013 Governor</b>	<b>\$232,744,968</b>

**Commission Payments (other funds)****\$13.9 million**

The Governor recommends an additional \$13.9 million in other funds for Lottery prize payments based on the results of the November 2011 Revenue Estimating Conference.

**DIVISION OF MUNICIPAL FINANCE**

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

The Division has played a pivotal role in managing the Receivership of the City of Central Falls, and an increasing number of communities are requiring State assistance to navigate fiscal challenges. The City of East Providence has a fiscal overseer and budget commission, and the cities of Woonsocket and Pawtucket face current-year cash-flow challenges.

The Governor recommends 11.0 FTE positions in FY2012 and 16.0 FTE positions in FY2013 for the program. The proposal includes 5.0 new Investigative Auditor FTE positions for FY2013.

<b>Municipal Finance</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$1,902,940</b>
<i>Target and Other Adjustments</i>	<i>64,350</i>
Investigative Auditors	495,940
Central Falls Contract Services	(398,450)
<b>FY2013 Governor</b>	<b>\$2,064,780</b>

**Investigative Auditors****\$495,940**

The Governor recommends funding for 6.0 FTE Investigative Auditor positions in FY2013. One FTE position is added but unfunded in FY2012, and the additional 5.0 FTE positions are included for FY2013. The proposal includes \$495,940 for salaries and benefits, representing ten months of funding in FY2013. The Governor includes two months of turnover savings from anticipated hiring delays.

The auditors will analyze municipal audits, focusing primarily on pension and other post-employment benefit obligations. Responsibilities also include analyzing and reporting on findings from the five-year forecast that municipalities must submit to the Division; implementing municipal electronic reporting to the Division; analyzing school budgets and other school related issues in terms of its impact on municipalities; providing fiscal oversight to municipalities in fiscal distress; and researching the potential for regionalization of municipal services.

**Central Falls Contract Services****(\$398,450)**

The Director of the Department of Revenue appointed a receiver for the City of Central Falls on July 16, 2010, under the provisions of RIGL 45-9. The law provides for “the state to provide a mechanism for the state to work with cities and towns undergoing financial distress that threatens the fiscal well-being, public safety and welfare of such cities and towns, or other cities and towns or the state, with the state providing varying levels of support and control depending on the circumstances.”

The Governor reduces the FY2012 Budget as Enacted by \$398,450 for contract legal services for Central Falls in FY2013. No funds are included for the state-appointed Receiver, however \$300,000 in contract legal services funding is included for potential legal challenges in the post-bankruptcy period.

	FY2011	FY2012 Enacted	FY2012 Governor	Change from Enacted	FY2013 Governor	Change from Enacted
Receiver	\$196,619	\$210,000	\$290,000	\$80,000	\$0	(\$210,000)
Contract Legal Services	768,662	488,450	800,000	311,550	300,000	(188,450)
<b>Total</b>	<b>\$965,281</b>	<b>\$698,450</b>	<b>\$1,090,000</b>	<b>\$391,550</b>	<b>\$300,000</b>	<b>(\$398,450)</b>

## DIVISION OF TAXATION

The Division of Taxation assesses, collects and enforces the State's tax laws. It is responsible for promulgating rules and regulations and preparing taxpayer forms and instructions; registering and recording taxpayer accounts; assessing and collecting taxes due; and, enforcing non-compliance through audits and liens. The Governor recommends 203.0 FTE positions in FY2012 and 207.0 FTE positions in FY2013 for the program. The Governor adds 4.0 new Tax Investigator FTE positions in FY2013.

Taxation	General Revenue
FY2012 Enacted	\$17,323,623
<i>Target and Other Adjustments</i>	5,234
Tobacco Enforcement Task Force	275,368
Tax Amnesty Implementation	300,000
Reallocation of Tax Preparation Staff to Audit Unit	Informational
<b>FY2013 Governor</b>	<b>\$17,904,225</b>

### **Tobacco Enforcement Task Force**

**\$275,368**

The Governor adds 4.0 FTE Tax Investigator positions to the Tobacco Enforcement Task Force, at a cost of \$68,842 in salaries and benefits per position. The additional \$275,368 in costs are offset by an estimated \$2.9 million in additional revenue collections resulting from increased cigarette tax enforcement.

Cigarette tax evasion is estimated to cost the State multi-millions annually: one trafficking operation identified in 2011 was estimated to have cost the state \$5.7 million in lost revenue. The main forms of tax evasion are cigarette stamp counterfeiting, cross-border smuggling, and unstamped products. The Division has explored alternative methods to improve tax compliance, and has determined that enhanced field enforcement is the most cost-effective means of enhancing collections.

In addition to the personnel, the Division will implement a Tobacco Tax Tip hotline to allow concerned citizens to make anonymous reports of potential tax violations. The added field enforcement and hotline are estimated to raise \$2.9 million in additional revenue, and also assist with state compliance with the tobacco Master Settlement Agreement under which the State agreed to diligently enforce tobacco tax laws.

### **Tax Amnesty Implementation**

**\$300,000**

The Governor proposes a tax amnesty program for a 75-day period from September 1 through November 15, 2012. Under the program, civil and criminal penalties for non-compliance with state tax laws would be forgiven, and interest owed would be reduced by 25.0 percent. The Governor estimates \$10.9 million in additional one-time revenue collections from the amnesty period. The estimated revenue gains are projected in the following tax categories:

**Tax Amnesty**

<b>Revenue Source</b>	<b>Estimated Collections</b>
Personal Income Tax	\$3,012,820
Business Taxes	383,273
Sales and Use Tax	4,422,830
Inheritance and Gift Tax	248,959
Fines and Penalties: Interest	2,827,042
Hotel Tax	47,348
<b>Total</b>	<b>\$10,942,272</b>

The State last held a tax amnesty period between September 1, 2006, and November 15, 2006, and collected \$9.8 million. When calculating the estimated FY2013 revenue impact, collection rates from the 2006 amnesty period were applied against accounts receivable as of June 30, 2011.

In addition to state tax collections, the amnesty period is estimated to generate \$311,636 for local governments. This includes \$56,366 in outstanding hotel taxes, \$180,391 in outstanding meals and beverage taxes, and \$74,878 in interest.

The Governor's budget recommendation includes \$300,000 to administer the amnesty program, including \$150,000 for advertising, \$75,000 for postage and printing costs, and \$75,000 for temporary employees.

**Reallocation of Tax Preparation Staff to Audit Unit****Informational**

The Governor eliminates tax preparation services at the Division of Taxation and reallocates 2.0 FTE Revenue Agents to the Office Audit section of the Division. In 2011, the Division of Taxation provided state tax form preparation services at no cost to 5,973 taxpayers. The Governor's proposal notes that two groups, the American Association for Retired Persons, and the Internal Revenue Service's Volunteer Income Tax Assistance Program, would continue to offer free tax preparation services.

The Revenue Agents would shift to the Office Audit section to enhance compliance and revenue collection. The average Revenue Agent generated \$1.3 million in FY2011. The Governor's proposal assumes a six-month training and ramp-up period for the Agents, and includes half of the annual estimated additional revenue collection amount in FY2013.

**DIVISION OF MOTOR VEHICLES**

The Division of Motor Vehicles is responsible for issuing, suspending and revoking of all motor vehicle licenses and registrations and runs the motor vehicle inspection program. The Division operates a main branch in Cranston, and satellite branches in Middletown, Wakefield, Warren, and Woonsocket. The General Assembly added funding in the FY2012 Budget as Enacted to operate a branch in Westerly for one day per week, which is anticipated to open in the third quarter of FY2012. Additionally, AAA offers some license and registration DMV services at select branch locations. State law requires the Division of Motor Vehicles to issue new license plates for all passenger vehicles by September 1, 2013. The Governor's budget does not include funding to meet the plate reissuance timeline. The Governor recommends a staffing level of 172.0 FTE positions in FY2012 and FY2013 for the program, a 14.5 FTE position increase from the FY2012 Budget as Enacted.

<b>Division of Motor Vehicles</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$17,574,304</b>
<i>Target and Other Adjustments</i>	
	<i>(71,073)</i>
Personnel	280,149
DMV Staff Expansion (14.5 FTE positions)	841,795
Rhode Island Motor Vehicle System (RIMS)	Informational
License Plate Reissuance	Informational
School Bus Reinspection Fee	Informational
<b>FY2013 Governor</b>	<b>\$18,625,175</b>

**Personnel** **\$280,149**

The FY2012 Budget as Enacted included a 5.25 percent turnover rate for the Division of Motor Vehicles. The Governor recommends a reduction in anticipated turnover savings to 3.0 percent, requiring an additional \$378,121 in personnel funding in FY2013. The additional funding is partially offset by reduced overtime requirements in FY2013. The Governor recommends a net personnel funding increase of \$280,149.

**DMV Staff Expansion (14.5 FTE positions)** **\$841,795**

In a May 25, 2011, FY2012 budget amendment, the Governor requested an additional 25.0 FTE customer service positions for the DMV. The General Assembly did not include the funding or positions, but added \$150,000 to fund 2.0 FTE positions, and \$150,000 for consultant services to explore alternatives and develop a strategic plan for enhanced customer service delivery by the Division. Despite this, the Division of Motor Vehicles hired 14.5 unbudgeted FTE positions on October 24, 2011, in an effort to reduce wait times at the DMV. The positions are projected to cost \$595,543 in FY2012, increasing to \$841,795 in FY2013. As of February 20, 2012, the request for proposals for the consultant services still remains in draft form and has not been issued.

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

The Division of Motor Vehicles is replacing its separate customer databases with a new Rhode Island Motor Vehicle System (RIMS). RIMS is a relational database that combines information from what is now stored in separate systems and is intended to provide for more efficient processing, tracking, payment, and security upgrades. The project originally began in FY2007, and since that time the vendor has changed twice (companies were purchased), and the current estimated completion date is unknown. Initial modules were delivered and tested but were determined to be substandard in September 2009. The Director of the Department of Revenue indicated, in an April 2011 Senate Finance Committee hearing, that the system is a “couple of years” from completion. This was reiterated to the Special Senate Commission to Study the Division of Motor Vehicles during hearings in December 2011.

The State will have spent \$15.4 million on RIMS through FY2012, not inclusive of the \$1.9 million in interest costs for the Certificates of Participation that are being paid through the Department of Administration between FY2011 and FY2017.

*Analyst's Note: The Department has been unable to identify a revised timeline and estimated cost associated with the RIMS project.*

**License Plate Reissuance** **Informational**

Under RIGL 31-3-33, the DMV is required to issue new reflective license plates for all registered vehicles beginning September 1, 2013, and every 10 years thereafter. The law was revised in 1995 to require plate reissuances every 10 years, and in 2009 the General Assembly required a full reissuance in

2011. In the FY2012 Budget as Enacted, the General Assembly changed the first full reissuance requirement from 2011 to 2013.

In 2011 the Department of Revenue projected a minimum cost for a full reissuance at \$4.9 million, partially offset by anticipated revenues of \$1.6 million. A full reissuance was estimated to result in a net loss of \$3.3 million in FY2012. Additional costs for the redesign of the plates were not included in the analysis; however, a plate redesign would be required to ensure compliance. No funding for the plate reissuance is included in the Governor's budget, nor is there legislation extending or eliminating the required full reissuance in FY2013.

*Analyst's Note: Department of Revenue staff indicate that an amendment letter from the Governor will be forthcoming that will request a delay to the license plate reissuance requirements.*

### **School Bus Reinspection Fee**

**Informational**

The Division of Motor Vehicles (DMV) inspects approximately 1,700 school buses two times per year. Each bus is subject to a visual inspection and a physical inspection, each at no cost to the bus owners. DMV data indicates a 46.0 percent failure rate for inspections.

The Governor proposes a \$100 re-inspection fee for all failed school bus inspections. The DMV projects that the implementation of a re-inspection fee will result in increased initial inspection compliance, and bases the revenue estimate on an assumed 34.5 percent failure rate. Based on these assumptions, the DMV will assess the fee for 587 school bus violations in FY2013, increasing general revenue collections by \$58,650.

*Analyst's Note: Article 25 does not indicate who would pay the fee: the bus owner, operator or school district. Presumably responsibility for the fee would become a subject of future school bus contracts and could result in increased costs to school districts.*

### **STATE AID**

Beginning in the FY2012 Budget as Enacted, the budget for the Department of Revenue includes funding for a number of State Aid payments that were previously budgeted in the Department of Administration. No FTE positions are associated with the program.

<b>State Aid</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$54,589,867</b>
<i>Target and Other Adjustments</i>	
Property Revaluation	486,032
<b>FY2013 Governor</b>	<b>\$55,075,899</b>

Of note, the Governor includes \$2.6 million in funding in the FY2012 Supplemental Budget for a stabilization payment for Central Falls retirees, to be distributed over a five-year period. Additional information on the supplemental payment can be found in the FY2012 Supplemental Budget section of this report.

Aid Category	Type	FY2012 Enacted	FY2012 Governor	FY2013 Governor	Change
Motor Vehicle Excise Tax Payments - Municipal	Appropriated State Aid	\$10,000,000	\$10,000,000	\$10,000,000	\$0
Property Revaluation Program	Appropriated State Aid	1,125,000	1,004,286	1,611,032	486,032
Payments in Lieu of Tax Exempt Property	Appropriated State Aid	33,080,409	33,080,409	33,080,409	-
Distressed Communities Relief Fund	Appropriated State Aid	10,384,458	10,384,458	10,384,458	-
Central Falls Stabilization Payment	Community Aid	-	2,636,932	-	-
Car Rental Tax/Surcharge - Warwick Share	Pass-Thru Aid	957,497	957,497	957,497	-
<b>Total</b>		<b>\$55,547,364</b>	<b>\$58,063,582</b>	<b>\$56,033,396</b>	<b>\$486,032</b>

### Property Revaluation

**\$486,032**

The Governor recommends \$1.6 million for municipal property revaluations, an increase of \$486,032 from the FY2012 Budget as Enacted. 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 following communities are scheduled for revaluations in FY2013:

Community	FY2013
East Providence	\$190,176
Little Compton	37,956
Providence	657,872
Scituate	54,480
Warren	52,788
Warwick	469,884
Westerly	147,876
<b>Total</b>	<b>\$1,611,032</b>

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

### SELECTED CAPITAL PROJECTS

The Governor recommends a total of \$27.8 million in capital projects between FY2012 and FY2017, including:

- \$25.0 million between FY2013 and FY2017 for an Integrated Tax System for improved collections and compliance
- The final \$1.7 million in scheduled RIMS funding (additional funding will likely be required, though no estimated additional costs have been detailed)
- \$519,579 in FY2012 to complete the DMV main registry building at the Pastore Center

*(For details of the Governor's complete capital proposal, see the Capital Budget Analysis.)*



## Legislature

<b>Expenditures by Program</b>	<b>FY2011 Actual</b>	<b>FY2012 Enacted</b>	<b>FY2012 Governor</b>	<b>Change from Enacted</b>		<b>FY2013 Governor</b>	<b>Change from Enacted</b>	
Auditor General	\$4.6	\$5.3	\$5.2	(\$0.1)	-2.4%	\$5.5	\$0.2	4.7%
Fiscal Advisory Staff	1.4	1.6	1.7	0.0	1.2%	1.7	0.1	5.0%
General Assembly	6.3	6.7	6.7	0.0	0.6%	6.0	(0.7)	-10.4%
Joint Comm. on Legislative Aff.	18.2	20.1	23.1	3.0	14.8%	22.1	2.0	9.7%
Legislative Council	4.2	4.4	5.0	0.6	12.9%	5.2	0.7	16.7%
Special Legislative Commissions	0.0	0.0	0.0	0.0	1.0%	0.0	0.0	1.0%
<b>Total</b>	<b>\$34.7</b>	<b>\$38.2</b>	<b>\$41.7</b>	<b>\$3.5</b>	<b>9.1%</b>	<b>\$40.5</b>	<b>\$2.3</b>	<b>6.1%</b>
<b>Expenditures by Source</b>								
General Revenue	\$33.1	\$36.5	\$40.0	\$3.5	9.5%	\$38.8	\$2.2	6.1%
Restricted Receipts	1.6	1.6	1.6	(0.0)	0.0%	1.8	0.1	6.7%
<b>Total</b>	<b>\$34.7</b>	<b>\$38.2</b>	<b>\$41.7</b>	<b>\$3.5</b>	<b>9.1%</b>	<b>\$40.5</b>	<b>\$2.3</b>	<b>6.1%</b>
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 Affairs 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 FY2013

The Governor's FY2013 Budget proposal includes \$40.5 million for the General Assembly, of which \$38.8 million is general revenue and \$1.8 million is restricted receipts. The FY2013 budget is a net increase of \$2.3 million above the FY2012 Budget as Enacted, and funds 298.5 FTE positions, consistent with FY2012.

The Governor's FY2012 Supplemental Budget includes a \$3.5 million increase in funding. Net of a legally-required \$3.8 million reappropriation of the FY2011 general revenue balance, the proposal reduces funding by \$368,192 in the current fiscal year, primarily in personnel.



## Lieutenant Governor

<b>Expenditures by Program</b>	<b>FY2011 Actual</b>	<b>FY2012 Enacted</b>	<b>FY2012 Governor</b>	<b>Change from Enacted</b>		<b>FY2013 Governor</b>	<b>Change from Enacted</b>	
Lt. Governor's Office	\$890,413	\$1,090,172	\$1,075,725	(\$14,447)	-1.3%	\$1,104,018	\$13,846	1.3%
<b>Expenditures by Source</b>								
General Revenue	\$890,413	\$965,940	\$951,109	(\$14,831)	-1.5%	\$962,955	(\$2,985)	-0.3%
Federal Funds	0	124,232	124,616	384	0.3%	141,063	16,831	13.5%
<b>Total</b>	<b>\$890,413</b>	<b>\$1,090,172</b>	<b>\$1,075,725</b>	<b>(\$14,447)</b>	<b>-1.3%</b>	<b>\$1,104,018</b>	<b>\$13,846</b>	<b>1.3%</b>
Authorized FTE Levels	8.0	8.0	8.0	0.0	0.0%	8.0	0.0	0.0%

The Office of the Lieutenant Governor is one of the five general offices subject to voter election under the Constitution of Rhode Island. The Lieutenant Governor fulfills the executive responsibilities of the Governor upon his/her death, resignation, impeachment or inability to serve. The Lieutenant Governor also chairs and serves on various commissions and advisory boards, and the Office initiates legislation and assumes advocacy and leadership roles in a number of policy areas. The Lieutenant Governor was appointed by the Governor to Chair the Rhode Island Healthcare Reform Commission. The Governor recommends 8.0 FTE positions for both FY2012 and FY2013 in his proposal, consistent with the FY2012 Budget as Enacted.

### MAJOR ISSUES AND TRENDS FOR FY2013

The Lieutenant Governor chairs the Rhode Island Healthcare Reform Commission, which is a group comprised of more than 100 healthcare professionals with a goal to provide accessible and affordable healthcare to all Rhode Islanders under the framework of federal healthcare reform. The Lieutenant Governor also 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 budget is relatively consistent from year to year and is comprised almost entirely of personnel costs.

In the FY2012 Budget as Enacted the General Assembly added \$124,232 in federal funds and 1.0 FTE position in FY2012 for personnel costs associated with the Health Policy Director position. The Director is working on federal healthcare reform initiatives and implementation. Funding and the FTE positions authorization continue in FY2013 under the Governor's proposal.

<b>Office of the Lieutenant Governor</b>	<b>General Revenue</b>
FY2012 Enacted	\$965,940
<i>Target and Other Adjustments</i>	<i>(2,985)</i>
<b>FY2013 Governor</b>	<b>\$962,955</b>



## Office of the Secretary of State

<b>Expenditures by Program</b>	<b>FY2010 Actual</b>	<b>FY2011 Enacted</b>	<b>FY2011 Governor</b>	<b>Change from Enacted</b>		<b>FY2012 Governor</b>	<b>Change from Enacted</b>	
Administration	\$1.9	\$2.1	\$2.0	(\$0.1)	-4.9%	\$2.0	(\$0.0)	-2.4%
Corporations	1.9	1.9	2.2	0.3	17.9%	2.1	0.2	9.4%
Elections and Civics	1.7	1.4	1.6	0.1	8.5%	2.0	0.6	39.7%
Office of Public Information	0.3	0.3	0.3	0.0	1.6%	0.4	0.0	7.3%
State Archives	0.5	0.6	0.6	0.0	1.2%	0.6	0.0	6.8%
State Library	0.6	0.6	0.6	0.0	1.8%	0.6	(0.0)	-2.9%
<b>Total</b>	<b>\$7.0</b>	<b>\$6.9</b>	<b>\$7.3</b>	<b>\$0.4</b>	<b>5.5%</b>	<b>\$7.6</b>	<b>\$0.7</b>	<b>10.8%</b>

### Expenditures by Source

General Revenue	\$6.6	\$6.4	\$6.7	\$0.3	5.0%	\$7.1	\$0.7	11.0%
Federal Funds	0.0	0.0	0.1	0.1		0.0	-	
Restricted Receipts	0.4	0.5	0.5	0.0	1.4%	0.5	0.0	7.9%
<b>Total</b>	<b>\$7.0</b>	<b>\$6.9</b>	<b>\$7.3</b>	<b>\$0.4</b>	<b>5.5%</b>	<b>\$7.6</b>	<b>\$0.7</b>	<b>10.8%</b>

Authorized FTE Levels	57.0	57.0	57.0	-	0.0%	57.0	-	0.0%
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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 FY2013

The proposed budget for the Secretary of State has no significant new initiatives. FY2012 has funding for the completion of the Quick Start master permit application system, and initial implementation funding for Voter ID compliance. The Governor includes \$568,022 in additional general revenue funding for the Elections and Civics division, largely to administer the November 2012 general election.

The Governor recommends 57.0 FTE positions, consistent with the enacted level, in both FY2012 and FY2013 for the Office. The Governor's proposal fully funds all FTE positions for the entire fiscal year: there are no budgeted turnover savings. Through the January 28, 2012 pay period, the Office has averaged 2.4 vacant FTE positions for the fiscal year. For FY2011, the Office averaged 2.3 vacant FTE positions for the fiscal year.

### ADMINISTRATION

The Administration program provides operational support for the Office, including personnel management; fiscal management and budget preparation; information technology support; constituent affairs response; communications and media relations; and policy development and legislative affairs. The Governor recommends a staffing level of 14.3 FTE positions in both FY2012 and FY2013 for the program.

<b>Administration</b>	<b>General Revenue</b>
FY2012 Enacted	\$2,056,734
<i>Target and Other Adjustments</i>	<i>(49,629)</i>
<b>FY2013 Governor</b>	<b>\$2,007,105</b>

## CORPORATIONS

The Corporations Division is the official State repository for business and commercial records, and maintains a searchable database that includes articles of incorporation and entity annual reports. The Division also houses the First Stop Information Center, a referral service for existing and potential small business owners; the Uniform Commercial Code Unit for tangible property lien tracking; and a Notary and Trademark application program.

The Division is currently developing an online master permit application system (Quick Start) for small business start-ups, which was originally scheduled to be operational in FY2011. The completion date has moved to February 2012, and the Governor recommends a \$190,000 reappropriation from FY2011 to FY2012 to finish the project. The Governor recommends a staffing level of 20.4 FTE positions in both FY2012 and FY2013 for the Division, consistent with the FY2012 Budget as Enacted.

<b>Corporations</b>	<b>General Revenue</b>
FY2012 Enacted	\$1,891,380
<i>Target and Other Adjustments</i>	<i>177,351</i>
Quick Start Master Permit Application System	Informational
<b>FY2013 Governor</b>	<b>\$2,068,731</b>

### **Quick Start Master Permit Application System**

**Informational**

The Office of the Secretary of State is implementing an online master permit application system (Quick Start) that will allow individuals who are opening businesses to enter basic information one time into a permit database. Currently, applicants have to enter information in numerous forms, depending upon the type of business. The State has 307 business-related forms. The system will be completed in the third quarter of FY2012. The Governor reappropriates \$190,000 in remaining FY2011 information technology consultant funding to FY2012 to complete the project. No additional funding is required in FY2013.

## 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 (87.1 percent in FY2013) with the Historical Records Trust restricted receipt account. General revenue funding (\$79,385 in FY2013) is budgeted for rental of outside property for archives storage space. The Governor recommends a staffing level of 3.4 FTE positions in both FY2012 and FY2013 for the Division, consistent with the FY2012 Budget as Enacted.

<b>State Archives</b>	<b>General Revenue</b>
FY2012 Enacted	\$79,385
<i>Target and Other Adjustments</i>	<i>-</i>
<b>FY2013 Governor</b>	<b>\$79,385</b>

**STATE LIBRARY**

The State Library provides reference and research services about law, legislation, rules and regulations, government reports, and state history. The Library is an official Federal Government Publications Depository and State Publications Clearinghouse. The Governor recommends a staffing level of 4.0 FTE positions in both FY2012 and FY2013 for the Library, consistent with the FY2012 Budget as Enacted.

<b>State Library</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$581,844</b>
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<i>Target and Other Adjustments</i>	<i>(16,628)</i>
<b>FY2013 Governor</b>	<b>\$565,216</b>

**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 because FY2013 is a general election year. The Governor recommends a staffing level of 7.0 FTE positions in both FY2012 and FY2013 for the Division, consistent with the FY2012 Budget as Enacted.

<b>Elections &amp; Civics</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$1,432,530</b>
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<i>Target and Other Adjustments</i>	<i>27,696</i>
Elections Operating Supplies and Expenses	625,276
Redistricting Expenses	(100,000)
Rhode Island Government Owner's Manual	15,050
Voter ID Implementation	Informational
<b>FY2013 Governor</b>	<b>\$2,000,552</b>

***Elections Operating Supplies and Expenses* \$625,276**

The Governor recommends a general revenue increase of \$625,276 for FY2013 in the Elections Division for expenses related to the November 2012 (FY2013) general election. The largest cost increases are for printing and mailing of ballots and referenda materials. The funding estimates are based on actual costs from the 2010 elections.

<b>Election Costs</b>	<b>FY2013</b>
Ballot Printing	\$461,450
Elections Mailing	40,100
Referenda Mailing	55,000
Referenda Printing	65,000
Other Costs	3,726
<b>Total</b>	<b>\$625,276</b>

***Redistricting Expenses* (\$100,000)**

The Governor recommends a reduction of \$100,000 in general revenue funding for contract services in the Elections and Civics Division to reflect the completion of the state redistricting process that is taking place in FY2012. The funds are used to make enhancements to the Central Voter Registry System (CVRS), which is a web-based statewide voter registration system. The Office verifies the accuracy of

street files received from cities and towns, and makes corresponding changes in the CVRS to reflect new district boundary configurations.

**Rhode Island Government Owner's Manual**

**\$15,050**

The Governor recommends \$15,050 in general revenue funding for the Office to print the Rhode Island Government Owner's Manual. The Secretary of State, through its Elections and Civics Division, is required under RIGL 22-3-12 to "prepare in each odd-numbered year a legislative manual for the use of the General Assembly, containing the rolls of membership, the committees, the rules and orders, and any other matter that the Secretary may think proper." The law requires that the Office print 10 copies for each member of the General Assembly and 40 copies for the Governor. Beyond that, the number of printed copies is left to the discretion of the Office. It generally prints between 5,000 and 6,000 copies for public distribution, and the Division makes them available online.

**Voter ID Implementation**

**Informational**

The Governor adds \$150,000 in general revenue funding in the FY2012 Supplemental budget for equipment purchases to allow the Office to comply with recently-enacted Voter ID requirements (RIGL 17-19-24.2). Voter ID requires that the Secretary of State issue free voter photo identification cards and inform the public about requirements that voter present identification at polling places. Voters lacking proper identification may fill out a provisional ballot, which is subject to verification prior to votes being counted. The law requires that voters have:

<b>Eligible Forms of Voter Identification</b>	<b>Valid Dates</b>
<b>Photo Identification</b>	
RI Driver's License	Valid as of 2012
RI Voter ID Card	Valid as of 2012
US Passport	Valid as of 2012
Photo ID from US Educational Institution	Valid as of 2012
US Military ID	Valid as of 2012
ID issued by US or RI	Valid as of 2012
Government-issued Medical Card	Valid as of 2012
<b>Non- Photo Identification</b>	
Birth Certificate	Valid until 2014
Social Security Card	Valid until 2014

*Analyst's Note: The Budget Office issued a "Fiscal Note for Proposed Administrative Rules" on November 1, 2011, indicating that the Office would require \$50,000 in additional annual operating funding to meet Voter ID mandates. No additional operating appropriations are included for FY2013.*

**OFFICE OF PUBLIC INFORMATION**

The Office of Public Information is designed to make government more open and accessible. State law requires many documents to be filed with the Office, including lobbying disclosures, public meeting notices and minutes, disclosure of state government consultants, and appointments to boards and commissions. The Governor recommends a staffing level of 3.0 FTE positions in both FY2012 and FY2013 for the Office, consistent with the FY2012 Budget as Enacted.

<b>Office of Public Information</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$334,439</b>
<i>Target and Other Adjustments</i>	<i>24,445</i>
<b>FY2013 Governor</b>	<b>\$358,884</b>



**RECORDS CENTER**

The Records Center is an internal service program funded with internal service funds; no general revenues fund program activities. Inactive records of state agencies are stored at the State Records Center, administered by the Public Records Administration. Inactive records are records that departments and agencies no longer require immediate access to, but that are not yet eligible for disposal because of administrative, fiscal or legal requirements. Access to these records is provided only through the expressed permission of the originating state agency. The Governor recommends a staffing level of 4.9 FTE positions in both FY2012 and FY2013 for the program, consistent with the FY2012 Budget as Enacted.



## Office of the General Treasurer

Expenditures by Program	FY2011	FY2012	FY2012	Change from		FY2013	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Crime Victims Compensation Program	\$1.8	\$2.5	\$2.2	(\$0.3)	-12.0%	\$2.1	(\$0.4)	-16.0%
General Treasury	2.7	2.7	2.8	0.1	5.1%	2.7	0.0	1.4%
Employees' Retirement System	6.6	12.1	12.7	0.6	4.8%	12.6	0.5	3.9%
Unclaimed Property	16.9	15.9	23.7	7.8	49.1%	20.2	4.3	27.0%
<b>Total</b>	<b>\$28.0</b>	<b>\$33.2</b>	<b>\$41.4</b>	<b>\$8.2</b>	<b>24.8%</b>	<b>\$37.6</b>	<b>\$4.4</b>	<b>13.3%</b>
<b>Expenditures by Source</b>								
General Revenue	\$2.3	\$2.3	\$2.5	\$0.2	10.1%	\$2.2	(\$0.1)	-3.1%
Federal Funds	1.1	1.1	1.1	(0.0)	-0.7%	1.2	0.1	8.3%
Restricted Receipts	24.4	29.6	37.6	8.0	27.0%	33.9	4.3	14.5%
Other Funds	0.2	0.2	0.2	0.0	3.8%	0.3	0.1	37.0%
<b>Total</b>	<b>\$28.0</b>	<b>\$33.2</b>	<b>\$41.4</b>	<b>\$8.2</b>	<b>24.8%</b>	<b>\$37.6</b>	<b>\$4.4</b>	<b>13.3%</b>
Authorized FTE Levels	82.0	82.0	82.0	-	0.0	82.0	-	0.0

\$ 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.

### MAJOR ISSUES AND TRENDS FOR FY2013

The General Treasurer completed the move of all Treasury operations, other than the State House office, from leased office space at 40 Fountain Street, Providence, to the state-owned building at 50 Service Road, Warwick. 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, making them sustainable for members and affordable for taxpayers. The Act overlays the defined benefit program with a new defined contribution program. Teachers, state employees and MERS municipal plans will participate in this new structure. Corrections officers, State Police, judges and MERS public safety personnel would not have a defined contribution program. TIAA-CREF was chosen by the State Investment Commission as the vendor to administer the new defined contribution program.

### GENERAL TREASURY

The General Treasury program provides administrative support to the entire agency to ensure operational efficiency and fiscal integrity. The Governor recommends a staffing level of 21.4 FTE positions in FY2012 and in FY2012, consistent with the FY2012 Budget as Enacted.

General Treasury	General Revenue
FY2012 Enacted	\$2,190,137
Target and Other Adjustments	(93,763)
<b>FY2013 Governor</b>	<b>\$2,096,374</b>

### EMPLOYEES' RETIREMENT SYSTEM

The Employees' Retirement System of Rhode Island (ERSRI) administers retirement, disability, survivor, and death benefits to eligible state employees and public school teachers. Participating municipal

employees are covered under the Municipal Employees' Retirement System (MERS). ERSRI also administers the judicial and state police retirement plans, and the Teachers' Survivor Benefit program for teachers who are not covered under Social Security. The Governor recommends a staffing level of 46.5 FTE positions in FY2012 and in FY2013, consistent with the FY2012 Budget as Enacted.

<b>Employees' Retirement System</b>	<b>Other Fund Changes</b>
FY2012 Enacted	<b>\$12,122,801</b>
<i>Target and Other Adjustments</i>	<i>127,822</i>
Defined Contribution Plan - Administration Costs	570,598
Actuarial and Legal Services	248,000
Information Technology	115,000
New Computer System	(591,348)
<b>FY2013 Governor</b>	<b>\$12,592,873</b>

***Defined Contribution Plan - Administration Costs (restricted receipts)*** **\$570,598**

The Governor includes \$570,598 for personnel and operating expenses to administer the new employees' Defined Contribution Plan (DC Plan) created under the Rhode Island Retirement Security Act (RIRSA) of 2011. Federal regulations require that the DC Plan's administrative costs be derived separately from the trust funds comprising the employees' Defined Benefit Plan (DB Plan). Although specifics regarding the collection of the DC Plan restricted receipts are not known, these funds would be derived from fees charged to the DC Plan fund managers and from service fees charged to the employees.

***Actuarial and Legal Services (restricted receipts)*** **\$248,000**

The Governor adds \$40,000 for actuarial services and \$208,000 for legal service costs in response to the recent legislative changes to the state retirement system and for anticipated litigation associated with the pension reforms.

***Information Technology (restricted receipts)*** **\$115,000**

The Governor adds \$115,000 for information technology services to upgrade the current Anchor computer system to a new system.

***New Computer System (restricted receipts)*** **(\$591,348)**

The Governor recommends \$4.0 million in anticipated restricted receipt expenditures in the FY2012 Supplemental Budget and in the FY2013 Budget to replace the 10-year-old state retirement computer system. This is \$591,348 less than the amount appropriated in the FY2012 Budget as Enacted and projected under current service expenses for FY2013. The current system's software is outdated and was designed to address only periodic changes to pension law. In addition, the current system lacks new technology advancements in personal information security. All costs associated with the computer system replacement will be drawn from the Retirement Trust Fund.

*Analyst's Note: The actual cost to replace the existing computer system remains unknown, and Treasury acknowledges that the cost could exceed \$4.0 million. The bid review, vendor selection, and contract negotiations are underway during FY2012. The \$4.0 million appropriation is a "place-holder amount." The exact expenditure for the computer system upgrade will be clearer at a future date. Amounts not expended in a fiscal year cannot be "rolled over" to the following fiscal year. RIGL 36-8-10.1 limits the amount of expenditures that can be withdrawn from the retirement trust fund for the administration (personnel, operating, and capital expenses) of the retirement system to 17.5 percent of 1.0 percent of the average total investments in the preceding five years.*

**UNCLAIMED PROPERTY**

The Unclaimed Property program is responsible for collecting abandoned property and acts as custodian for both tangible and intangible property. The mission of the program is to return the abandoned property to its rightful owners. The Governor recommends a staffing level of 9.9 FTE positions in FY2012 and in FY2013, consistent with the FY2012 Budget as Enacted.

<b>Unclaimed Property</b>	<b>Other Fund Changes</b>
FY2012 Enacted	<b>\$15,940,148</b>
<i>Target and Other Adjustments</i>	<i>34,112</i>
November 2011 Revenue Estimating Conference Adjustments	4,208,351
<b>FY2013 Governor</b>	<b>\$20,182,611</b>

**November 2011 Revenue Estimating Conference Adjustments (restricted receipts) \$4.2 million**

Based on testimony received at the November 2011 Revenue Estimating Conference, Treasury indicated that the audit fees for FY2013 are projected to generate \$1.3 million, reflecting the remittance of special one-time revenues from a multi-state examination of the nation's largest insurance companies, in addition to the traditional unclaimed property remittance. The Conference spread the projected revenues from this one-time occurrence between FY2012 and FY2013. The result is an increase of \$555,556 in FY2012 and \$444,444 in FY2013. Also, based on the Conference projections, transfers increase \$3.7 million, claim payouts increase \$1.9 million, and the change in liability decreases (\$1.8 million), resulting in a net change of \$4.2 million.

**CRIME VICTIMS COMPENSATION**

The Crime Victims Compensation program compensates innocent victims of violent crimes for certain expenses that are attributable to the crime. Compensation may be used to cover funeral, medical, and counseling expenses incurred by victims or their family members. The maximum award for each criminal incident is capped at \$25,000. The Governor recommends a staffing level of 4.2 FTE positions in FY2012 and 4.3 FTE positions in FY2013, reflecting a change in the internal FTE cost allocation among Treasury programs.

<b>Crime Victims Compensation</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$110,715</b>
<i>Target and Other Adjustments</i>	<i>23,266</i>
<b>FY2013 Governor</b>	<b>\$133,981</b>

<b>Crime Victims Compensation</b>	<b>Other Funds Changes</b>
FY2012 Enacted	<b>\$1,200,000</b>
Claim Payouts	(300,000)
<b>FY2013 Governor</b>	<b>\$900,000</b>

**Claim Payouts (restricted receipts) (\$300,000)**

The Governor recommends an appropriation of \$900,000 for claims payouts in the FY2012 Supplemental and FY2013 budgets. This is \$300,000 less than the amount appropriated in the FY2012 Budget as Enacted and the current services projection for FY2013. Claims payouts were \$413,445 in FY2010, \$607,107 in FY2011, and are currently \$346,610 in FY2012. Treasury projects total claim payouts of \$900,000 for FY2012.



## Board of Elections

<b>Expenditures by Program</b>	<b>FY2011 Actual</b>	<b>FY2012 Enacted</b>	<b>FY2012 Governor</b>	<b>Change from Enacted</b>		<b>FY2013 Governor</b>	<b>Change from Enacted</b>	
Board of Elections	\$3.4	\$1.9	\$1.8	(\$0.1)	-5.3%	\$1.9	\$0.0	0.0%
<b>Expenditures by Source</b>								
General Revenue	\$3.3	\$1.8	\$1.7	(\$0.1)	-5.3%	\$1.9	\$0.1	5.6%
Federal Funds	0.1	0.1	0.1	-	0.0%	-	(\$0.1)	-100.0%
<b>Total</b>	<b>\$3.4</b>	<b>\$1.9</b>	<b>\$1.8</b>	<b>(\$0.1)</b>	<b>-5.3%</b>	<b>\$1.9</b>	<b>\$0.0</b>	<b>0.0%</b>
Authorized FTE Levels	11.0	12.0	11.0	(1.0)	-8.3%	11.0	(1.0)	(0.1)

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

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

### MAJOR ISSUES AND TRENDS FOR FY2013

The Governor recommends \$1.9 million for FY2013, which provides level funding from the FY2012 Budget as Enacted. The Governor recommends 11.0 FTE positions in FY2012 and FY2013, eliminating a vacant and unfunded Chief Auditor position.

<b>Board of Elections</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$1,825,905</b>
<i>Targeted and Other Adjustments</i>	<i>(56,948)</i>
Election Costs	229,969
Board Compensation	(54,810)
<b>FY2013 Governor</b>	<b>\$1,944,116</b>

### **Election Costs** **\$229,969**

The Governor recommends \$229,969 in general revenue funding to cover the 2012 General Election costs. This includes \$110,000 for seasonal employees who perform the election work, \$75,000 to print election and voter registration-related material, \$123,000 to transport the election equipment to and from polling stations, \$73,700 in other election-related costs, offset by a reduction of \$151,031 for the contract with Election Systems and Software (ES&S) for the optical scan readers and AUTO Mark voter assistance terminals.

*Analyst's Note: Previously, the annual contract costs with ES&S was \$423,000, and covered maintenance and delivery of the electronic voting machines. The State signed a new four-year contract with ES&S that excludes transportation costs associated with the delivery of the voting machines and equipment to the various voting locations across the State. This reduced the ES&S contract by \$151,031, to a cost of \$271,969. The transportation costs are now the responsibility of the Board and are reflected as an increase of \$123,000 under election costs.*

**Board Compensation**

**(\$54,810)**

RIGL 17-7-4 establishes the compensation for the seven board members of the Board of Elections at \$7,000 per year. In addition, there are associated FICA and Medicare benefit payments. Article 23 of the Governor's FY2013 Budget proposal eliminates compensation to the seven board members. In lieu of receiving salary compensation, Board members would receive compensation for travel, incidental, and clerical expenses. Eliminating compensation to the seven Board members would reduce salary expenses by \$49,000 and benefits by \$5,810 in FY2013.

**CAPITAL PROJECTS**

The Governor's capital budget includes \$6.2 million in Rhode Island Capital Plan (RICAP) funds, appropriated over a 3-year period, to relocate the Board of Elections. (The RICAP appropriation is listed under the Department of Administration capital budget.) The funds will be used to purchase a new facility or renovate an existing state-owned facility at the Pastore Center for the Board of Elections.



## Ethics Commission

<b>Expenditures by Program</b>	<b>FY2011 Actual</b>	<b>FY2012 Enacted</b>	<b>FY2012 Governor</b>	<b>Change from Enacted</b>	<b>FY2013 Governor</b>	<b>Change from Enacted</b>
RI Ethics Commission	\$1,419,805	\$1,560,008	\$1,522,946	(\$37,062) -2.4%	\$1,557,881	(\$2,127) -0.1%
<b>Expenditures by Source</b>						
General Revenue	\$1,419,805	\$1,560,008	\$1,522,946	(\$37,062) -2.4%	\$1,557,881	(\$2,127) -0.1%
Authorized FTE Levels	12.0	12.0	12.0	- 0.0%	12.0	- 0.0%

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 FY2013

The Governor recommends \$1.6 million for FY2013, which provides level funding from the FY2012 Budget as Enacted. The Governor recommends 12.0 FTE positions in FY2012 and FY2013, consistent with the enacted level. The agency office is located at 40 Fountain Street in the City of Providence, and the lease was renewed on April 30, 2011. The lease expense for FY2013 is \$107,000.

<b>Ethics Commission</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$1,560,008</b>
Target adjustments and statewide changes	(598)
Payroll Turnover Savings	(16,790)
Purchased Services - E-Filing	8,250
Operating Expenses	7,011
<b>FY2013 Governor</b>	<b>\$1,557,881</b>

### **Purchased Services – E-Filing**

**\$8,250**

The Governor funds a new information technology initiative proposed by the Ethics Commission. Approximately 4,400 individuals must complete a yearly financial statement attesting to certain financial disclosures. The Commission, in conjunction with the Division of Information Technology (DoIT), developed an electronic filing platform for the annual statement. The initial e-filing mechanism will be available to filers during FY2012. In September 2011, the Ethics Commission and the Department of Administration signed a service contract with Rhode Island Interactive to host and maintain the service. The contract fee is \$2.50 per filing, for the first through fifth year of the contract. DoIT is paying the first year cost (FY2012), with the second and subsequent year costs paid by the Ethics Commission.

Beginning with the sixth year of the contract, the filing fee will decrease to \$0.50 per filing. The Governor anticipates that 75.0 percent of the statements will be filed electronically in year two and recommends an appropriation of \$8,250 in general revenue in FY2013.



## Office of the Governor

Expenditures by Sub-Program	FY2011	FY2012	FY2012	Change from		FY2013	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$4.1	\$4.3	\$4.4	\$0.1	1.4%	\$4.4	\$0.1	1.8%
Office of Economic Recovery and Reinvestmer	0.6	0.9	0.7	(0.2)	-22.2%	-	(0.9)	-100.0%
Rhode Island Health Benefits Exchange	-	-	0.1	0.1		1.1	1.1	
<b>Total</b>	<b>\$4.7</b>	<b>\$5.3</b>	<b>\$5.2</b>	<b>(\$0.0)</b>	<b>-0.7%</b>	<b>\$5.5</b>	<b>\$0.3</b>	<b>4.9%</b>
<b>Expenditures by Source</b>								
General Revenue	\$4.1	\$4.3	\$4.4	\$0.1	1.4%	\$4.4	\$0.1	1.8%
Federal Funds	-	-	0.1	0.1		1.1	1.1	
Federal Funds - ARRA	0.0	0.1	-	(0.1)	-100.0%	-	(0.1)	-100.0%
Restricted Receipts	0.6	0.8	0.7	(0.1)	-8.2%	-	(0.8)	-100.0%
<b>Total</b>	<b>\$4.7</b>	<b>\$5.3</b>	<b>\$5.2</b>	<b>(\$0.0)</b>	<b>-0.7%</b>	<b>\$5.5</b>	<b>\$0.3</b>	<b>4.9%</b>
Authorized FTE Levels	45.0	45.0	45.0	-	0.0%	45.0	-	0.0%

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

The Office of the Governor is one of five general offices subject to voter election under the Constitution of Rhode Island. The Office is responsible for directing the executive branch of government, including the preparation and submission of the annual state budget. In February 2009 the Governor issued Executive Order 09-04, which established the Rhode Island Office of Economic Recovery and Reinvestment (OERR) within the Office of the Governor. The OERR is responsible for administering and complying with the American Recovery and Reinvestment Act (ARRA) of 2009. The Governor eliminates the OERR in the FY2013 Budget proposal. The Governor's proposal includes adding the Rhode Island Health Benefits Exchange as a sub-program of the Office beginning in the FY2012 Supplemental Budget proposal.

### MAJOR ISSUES AND TRENDS FOR FY2013

The Governor's FY2013 Budget makes changes to its programmatic structure. The Office of Economic Recovery and Reinvestment is eliminated. The Office is charged with tracking and reporting the use of federal American Recovery and Reinvestment Act funding. The proposed Office of Management and Budget in the Department of Administration would absorb these responsibilities.

The proposal includes creating the Rhode Island Health Benefits Exchange as a sub-program of the Office beginning in the FY2012 Supplemental Budget proposal. The Governor signed Executive Order 11-09 creating the Exchange on September 19, 2011. Funding for an Exchange Director appears in FY2012 and 5.0 additional FTE personnel are proposed for FY2013. All operations of the Exchange are federally-funded.

The budget funds 45.0 FTE positions, including 39.0 FTE positions in Central Management and 6.0 FTE positions funded with federal funds in the Exchange.

<b>Office of the Governor</b>	<b>General Revenue</b>
FY2012 Enacted	\$4,338,521
<i>Target and Other Adjustments</i>	<i>(7,343)</i>
Turnover Reduction	87,112
<b>FY2013 Governor</b>	<b>\$4,418,290</b>

<b>Office of the Governor</b>	<b>Other Funds Changes</b>
Rhode Island Health Benefits Exchange (federal funds)	1,097,141
Office of Economic Recovery and Reinvestment (restricted receipts)	(917,574)

**Turnover Reduction** **\$87,112**

The Governor adds \$87,112 in general revenue funding for FY2013 to reflect salary and benefit costs for positions anticipated to be filled. The Office has averaged 7.5 vacant FTE positions for FY2012, equivalent to 16.7 percent of the Office's FTE positions. The average cost per FTE position is \$97,304 for FY2013.

**Rhode Island Health Benefits Exchange (federal funds)** **\$1.1 million**

The Governor creates the Rhode Island Health Benefits Exchange as a program of the Office beginning in the FY2012 Supplemental Budget proposal. The Governor signed Executive Order 11-09 creating the Exchange on September 19, 2011. The Exchange's stated mission is "to provide benefits for persons lacking adequate insured coverage and to lower costs or improve the quality, availability and accessibility of health services." Federal funding for an Exchange Director appears in FY2012 and 5.0 additional FTE personnel are proposed for FY2013.

	<b>FY2012 Enacted</b>	<b>FY2012 Governor</b>	<b>FY2013 Governor</b>	<b>FY2013 Change to Enacted</b>
Salary/Wages and Benefits	\$0	\$90,458	\$1,025,831	\$1,025,831
Operating Supplies and Expenses	0	16,710	53,810	53,810
Capital Purchases and Equipment	0	2,600	17,500	17,500
<b>Total</b>	<b>\$0</b>	<b>\$109,768</b>	<b>\$1,097,141</b>	<b>\$1,097,141</b>

Personnel costs make up 93.5 percent of the Governor's proposed funding for the Exchange in FY2013. The proposal includes a total of 6.0 new FTE positions. Proposed titles and salaries for the positions are:

<b>Title</b>	<b>FY2013 Salary</b>
Exchange Director	\$154,956
Deputy Director for Finance	127,035
Deputy Director for Information Technology	127,035
Legal Counsel	112,889
Deputy Director for Policy	95,462
Administrative Assistant	47,508
<b>Total</b>	<b>\$664,885</b>

**Office of Economic Recovery and Reinvestment (other funds)** **(\$917,574)**

The Governor eliminates the Office of Economic Recovery and Reinvestment in FY2013. The Office is charged with tracking and reporting the use of federal American Recovery and Reinvestment Act funding. The proposed Office of Management and Budget in the Department of Administration would absorb these responsibilities in the Federal Grants Management subprogram. The proposal includes the elimination of \$917,574 in other funds from the Office, including \$138,898 less in federal funds and \$777,676 less in restricted receipts.

## Rhode Island Commission for Human Rights

<b>Expenditures by Program</b>	<b>FY2011 Actual</b>	<b>FY2012 Enacted</b>	<b>FY2012 Governor</b>	<b>Change from Enacted</b>		<b>FY2013 Governor</b>	<b>Change from Enacted</b>	
Commission for Human Rights	\$1.3	\$1.5	\$1.4	(\$0.1)	-6.7%	\$1.5	\$0.0	0.0%
<b>Expenditures by Source</b>								
General Revenue	\$1.2	\$1.2	\$1.1	(\$0.1)	-8.3%	\$1.2	\$0.0	0.0%
Federal Funds	0.1	0.3	0.3	-	0.0%	0.3	-	0.0%
<b>Total</b>	<b>\$1.3</b>	<b>\$1.5</b>	<b>\$1.4</b>	<b>(\$0.1)</b>	<b>-6.7%</b>	<b>\$1.5</b>	<b>\$0.0</b>	<b>0.0%</b>
Authorized FTE Levels	14.5	14.5	14.5	-	0.0	14.5	-	0.0

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

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.

### MAJOR ISSUES AND TRENDS FOR FY2013

The Commission receives a \$600 reimbursement for each case processed through the federal Equal Employment Opportunities Commission (EEOC) and a reimbursement of between \$1,800 and \$2,900 for each case processed through the federal 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 Governor recommends 14.5 FTE positions in FY2012 and in FY2013, consistent with the enacted level. The Governor recommends that a Senior Compliance Officer (0.5 FTE position) remain vacant in FY2012 and in FY2013. This position became vacant in August 2009. The annualized savings of the vacant position is approximately \$81,000 for FY2013. Other than the statewide target adjustments and FTE vacancy issue, the Governor recommends no significant changes to the Commission's budget.

<b>RI Commission for Human Rights</b>	<b>General Revenue</b>
FY2012 Enacted	\$1,154,038
<i>Target and Other Adjustments</i>	<i>7,679</i>
<b>FY2013 Governor</b>	<b>\$1,161,717</b>



## Public Utilities Commission

<b>Expenditures by Program</b>	<b>FY2011 Actual</b>	<b>FY2012 Enacted</b>	<b>FY2012 Governor</b>	<b>Change from Enacted</b>	<b>FY2013 Governor</b>	<b>Change from Enacted</b>
Public Utilities Commission	\$6.1	\$8.1	\$8.1	\$0.0 0.1%	\$8.7	\$0.6 7.8%
<b>Expenditures by Source</b>						
General Revenue	\$0.0	\$0.0	\$0.0	\$0.0 0.0%	\$0.0	\$0.0 0.0%
Federal Funds	0.2	0.2	0.2	- 6.1%	0.2	- 15.3%
Federal Funds (ARRA)	0.1	0.1	0.1	- 0.0%	0.1	- 8.5%
Restricted Receipts	5.8	7.8	7.8	- 0.0%	8.4	0.6 7.6%
<b>Total</b>	<b>\$6.1</b>	<b>\$8.1</b>	<b>\$8.1</b>	<b>\$0.0 0.1%</b>	<b>\$8.7</b>	<b>\$0.6 7.8%</b>
Authorized FTE Levels	46.0	46.0	46.0	- -	47.0	1.0 2.2%

\$ 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 the utility companies.

### MAJOR ISSUES AND TRENDS FOR FY2013

The Governor recommends a total operating budget of \$8.7 million, including \$8.4 million in restricted receipts and \$349,167 in federal funds. The agency does not receive any general revenue funding. The recommendation represents an increase of \$628,809 (7.8 percent) over the FY2012 Budget as Enacted. The Governor recommends a staffing level of 46.0 FTE positions in FY2012 and 47.0 FTE positions in FY2013 for this agency.

#### **Consumer Agent Position (restricted receipts)**

**\$67,026**

The Governor recommends adding 1.0 FTE Consumer Agent position and \$67,026 in restricted receipt funding, as requested by the PUC. The position would augment the three other consumer agents within the Division of Public Utilities and Carriers handling consumer activities related to public hearings, informal reviews and orders, communications, and utility petitions. Funding for the position is financed by assessments on utility companies.

### CAPITAL PROJECTS

The PUC has an ongoing asset protection plan for the state-owned facility housing the Commission at 89 Jefferson Boulevard in the City of Warwick. The plan includes replacement of the HVAC system, the roof membrane, window replacements, elevator renovations, handicap railing and ramp installation, and two new vehicles.

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*The Governor recommends total project funding of \$1.1 million consisting of \$700,000 in FY2012, \$73,000 in FY2013 and FY2014, \$76,000 in FY2015, \$72,000 in FY2016, and \$75,000 in FY2017 for the various asset protection and capital asset acquisition projects requested by the PUC.*

The Governor's capital budget recommendation contains a \$423,000 error. The actual recommendation should total \$646,000 reflecting the items and amounts requested by the agency. The intended recommendation for the various asset protection and capital asset acquisition projects requested by the PUC should be:

### Capital Budget Request to Corrected Comparison

	<b>Capital Budget Requested</b>	<b>Capital Budget Corrected</b>
FY2012	\$700,000	\$350,000
FY2013	73,000	-
FY2014	73,000	73,000
FY2015	76,000	76,000
FY2016	72,000	72,000
FY2017	75,000	75,000
<b>Total</b>	<b>\$1,069,000</b>	<b>\$646,000</b>



## Office of Health and Human Services

Expenditures by Program	FY2011	FY2012	FY2012	Change		FY2013	Change	
	Actual	Enacted	Governor	from Enacted		Governor	from Enacted	
Central Management	\$6.3	\$16.9	\$19.3	\$2.4	13.9%	\$85.6	\$68.7	405.6%
Medical Assistance	-	-	-	-	-	1,657.9	1,657.9	-
<b>Total</b>	<b>\$6.3</b>	<b>\$16.9</b>	<b>\$19.3</b>	<b>\$2.4</b>	<b>13.9%</b>	<b>\$1,743.5</b>	<b>\$1,726.6</b>	<b>10,199.1%</b>
<b>Expenditures by Source</b>								
General Revenue	\$3.3	\$9.8	\$10.3	\$0.6	5.9%	\$823.7	\$813.9	8,327.6%
Federal Funds	2.4	6.3	7.9	1.7	27.0%	907.4	901.2	14,418.2%
Federal Funds - ARRA	-	-	0.1	0.1	-	0.3	0.3	-
Restricted Receipts	0.6	0.9	0.9	(0.0)	-0.8%	12.1	11.2	1,236.5%
<b>Total</b>	<b>\$6.3</b>	<b>\$16.9</b>	<b>\$19.3</b>	<b>\$2.4</b>	<b>13.9%</b>	<b>\$1,743.5</b>	<b>\$1,726.6</b>	<b>10,199.1%</b>
Authorized FTE Levels	77.6	149.0	158.0	9.0	6.0%	163.0	14.0	9.4%

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

The Executive Office of Health and Human Services (OHHS) is the umbrella agency that oversees the departments of Health, Human Services, Children, Youth, and Families, and Behavioral Healthcare, Developmental Disabilities, and Hospitals. Its mission is to serve as the coordinating agency for healthcare policy making in Rhode Island and as the Medicaid single state agency. A recent focus has been the continued implementation of the Global Consumer Choice Waiver (“Global Waiver”).

### MAJOR ISSUES AND TRENDS FOR FY2013

The Governor’s FY2013 Budget further consolidates all Medicaid personnel and expenditures within OHHS, transferring appropriations for direct medical benefits and expenditures for operating and consulting, and increasing the Department’s budget more than ten-fold. The Governor’s FY2013 Budget recommends general revenue caseload expenditures \$15.3 million above FY2012 levels which is also \$26.2 million below the level adopted at the November 2011 Caseload Estimating Conference. Savings are achieved through a combination of provider reductions, program efficiencies and a benefit elimination, all of which are listed below and detailed later in this analysis. The Governor includes funding for a new Program Audit and Oversight Unit which includes 5.0 new FTE positions to conduct focused program and performance reviews of both providers and recipients.

Governor FY2013 Proposals	Target	Savings	
		General Revenue	All Funds
Managed Care Capitation Rate Adjustment- 4.14 percent	Provider Reduction	\$14.0	\$28.9
Restore "Lesser-Of Logic" to FFS Inpatient Hospital Claims	Provider Reduction	1.9	4.0
DME Rate Reduction	Provider Reduction	0.5	1.0
HCBS Clinical Utilization Review and Service Adjustment	Program Efficiencies	3.0	6.3
Managed Care Refinements	Program Efficiencies	2.0	4.1
Expanded Medicaid Recoveries	Program Efficiencies	0.5	1.1
Shift from Primary Care Medical Home Cost Outliers	Program Efficiencies	0.5	1.0
Katie Beckett (CSHCN) Population: Clinical Utilization Review	Program Efficiencies	0.4	0.8
Surveillance Utilization Review (SURS) Expansion	Program Efficiencies	0.2	0.5
Transfer Connect CARRE Members to CCC	Program Efficiencies	0.1	0.3
Elimination of Adult Dental Services	Client Impact	2.7	5.6
<i>Other Initiatives</i>	-	0.3	0.6
<b>Total savings</b>		<b>\$26.2</b>	<b>\$54.2</b>

*\$ in millions.*

**CENTRAL MANAGEMENT**

OHHS is responsible for consolidating and coordinating core functions of the four health and human services agencies, including budget, finance, and legal. For FY2013, the Governor recommends a continued restructuring of personnel within the agencies under the umbrella of OHHS, including the transfer of the remaining Medicaid staff of Health and DHS to OHHS. The Governor recommends 158.0 FTE positions for FY2012 and 163.0 FTE positions for FY2013, with the increase due to the creation of the Program Audit and Oversight Unit discussed below.

<b>Central Management</b>	<b>General Revenue</b>
FY2012 Enacted	\$9,773,834
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<i>Target and Other Adjustments</i>	<i>(309,519)</i>
OHHS Personnel Restructuring	857,627
Program Audit and Oversight Unit	150,179
Medical Assistance Transfer	11,317,472
<b>FY2013 Governor</b>	<b>\$22,408,631</b>

***OHHS Personnel Restructuring******\$857,627***

The Governor restructures personnel within the agencies under the umbrella of OHHS, including the transfer of additional administrative staff of the Medicaid program to OHHS, increasing general revenue funding by \$857,627 for FY2013. For FY2012, the following four senior executive positions from the Department of Health (Health) are transferred to OHHS: Executive/Associate Director (1.0 FTE position), Chief of Strategic Planning, Monitoring and Evaluation (1.0 FTE position), Interdepartmental Project Manager (1.0 FTE position), and Administrative and Legal Support Services Administrator (1.0 FTE position). These positions from Health are all currently filled. This action reduced Health's roster by 4.0 FTE positions.

The Governor also recommends the transfer of Medical Care Specialist (1.0 FTE position) from the Department of Human Services to OHHS. This currently vacant position oversees the Medicaid-financed non-emergency transportation program and focuses on the large scale saving initiatives set forth in the FY2012 Budget as Enacted. This action results in the elimination of 1.0 FTE position.

This restructuring increases the OHHS FTE positions cap by 5.0 FTE positions in FY2012.

***Program Audit and Oversight Unit******\$150,179***

The Governor proposes to establish a centralized Program Audit and Oversight Unit, with 5.0 FTE positions added to Central Management at the end of the third quarter of FY2013 as state-only funded positions. There are no assumed savings for this initiative but rather the Unit would serve as a defensive measure to ensure that state and federal resources are well-spent and that federal sanctions and disallowances are minimized.

While the Department's current front-end fraud detection efforts verify Medicaid eligibility with efforts such as salary and wage verification through the Department of Labor and Training and the Internal Revenue Service, this Unit would augment back-end fraud detection efforts by focusing on Medicaid providers. The Unit would expand the Department's audit function by identifying discrepancies between billings and services performed by community providers, a reconciliation currently done only with hospitals.

This Unit will review the programs and performance of major providers and grant recipients across all OHHS departments: BHDDH, DCYF, DHS and Health. The Unit is charged with developing a risk assessment plan which will prioritize its efforts and will also be responsible for testing compliance to

state, federal and program standards for creating a unified financial reporting system. Finally, the new unit will create a unified financial reporting system for use across departments.

According to OHHS, this initiative represents a minimal investment in a proof of concept demonstration. While the Department anticipates savings, it has reserved any estimates at this time since the program's value will be primarily derived from cost avoidance rather than from direct savings.

### **Medical Assistance Transfer**

**\$11.3 million**

The Governor transfers the Health Care Quality, Finance and Purchasing (HCQFP) program's administrative expenditures from the Department of Human Services, further establishing OHHS as the "Single State Agency" for Medicaid. The transfer, \$11.3 million general revenue funding (\$62.8 million all funds), includes Medical Assistance financial contract services, operating expenses and grants, Medicaid Management Information Systems (MMIS) contract services, data warehouse support, and special education administration.

This represents the transfer of all administrative expenditures in the HCQFP program except those administrative expenses associated with DHS's field office support of the Medicaid's casework and eligibility functions. These functions and their related expenses remain at DHS as the remnant of the DHS HCQFP program.

### **MEDICAL ASSISTANCE**

The Governor's FY2013 Budget creates the Medical Assistance program within OHHS through the transfer of state and federal Medicaid appropriations. This program, transferred from the Department of Human Services in further consolidation of the Medicaid program within OHHS, provides medical benefits to approximately 185,000 Rhode Islanders, including low-income and disabled individuals. Rhode Island pays for Medicaid services through two types of programs: *fee-for-service* programs, whereby providers bill the State Medicaid program directly based on the particular services provided, and a *managed care* program, whereby the State contracts with a health insurer (Neighborhood Health Plan of Rhode Island and United Healthcare of New England) which is paid a fixed monthly fee, or capitation rate, for each enrolled beneficiary.

<b>Medical Assistance</b>	<b>General Revenue</b>
FY2012 Enacted	\$0
<i>Target and Other Adjustments</i>	-
Transfer-in: Assistance and Grants	827,215,924
Managed Care Capitation Rate Adjustment- 4.14 percent	(13,998,505)
HCBS Clinical Utilization Review and Service Adjustment	(3,032,813)
Elimination of Adult Dental Services	(2,701,144)
Managed Care Refinements	(1,968,092)
Restore "Lesser-Of Logic" to FFS Inpatient Hospital Claims	(1,941,000)
Expanded Medicaid Recoveries	(545,745)
Durable Medical Equipment (DME) Rate Reduction	(485,250)
Shift from Primary Care Medical Home Cost Outliers	(485,250)
Katie Beckett (CSHCN) Population: Clinical Utilization Review	(383,040)
Surveillance Utilization Review (SURS) Expansion	(242,625)
Transfer Connect CARRE Members to Connect Care Choice	(145,575)
Caseload Estimating Conference	Informational
Nursing Home Rate Reform	Informational
Nursing Home Rate Reduction	Informational
<b>FY2013 Governor</b>	<b>\$801,286,885</b>

**Transfer-in: Assistance and Grants****\$827.2 million**

This transfer from DHS affects the full transfer of the Medical Benefits program to OHHS in FY2013 and establishes the Medical Assistance program within OHHS. It completes the process begun in FY2012 with the transfer of the program's administrative staff and is consistent with the consolidation of the Medical Administration function within OHHS and its establishment as the "Single State Agency" for Medicaid.

**Managed Care Capitation Rate Adjustment****(\$14.0 million)**

The Governor's budget includes savings of \$14.0 million in general revenue (\$28.9 million all funds) through a 4.14 percent reduction in the fixed per capita monthly fee, or capitation rate, paid to the Medicaid managed care plans Neighborhood Health Plan of Rhode Island and United Healthcare of New England. This recommendation is based upon recent reconciliations which suggest that utilization rates have trended below forecasts since FY2008 due to both reduced unit costs of hospital services and to reduced Emergency Room usage and inpatient days resulting from the Communities of Care initiative.

According to OHHS, the capitation rate reduction is supported by data showing that the growth rate of medical expenses has moderated since FY2009. The accompanying table shows year-over-year growth of per member per month underlying medical expense for RIte Care, which includes approximately 90.0 percent of managed care enrollees.

	<b>Year-Over-Year Growth</b>
FY2008	7.7%
FY2009	11.0%
FY2010	4.7%
FY2011	-7.0%

The Department is in the process of fully vetting the current information in order to obtain the required actuarial support for the rate reduction. Its analysis must be confirmed by a licensed actuary and then approved by regional Centers for Medicare and Medicaid Services (CMS) office as part of the rate setting process required of the Department every year. The capitation rate reduction does not require legislative action or national CMS approval.

**HCBS Clinical Utilization Review and Service Adjustment****(\$3.0 million)**

The Governor saves \$3.0 million in general revenue funding (\$6.3 million all funds) by adjusting service authorization for Home and Community Based Service (HCBS) cases with monthly costs of \$5,531 or above. The current system assesses recipients' needs for long term care but allows providers, not the Department, to determine the amount of services delivered and billed. Under this proposal, Medicaid Long Term Care staff is authorized to conduct a clinical utilization review of the services in the beneficiary's care plan when these long term care costs reach the threshold. In conjunction with their assessment, staff will use a standardized tool to determine appropriate amounts of service and adjust authorized services accordingly. The savings estimate assumes a 20.0 percent reduction in all HCBS services except home care services.

**Elimination of Adult Dental Services****(\$2.7 million)**

The Governor eliminates dental services for Medicaid-eligible adults age twenty-one and older as of July 1, 2012, saving \$2.7 million in general revenue funding (\$5.6 million all funds). These assumed savings cover a nine-month period during FY2013, and \$3.6 million in general revenue funds (\$7.5 million all funds) on an annual basis.

Dental benefits are offered through Rhode Island's Medicaid medical assistance program and are considered "optional" since they are not mandatory under federal Medicaid rules. Current dental coverage includes preventative services, endodontic services, restorative services, oral surgery as well as emergency and palliative services.

Eligible individuals under age twenty-one will maintain dental coverage under either the RIte Smiles (managed care) or fee-for-service Medicaid programs. Article 31 of the Governor's FY2013 Budget includes this as one of the Medicaid changes proposed as Category II initiatives under the terms of the Global Consumer Choice Compact waiver.

### **Managed Care Refinements**

**(\$2.0 million)**

The Governor reduces capitation payments to managed care organizations by \$2.0 million general revenue funding (\$4.1 million all funds) in FY2013. The all funds reductions impacts all the managed care plans, including \$2.5 million in RIte Care, \$610,000 in children with special health care needs, and \$980,000 in Rhody Health Partners. Capitation rates, the fixed amount paid to medical providers by managed care organizations for each participant in the health plan, are adjusted based upon reductions in the administrative portion of the capitation payments and by obligating health plans to implement program changes that will reduce medical expenses.

The required refinements contain initiatives to reduce avoidable hospital re-admissions. This includes establishing interventions to ensure that patient discharge plans are understood and supported, that medications are obtained and appropriately managed, and that there is effective communication and coordination with primary care physicians and other appropriate health care professionals.

Managed care refinements also include an initiative establishing nutrition education and obesity prevention programs so that individuals pursue available non-surgical options to lose weight and improve their health. Those who opt for a type of bariatric surgery such as gastric bypass or lap band would still have that option but a more stringent review of non-surgical alternatives that have already been tried would be required. The accompanying table shows the number of bariatric procedures performed for Medicaid recipients in managed care plans in FY2009 through FY2011.

	<b>Bariatric Surgeries</b>
FY2009	44
FY2010	81
FY2011	57

Members in RIte Care and Rhody Health Partners with diabetes, obesity or high blood cholesterol levels will be targeted in an initiative to promote the use of dieticians and nurse care managers to ameliorate the progression of these diseases. Currently, case management is offered to members with these diseases only after they are treated in the Emergency Room (ER) or have a hospital admission. The goal of this initiative is to make lower-cost case management services available on a proactive basis in order to avoid use of higher-cost ER services.

Finally, the managed care refinements include the Lifeline program, which supplies cell phones for Medicaid recipients and is sponsored by the Federal Communications Commission at no cost to the state. The goal of this initiative is to increase communication between providers and those members with chronic conditions, thus providing access to primary care services as a first option rather than seeking care in the ER.

### **Restore "Lesser-Of Logic" to FFS Inpatient Hospital Claims**

**(\$1.9 million)**

The Governor amends the Diagnostic Related Group (DRG) payment model adopted July 1, 2010, to ensure that Medicaid will not pay more than the hospital charge for fee-for-service (FFS) claims, resulting in general revenue savings of \$1.9 million (\$4.0 million all funds).

Lesser-of logic impacts the amount paid for hospital services when the Medicaid DRG payment is more than the hospital charge. Under this logic, should the Medicaid rate be above what the hospital charges for services, Medicaid would pay the hospital charge, or the "lesser of" the two. Without this logic, Medicaid would pay the Medicaid rate, even though it is above the hospital charge. This typically occurs only in short stay situations when a patient signs out against medical advice or expires.

Though this “lesser of” logic had been in place for inpatient FFS claims under the previous payment model, it was inadvertently omitted in simulations presented to and approved by the hospital boards. The hospital boards maintained that claims under the new DRG payment model should not be subject to this logic because of lack of notice and this logic has not been used to pay claims in FY2012. This proposal would restore the “lesser of” logic effective July 1, 2012.

***Expanded Medicaid Recoveries***

***(\$545,745)***

The Governor expands the current Medicaid recovery program to generate \$545,745 in general revenue (\$1.1 million all funds) savings.

Under this expansion, OHHS will intercept any medical assistance payments from personal injury or workers’ compensation insurers in excess of \$3,000 paid to individuals who have received medical assistance services in excess of \$500. Automatic liens are placed on a recipient’s estate when the estate has not been admitted to probate and requires ten days’ notice to OHHS upon the sale or transfer of any assets by a Medicaid recipient.

This initiative expands the existing “Medical Assistance Intercept Act” by creating a new chapter that requires third party personal injury or workers’ compensation insurers to notify OHHS within thirty days prior to any payment of \$3,000 or more to any claimant who is a resident of the state or who has a loss that occurred in the state. This initiative enables OHHS to recover applicable expenditures, by intercept, from any insurance payments made to any claimant who, upon review by OHHS, has received Medical Assistance services of more than \$500. Insurance companies doing business in the state are required to use a single centralized database to which OHHS shall report.

In order to realize these savings, RIGL 40-8-15 is amended (Article 32) to provide for automatic liens on a recipient’s estate. Should a spouse, child under the age of 21, or a child who is disabled survive a recipient, no lien is placed on the estate. This article does not affect the validity or priority of other potential liens on settlement such as those for the payment of child support arrearages.

The savings from expanded recoveries is based upon OHHS’ past experience with similar programs, heavily discounted by the recent drop in home values, since houses are the typical asset upon which liens are placed.

***Durable Medical Equipment (DME) Rate Reduction***

***(\$485,250)***

The Governor’s budget reduces payments for durable medical equipment (DME) from the current 95.0 percent of the Medicare DME fee schedule to 85.0 percent of the Medicare DME fee schedule and is anticipated to save \$485,250 in general revenue funding (\$1.0 million all funds) in FY2013.

DME that qualifies for Medicaid reimbursement includes iron lungs, oxygen tents, nebulizers, catheters, hospital beds, and wheelchairs. It also includes blood-testing strips and blood glucose monitors for individuals with diabetes.

Based on prior procurement efforts, the Department has determined that DME vendors are willing to accept this 10.0 percent reduction of the Medicaid DME fee schedule.

***Shift from Primary Care Medical Home Cost Outliers***

***(\$485,250)***

By encouraging managed care members to transition their primary care medical homes (PCMH) from hospital clinics to lower cost settings, the Governor proposes to save \$485,250 general revenue (\$1.0 million all funds) in FY2013.

Medicaid managed care members are required to establish a PCMH from the health plan’s network. Some choose hospital clinics as their PCMH though these have a higher average cost than other settings.

This initiative would have health plans work with Rite Care members to transition the site of their PCMH to a lower-cost setting such as a private physician or federally qualified health center.

Though OHHS is still working with managed care organizations to operationalize this initiative, its initial efforts will focus on changing the options of its “auto-assign”. Under the current configuration, beneficiaries who do not choose a PCMH are automatically and randomly assigned to any approved PCMH. Beginning July 1, 2012, OHHS will remove hospital clinics from its random distribution so that beneficiaries who do not elect a PCMH will be assigned to one of the available FQHCs or private physicians.

<b>Primary Care Medical Home Type</b>	<b>Enrollment</b>	<b>Annual Per Person Cost</b>
Federally Qualified Health Center	19,000	\$2,251
Private Physician	46,000	2,300
Hospital Clinic	9,900	2,775
<b>Average</b>		<b>\$2,350</b>

The savings assume that 2,000 of the 9,900 clients who have their PCMH at hospital settings shift to lower cost settings. The accompanying table shows FY2010 per person per year managed care costs by PCMH type.

***Katie Beckett (CHSCN) Population: Clinical Utilization Review*** **(\$383,040)**

The Governor proposes more efficient and effective use of services for children in the Children with Special Health Care Needs (CHSCN) Program for general revenue savings of \$383,040 (\$789,448 all funds) in FY2013. When per month costs of an eligible child reaches a set amount, a clinical utilization review will be conducted in order to ensure the care plan contains the most appropriate level and type of services. Savings from this initiative are derived from any reductions in services that result from the clinical review. The proposed savings assume an average 5.0 percent reduction in services in those cases which are reviewed.

***Surveillance Utilization Review Expansion*** **(\$242,625)**

The Governor proposes increasing post-payment surveillance utilization review (SUR) activities on fee-for-service claims resulting in general revenue savings of \$242,625 (\$500,052 all funds) in FY2013.

Expanding SUR activities allows for the review of more providers as well as increasing the frequency of reviews. SUR activities under the current MMIS contract include the use of four registered nurses that conduct utilization reviews as desk audits. The Department is including this expansion as part of the MMIS bid proposal with the understanding that the newly chosen fiscal agent would send a multi-disciplinary team of nurses, pharmacists, and financial professionals to conduct on-site reviews of claims in providers’ offices.

***Transfer Connect CARRE Members to Connect Care Choice*** **(\$145,575)**

Connect CARRE is a fee-for-service medical assistance program currently servicing 131 disabled and chronically ill adults. This initiative would transfer these members to the State’s Connect Care Choice program, which adds case management services for its members and represents general revenue savings of \$145,575 (\$300,000 all funds) in the proposed budget. These savings are calculated based on the per-member per-month costs for Connect Care Choice as compared to Connect CARRE.

***Caseload Estimating Conference*** **Informational**

The Caseload Estimating Conference convened on November 4, 2011, to review and revise cash assistance caseload and medical assistance expenditures for FY2012 and FY2013. In comparison to the FY2012 Budget as Enacted, the adopted estimate decreased total general revenue funding for FY2012 by \$1.1 million and increased general revenue funding for FY2013 by \$42.2 million. The CEC estimates

human services medical entitlement expenditures in November and May of each year. These adopted expenditure levels are by law included in the State budget. Conferees include the State Budget Officer, the House Fiscal Advisor, and the Senate Fiscal Advisor.

	<b>FY2012 Enacted</b>	<b>FY2012 Adopted</b>	<b>Change to Enacted</b>		<b>FY2013 Adopted</b>	<b>Change to Enacted</b>	
Cash assistance	\$30.0	\$30.8	\$0.8	2.7%	\$30.6	\$0.7	2.2%
Medical assistance	786.0	784.1	(1.9)	-0.2%	827.5	41.5	5.3%
<b>Total</b>	<b>\$816.0</b>	<b>\$814.9</b>	<b>(\$1.1)</b>	<b>-0.1%</b>	<b>\$858.1</b>	<b>\$42.2</b>	<b>5.2%</b>

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

The \$1.9 million decrease in general revenue medical assistance expenditures adopted for FY2012 is primarily due to lower than anticipated enrollment, lower RIte Share costs and fewer state-funded births and neonatal intensive care unit stays, which caused FY2012 expenditures for managed care to be less than enacted. Additionally, pharmaceutical expenses are estimated less than enacted in FY2012 due to larger than anticipated pharmaceutical rebate collections. For FY2013, the Conference adopted estimates calling for a \$41.5 million increase in general revenue for medical assistance.

Adopted general revenue estimates for cash assistance programs are estimated to total \$30.8 million in FY2012, \$813,000 more than enacted primarily due to continued negative economic circumstances and anticipated lapse of extended federal unemployment benefits, offset by caseload decreases due to statutory time limits on assistance. For FY2013, the Conference adopted estimates calling for an increase of \$671,000 in general revenue.

Medical assistance caseload adjustments for FY2013 were made within the DHS budget. These adjusted funding levels were then transferred from DHS and into the newly created Medical Assistance program at OHHS, further consolidating the Medicaid program under the OHHS umbrella.

### **Nursing Home Rate Reform**

### **Informational**

Article 14 of the FY2012 Budget as Enacted requires OHHS to work toward a new reimbursement methodology for nursing homes that provide long-term care services to Medicaid beneficiaries. As provided for in the Article, any rate reform must be budget neutral, neither increasing nor decreasing state expenditures for nursing home care. Changes should replace the current cost-based payment with a price-based methodology which also considers the acuity or patient requirements for nursing care, rather than just upon the number of patients, and upon relative Medicaid occupancy.

On February 3, 2012, OHHS released a report to the General Assembly detailing the proposed rate methodology, which is a modified price-based payment system that utilizes Resource Utilization Groups (RUGs) to measure level of care required for each patient. The new payment system for nursing facilities is scheduled for implementation between April 1 and July 1, 2012, and phased in over a three year period, with the cost-based model/hybrid model split 67%-33% in Year 1 with splits in subsequent years being 33%-67%, and 0%-100%. The implementation plan limits the impact on any facility to no more than \$10/day during the transition period.

### **Nursing Home Rate Reduction**

### **Informational**

The FY2012 Budget as Enacted included a 1.76% rate reduction to nursing homes that became effective on July 1, 2011. In December 2011, OHHS reversed the reduction when the industry argued that there was insufficient statutory language and rule-making regarding the cut in FY2012. This reversal requires an additional \$3.0 million general revenue (\$6.2 million all funds) for FY2012.

The Governor's FY2013 Budget funds nursing homes at the reduced rate and includes the statutory language required to fund nursing homes at the reduced rate in FY2013.



*Analyst's Note: OHHS did not request additional funds in the supplemental budget to fund the reversal of the rate reduction. Article 31 provides for the reinstatement of the rate reduction in FY2012, should OHHS choose.*

*Since submission of the Governor's Budget, OHHS has indicated that it plans to reinstate the rate reduction retroactively effective January 1, 2012, thus reversing the action it took in December 2011. While this will result in cost avoidance of \$1.4 million (\$3.0 million all funds) in the current year, it does not represent any savings over the FY2012 Budget as Enacted since the enacted budget is based on the reduced rate. The Department reports that there is no assurance at this time that the reduction can be retroactively reinstated or that CMS will approve such a reinstatement.*



## Department of Children, Youth, and Families

Expenditures by Program	FY2011	FY2012	FY2012	Change from		FY2013	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$6.2	\$6.7	\$7.2	\$0.5	7.5%	\$6.9	\$0.2	3.5%
Child Welfare	171.6	148.6	156.9	8.4	5.6%	153.2	4.7	3.1%
Children's Behavioral Health Services	24.0	22.7	21.1	(1.6)	-7.1%	18.7	(4.1)	-17.9%
Higher Education Incentive Grants	0.2	0.2	0.2	-	0.0%	0.2	-	0.0%
Juvenile Correctional Services	34.0	32.8	32.6	(0.2)	-0.7%	32.4	(0.4)	-1.1%
<b>Grand Total</b>	<b>\$235.9</b>	<b>\$211.0</b>	<b>\$218.0</b>	<b>\$7.0</b>	<b>3.3%</b>	<b>\$211.5</b>	<b>\$0.5</b>	<b>0.2%</b>
<b>Expenditures by Source</b>								
Federal Funds	\$71.3	\$59.2	\$59.5	\$0.3	0.5%	\$58.7	(\$0.6)	-0.9%
General Revenue	156.1	145.2	152.3	7.1	4.9%	146.9	1.7	1.2%
Other Funds	0.6	2.8	2.9	0.1	2.5%	3.0	0.2	7.4%
Restricted Receipts	2.4	3.4	2.8	(0.6)	-16.6%	2.8	(0.6)	-16.6%
Federal Funds - ARRA	5.4	0.4	0.5	0.1	36.0%	0.0	(0.4)	-94.0%
<b>Total</b>	<b>\$235.9</b>	<b>\$211.0</b>	<b>\$218.0</b>	<b>\$7.0</b>	<b>3.3%</b>	<b>\$211.5</b>	<b>\$0.5</b>	<b>0.2%</b>
Authorized FTE Levels	691.0	662.5	662.5	-	-	665.5	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 comprehensive statewide program to protect and create opportunities for children to reach their full potential. DCYF has three major operational divisions: Child Welfare (including child protective services, intake and case monitoring, family services, and adoption support), Children's Behavioral Health, and Juvenile Corrections (including the Rhode Island Training School for Youth and Juvenile Probation).

The Department annually provides direct services to an average of 11,000 children and their families, and indirectly services thousands more through community-based support programs.

### MAJOR ISSUES AND TRENDS FOR FY2013

The Governor's FY2013 budget for DCYF includes a \$1.7 million increase (1.2 percent) in general revenue expenditures compared to the FY2012 Budget as Enacted. General revenues make up 66.1 percent of DCYF's budget. Federal funding includes matching funds through Medicaid and Title IV-E funds, including foster care and adoption assistance programs.

For FY2013, DCYF projects a decrease of the Federal Medical Assistance Percentage (FMAP) from 52.12 percent in FY2012 to 51.24 percent in FY2013. DCYF also projects a trend rate growth for costs associated with Medicaid, Title IV-E, and Costs Not Otherwise Matchable (CNOMS) by 7.14 percent. CNOMS are services allowed under the provisions of the Global Medicaid Waiver and first became available in the FY2009 Supplemental Budget. CNOM savings reflect the ability of the State to use federal matching funds for programming costs that previously were fully state-funded.

The decrease in the FMAP and increase in costs associated with Medicaid, Title IV-E, and CNOMS result in a department-wide increase in general revenues of \$3.0 million. The increase in general revenues is primarily attributable to the Child Welfare and Children's Behavioral Health Services programs, and is reflected in target and other adjustments at the program level.

In FY2012, the Department was unable to achieve savings associated with turnover (\$1.1 million) and miscalculated federal reimbursement rates included in the FY2012 Budget as Enacted, contributing to an estimated \$7.7 million department-wide deficit (as of January 31, 2012, according to the Department's FY2012 Second Quarter Report). Additionally, the FY2011 base used to calculate the starting point for FY2012 was also miscalculated, further exacerbating the variance between the FY2012 Budget as

Enacted and FY2012 actuals. The Governor's FY2012 Supplemental budget adds funding to correct these errors (\$7.1 million).

In 2011, DCYF began an effort to implement an integrated family and community system of care. Phase I of this initiative established the Family Care Community Partnership (FCCP) for families at risk of DCYF involvement due to abuse or neglect and for youth returning to the community following a sentence at the Training School. Phase II, originally anticipated to be complete by January 2012, aims to build a continuum of services across the child welfare, juvenile corrections, and behavioral health system, with a focus on providing services in the home or community where possible. It is now anticipated that Phase II will be initiated by July 1, 2012.

As a result of Phase I of the initiative, the Department achieved significant caseload reductions in FY2012, but actual general revenue savings have been less than what was anticipated due to the incorrect reimbursement rates assumed in the DCYF budget. The FY2012 Budget as Enacted assumed that the federal/state cost share was 28.0 percent state and 72.0 percent federal, but current estimates are projecting it to be 23.0 percent state and 77.0 percent federal.

With less costly and less restrictive placements, including community based, non-residential services, the federal reimbursement rate is lower, resulting in an increase in general revenue funding for DCYF services. More costly and intensive placements receive a greater federal reimbursement rate, therefore less general revenues are needed to support the services. DCYF plans to achieve the budgeted savings through a 6.0 percent rate reduction and reduced residential placements through the remainder of FY2012 and in FY2013 (in FY2013 these changes were already anticipated as part of Phase II of the System of Care initiative).

### CENTRAL MANAGEMENT

Central Management includes the Office of the Director and Support Services. These functions provide coordination and oversight, fiscal management and accountability supports, facilities management, legal services, licensing, and youth development services.

The Governor recommends 38.0 FTE positions in FY2012 and FY2013 for the program, consistent with the enacted level.

<b>Central Management</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$4,694,560</b>
<i>Target and Other Adjustments</i>	<i>(379,490)</i>
National Accreditation	(447,570)
IT Systems Support	260,021
Federal Indirect Cost Recoveries	97,028
<b>FY2013 Governor</b>	<b>\$4,224,549</b>

### **National Accreditation** **(\$447,570)**

The Governor eliminates funding for the application process associated with achieving accreditation from the Council on Accreditation, an international, independent not-for-profit, child and family-service and behavioral healthcare accrediting organization.

According to DCYF, the process takes one year to complete and costs an estimated \$150,000 to \$200,000 for the application fee. In addition to the application fee, DCYF would also require an additional \$198,570 for 2.0 FTE positions (both term limited to the application process or approximately one year), \$16,000 to \$22,000 for site visits, and \$25,000 for incidental costs. The Department also notes that the aforementioned costs do not take into consideration any structural barriers (hire additional staff to meet

compliance, update record maintenance system, etc.) DCYF may have to overcome in order to obtain accreditation.

*Analyst's Note: It is unclear as to what would be the results of delaying or not obtaining accreditation. However, the Department is currently undergoing a readiness assessment, recommended by the Council on Accreditation, to determine if it is worthwhile to pursue accreditation in the future. Enacted by the General Assembly during the 2010 session, RIGL 42-72-5.3 mandates DCYF to undergo this assessment.*

*The estimated cost of the assessment is \$20,000 and will be conducted during the current fiscal year. If the assessment indicates that the Department should move forward with accreditation, it is anticipated funding would be included in the Department's FY2014 request.*

### **IT System Support**

**\$260,021**

The Governor recommends \$260,021 in additional general revenues for contract professional services related to information technology system support in FY2013. This increase is associated with the System of Care initiative as the current servers do not have the capacity to meet its needs. The increase is also associated with Medicaid and Title IV-E claiming programs, which also require an update. A federal match of \$300,000 in Title IV-E funds will also support the contracted information technology services.

### **Federal Indirect Cost Recoveries**

**(\$97,028)**

DCYF receives and administers nearly \$60.0 million in federal funds, which often permit the use of a portion of the receipts to support administrative costs associated with the delivery of these programs. The General Assembly included a \$301,122 general revenue reduction in the FY2012 Budget as Enacted to recognize potential state savings based on negotiating a federal indirect cost recovery rate that will offset state funded program costs. The Governor includes \$97,028 in savings associated with these negotiations in FY2013.

## **CHILD WELFARE**

The Child Welfare division has two major sub-programs:

- Child Protective Services (CPS) includes the child protective investigators, who specialize in the investigation of child abuse and neglect. If a child is deemed by an investigator to be in imminent risk of harm, he or she may be removed from the home and placed in the care of the state for up to 48 hours, pending petitions before the Rhode Island Family Court. The Screening/Intake function reviews all CPS investigations where abuse or neglect is indicated, and handles all other referrals to the department.
- The Family Services staff 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.

The Governor recommends 379.5 FTE positions for the program in FY2012, consistent with the enacted level, and 382.5 FTE positions in FY2013 for the program. The increase of 3.0 FTE positions is attributable to additional federal grant funding from Race to the Top. The funds support 2.0 Early Learning Center Licensing Specialists (social caseworker classification) and 1.0 Human Service Business Officer.

<b>Child Welfare</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$99,000,979</b>
<hr/>	
<i>Target and Other Adjustments</i>	<i>666,109</i>
System of Care: Phase II	2,410,713
Reduction in Consolidated Youth Services Program	(374,862)
Increased Funding for Special Education Costs	500,000
Community Service Objective Grants	59,681
Ability to File Straight Petitions	Informational
<b>FY2013 Governor</b>	<b>\$102,262,620</b>

### ***Target and Other Adjustments***

The decrease in the Federal Medical Assistance Percentage (FMAP) (from 52.12 percent in FY2012 to 51.24 percent in FY2013) and increase in costs associated with Medicaid, Title IV-E, and Costs Not Otherwise Matchable (CNOMS) (7.14 percent) result in an increase in general revenues of \$3.0 million throughout the Department. The increase in general revenues is primarily attributable to the Child Welfare and Children's Behavioral Health Services programs, and reflected in target and other adjustments at the program level.

### ***System of Care: Phase II***

***\$2.4 million***

The FY2012 Budget as Enacted included savings of \$2.4 million in general revenues (\$5.1 million all funds) through the implementation of phase two (the final phase) of DCYF's System of Care initiative. Through this initiative, the Department will contract with no more than three operational and fiscal partners (lead agencies) that will be responsible for providing a network of services, including residential placements, home- and community-based services, and wrap-around principles. The contracts will place the contracted entities at partial financial risk to offer incentives to provide services in the least restrictive (and least costly) care setting.

*Analyst's Note: The Department indicated that it is currently in negotiations with two providers that would assist with the network of services with both serving as lead agencies for the State. To date, negotiations are on-going and no decision has been reached as to the organizations that will assist with Phase II of the System of Care initiative. Assuming negotiations are successful, the estimated date of implementation is July 1, 2012.*

The transition is intended to reduce lengths of stay, increase the effectiveness of treatment interventions, and ensure more effective transitions to community-based services for various DCYF populations. The implementation was originally scheduled to be completed by January 1, 2012, however, DCYF has delayed full implementation to July 1, 2012. Despite delayed implementation, DCYF plans to achieve the budgeted savings associated with the initiative through a 6.0 percent rate reduction and reduced residential placements through the remainder of FY2012 and in FY2013.

### ***Reduction in Consolidated Youth Services Program (CYS)***

***(\$374,862)***

The Governor reduces Young Adults Establishing Self Sufficiency (YESS) Aftercare Services provided through the CYS program by 19.5 percent for various youth in DCYF care, including youth currently in foster care and youth formerly in foster care to achieve \$374,862 in general revenue savings. This reduction affects the 18 to 20-year old population currently aging out of care. There are approximately 200 DCYF youth in this population receiving aftercare services, a reduction of nearly 16.0 percent from FY2011 and a reduction of 19.0 percent from FY2010. This program provides limited case management and rental subsidies for youth who are employed, in school, attempting to find work, or engaging in career development activities

The CYS program includes life skills assessment for youth in foster care, teen grant programs, transition and discharge planning support for DCYF staff, financial literacy and individual development accounts (which are supported by significant private dollars), and aftercare services for youth aging out of the DCYF system. This proposal reduces various services of the CYS program intended to target youth aging out of the system, this includes reducing monthly rental assistance by as much as 50.0 percent (currently the subsidies are not to exceed \$600 per month, per youth and the average subsidy is \$450 per month, per youth) and eliminates the youth's ability to choose their case management provider to achieve approximately \$50,000 in savings. This proposal also eliminates aftercare services for youth exiting the training school, youth on probation, and youth with mental health needs that require higher levels of assistance.

***Increased Funding for Special Education Costs***

***\$500,000***

The Governor recommends an additional \$500,000 in general revenue for educating students with special needs under the custody of DCYF. The Rhode Island Department of Education (RIDE) is in the process of transitioning to a new methodology used to set the tuition rate to be used by school districts when paying DCYF.

Currently, districts must pay DCYF towards the cost of educating students in DCYF custody. According to RIDE, shifting to the headcount methodology would decrease district liability for special education students in DCYF custody by about 50.0 percent. However, this savings to the districts translates into roughly a \$2.7 million reduction in revenues to DCYF in the current fiscal year.

The transition includes the change from the FTE methodology to the headcount methodology. By statute, RIDE is required to establish a special education per pupil rate. Individual school districts pay DCYF the per pupil cost as calculated by dividing the special education costs of the district by the number (FTE) of special education students in the district. Currently, the number of special education students is determined on a FTE basis. The special education FTEs are determined through a formula that compares the increments of time spent providing qualifying special education support to the student over the course of a school year to the total amount of time in a school year.

The allowable costs that are part of the FTE calculation are tied to the student's Individualized Education Program (IEP). A student's IEP may contain only those costs associated with the delivery of direct, specific instruction or service. Therefore, costs such as case management cannot be included. Consequently, a change in a student's IEP would change a districts allowable costs and subsequent per pupil cost. Under the new methodology, the cost would be calculated by dividing the special education costs of the district by the number (headcount) of students in the district with an IEP, based on the June 30 census of the previous school year.

While the implementation of the headcount methodology decreases costs to the districts, the shift reduces revenues for DCYF. According to DCYF, the Department was not aware of the issue until late September and the impact to the Department for FY2012 would be about \$2.7 million. Due to the impact on DCYF, RIDE and the Budget Office have agreed to use the current FTE method for FY2012.

Districts were unaware that RIDE planned to change its calculation for FY2012 and budgeted as in the past using their own estimates based on historical data. Other than changes associated with increases or decreases in student services or costs, there is no impact on district budgets by leaving the FTE methodology for FY2012.

For FY2013, DCYF, RIDE and the Budget Office have agreed to begin the phase-in of the headcount method over five years. Consequently, the Governor recommends an additional \$500,000 in general revenue in the DCYF FY2013 budget for educating students with special needs under the custody of DCYF.

**Community Service Objective Grants****(\$59,681)**

The Governor recommends a 25.0 percent reduction to community service objective grants in state departments and agencies. Community service objective grants often supplement program objectives. The FY2012 Budget as Enacted includes \$8.3 million in community service objective funding in 15 agencies. The Governor reduces funding by \$2.1 million statewide, including a reduction of \$59,681 in DCYF.

**Ability to File Straight Petitions****Informational**

The Governor proposes to permit DCYF and the Family Court oversight of legal cases in which abuse or neglect has been indicated, but a determination has been made that the child or children can remain in the home with the assistance of community-based services and support. The FY2012 Budget as Enacted terminated the authority of DCYF and the Court in such cases per their request and Article 21 seeks to reverse this policy. There is no fiscal impact associated with the restoration of this authority to DCYF.

The proposal allows, but does not require, DCYF to file “straight” petitions with the Family Court for cases in which DCYF substantiated allegations of child abuse and neglect yet the child or children remained in the home. Other criteria for these cases include families that have formerly been involved with DCYF and the Department is seeking to keep the family together. This petition, if approved by the Family Court, would compel non-compliant families to participate in preventative services and support if the Department determines that such legal oversight is necessary.

The FY2012 Budget as Enacted as requested in the Governor’s Budget request removed the mandatory requirement to file straight petitions from DCYF. However, concerns have been raised by both the Family Court and the Child Advocate that DCYF be provided the authority to file a petition in cases where child abuse and neglect has been substantiated, but the child or children are still in the home, and the legal guardian is not voluntarily seeking the Department’s assistance despite a need for services.

**CHILDREN’S BEHAVIORAL HEALTH**

The Division of Children’s Behavioral Health designs, implements, and monitors a statewide system of care for children and youth requiring mental health services, including those children who are involved with the department due to child abuse, neglect, or delinquency. The Department seeks to support all children and youth with serious emotional disturbances in the least restrictive clinically appropriate setting. The Governor recommends 17.0 FTE positions for the program in FY2012 and FY2013, an increase of 1.0 FTE position from the enacted.

<b>Children's Behavioral Health</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$10,818,296</b>
<i>Target and Other Adjustments</i>	<i>494,525</i>
Residential Placements	<i>(1,619,501)</i>
Community-Based Services	<i>437,777</i>
Reduction in Consolidated Youth Services - Training School	<i>(53,185)</i>
<b>FY2013 Governor</b>	<b>\$10,077,912</b>
<b>Children's Behavioral Health</b>	<b>Other Funds Changes</b>
Positive Education Partnership Grant	<b>\$1,762,940</b>

**Target and Other Adjustments**

The decrease in the Federal Medical Assistance Percentage (FMAP) (from 52.12 percent in FY2012 to 51.24 percent in FY2013) and increase in costs associated with Medicaid, Title IV-E, and Costs Not



Otherwise Matchable (CNOMS) (7.14 percent) result in an increase in general revenues of \$3.0 million throughout the Department. The increase in general revenues is primarily attributable to the Child Welfare and Children's Behavioral Health Services programs, and reflected in target and other adjustments at the program level.

***Residential Placements***

***(\$1.6 million)***

The Governor reduces general revenue by \$1.6 million for residential treatments services and supports for seriously behaviorally disturbed youth to reflect the anticipated reduction in children eligible for intensive services through the continuation of the System of Care initiative. These services include residential treatment programs, special education, and behavior modification therapy for youth and their families under the care of the Department.

***Community-Based Services***

***\$437,777***

The Governor includes an additional \$437,777 to provide for community-based services and supports for seriously behaviorally disturbed youth to reflect the anticipated increase in children eligible for less-restrictive, community-based services through the continuation of the System of Care initiative.

***Reduction in Consolidated Youth Services – Training School***

***(\$53,185)***

The Governor eliminates life skills assessments and other transitional support provided through the Consolidated Youth Services (CYS) program for youth at the Rhode Island Training School (RITS) to achieve \$53,185 in general revenue savings. The CYS program offers services and support to all populations within DCYF. This proposal eliminates the CYS program in its entirety from the RITS.

Currently, youth within this program receive an assessment both before and after the services have been provided to ensure comprehension for each area of training and education. The CYS program services and support include transition planning support and education programs such as financial literacy; education on housing and household management; and education and career planning services for youth at RITS.

***Positive Education Partnership Grant (federal funds)***

***(\$1.7 million)***

The Governor reduces federal funds for the program by \$1.7 million due to the expiration of the Positive Education Partnership Grant in FY2012. The grant currently supports providers of community-based services for seriously emotionally disturbed (SED) children. It has not been indicated how the services will continue to be provided without support from this grant.

**HIGHER EDUCATION INCENTIVE GRANTS**

The Post-Secondary Tuition Assistance Program provides tuition assistance to 71 former youth foster care to attend a wide range of post-secondary institutions. Of the 71 students receiving assistance in 2011, 57 attended URI, RIC, or CCRI. Funding for the incentive program is set by statute at \$200,000.

<b>Higher Education Incentive Grants</b>	<b>General Revenue</b>
FY2012 Enacted	\$200,000
<b>FY2013 Governor</b>	<b>\$200,000</b>

**JUVENILE CORRECTIONS**

Juvenile Corrections include two major programs for youth offenders:

- The Rhode Island Training School for Youth (RITS) is a secure residential facility for adjudicated juvenile offenders as well as those awaiting trial. The RITS includes 148 beds for male residents and 12 for female residents. The School is a 24-hour, 365-day operation providing, housing, food, clothing, medical care, and education.
- Juvenile Probation and Parole supervises adolescents placed on probation by the Family Court.

The Governor recommends 228.0 FTE positions for the program in FY2012 and FY2013, consistent with the enacted level.

<b>Juvenile Corrections</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$30,485,148</b>
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<i>Target and Other Adjustments</i>	687,134
Overtime Reduction	(1,007,732)
<b>FY2013 Governor</b>	<b>\$30,164,550</b>

**Training School Overtime Reduction****(\$1.0 million)**

The Governor recommends a total of \$1.0 million savings attributable to reductions in overtime expenditures at the Rhode Island Training School (RITS). The reduction in overtime is due to the consolidation of facilities housing detained youth. In 2011, male youth were consolidated from four to three units and the one vacant unit was used to house female youth. The FY2012 Budget as Enacted did not associate any savings in overtime attributable to the consolidation of facilities.

**SELECTED CAPITAL PROJECTS**

The Governor recommends a total of \$4.1 million in RICAP funded capital projects between FY2012 and FY2017, including:

- \$1.1 million (\$900,000 in FY2012 and \$195,000 in FY2013) for repairs to the Training School building as a result of the defects in the design and construction of the facility. The Department is presently working with the Attorney General's Office in pursuing legal remedy in order to recuperate some or all of the costs associated with these defects
- \$2.0 million between FY2012 and FY2013 for fire code upgrades at youth group homes
- \$1.0 million between FY2012 and FY2013 for electrical and fire safety repairs at the North American Family Institute (NAFI) state-owned group home facility
- A total of \$600,000 in repairs to the Groden Center's state-owned facility on Mt. Hope Avenue in Providence

*(For details of the Governor's complete capital proposal, see the Capital Budget Analysis.)*

## Department of Health

Expenditures by Program	FY2011	FY2012	FY2012	Change		FY2013	Change	
	Actual	Enacted	Governor	from Enacted		Governor	from Enacted	
Central Management	\$11.6	\$15.1	\$14.4	(\$0.7)	-4.3%	\$13.1	(\$2.0)	-13.0%
Community and Family Health and Equity	75.1	58.2	73.8	15.6	26.8%	69.0	10.8	18.5%
Environmental and Health Services Regulatio	15.1	18.3	18.7	(0.4)	-2.2%	19.7	(1.4)	-7.7%
Health Laboratories	8.1	7.8	8.3	(0.5)	-6.6%	7.2	0.6	8.0%
Infectious Disease and Epidemiology	4.2	5.1	5.1	(0.0)	-0.6%	5.2	(0.1)	-1.2%
Public Health Information	3.0	3.5	3.0	0.5	13.2%	2.9	0.6	17.5%
State Medical Examiner	2.4	2.3	2.6	(0.3)	-15.2%	2.6	(0.4)	-16.5%
<b>Grand Total</b>	<b>\$119.4</b>	<b>\$110.2</b>	<b>\$126.0</b>	<b>(\$15.8)</b>	<b>-14.3%</b>	<b>\$119.6</b>	<b>(\$9.4)</b>	<b>-8.5%</b>
<b>Expenditures by Source</b>								
General Revenue	\$27.5	\$24.2	\$24.6	\$0.4	1.5%	\$24.5	\$0.3	1.1%
Federal Funds	66.6	55.3	66.3	11.0	19.8%	64.2	8.9	16.1%
Federal Funds - ARRA	2.7	3.8	7.3	(3.5)	-92.0%	1.5	2.3	61.2%
Restricted Receipts	22.7	26.8	27.6	(0.8)	-3.1%	29.2	(2.5)	-9.2%
Other Funds	0.0	0.1	0.2	0.1	171.3%	0.2	0.1	171.3%
<b>Total</b>	<b>\$119.4</b>	<b>\$110.2</b>	<b>\$126.0</b>	<b>(\$15.8)</b>	<b>-14.3%</b>	<b>\$119.6</b>	<b>(\$9.4)</b>	<b>-8.5%</b>
Authorized FTE Levels	424.7	426.3	422.3	(4.0)	-0.9%	423.3	(3.0)	-0.7%

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

The mission of the Department of Health is to prevent disease and to protect and promote the health and safety of the people of Rhode Island. Since Rhode Island has no local health departments, the department coordinates public health activities across the state. The department's responsibilities include licensing and regulation, collection and analysis of health data, disease surveillance, prevention, and control, and vital records.

### MAJOR ISSUES AND TRENDS FOR FY2013

The FY2012 Budget as Enacted for the Department of Health was \$110.2 million, of which 53.7 percent was federal funds. The Governor's proposed budget for FY2013 increases the proportion of federal funds to 54.9 percent (\$65.7 million).

At \$57.2 million, personnel costs make up 47.8 percent of the Governor's FY2013 budget for the department. Personnel costs funded from general revenue incur a slight increase from \$19.3 million in the enacted budget to \$20.1 million (6.7 percent), as total personnel costs increased by \$1.9 million (3.3 percent).

The Department ended FY2011 with a federal funds surplus of \$13.9 million, or 16.8 percent of the \$83.2 million in federal funds appropriated. This accounts for the overstatement of federal revenues in FY2012 Revised Budget.

On February 14, 2012, the Department of Health made a request to the State Budget Office for an additional 71.0 FTE positions in FY2013 not included in the FY2013 Budget Requested by the Governor, to be allocated across a variety of programs and functions throughout the Department. This proposal would convert current contract staff (51.0 FTE positions) in a number of programs to state employees, but would also create 20.0 FTE positions for which, according to the Department, federal funding exists. The 71.0 FTE positions would be federally funded through a number of formula and competitive grants awarded to the Department. It is presently unknown whether the federal grant awards will sustain all 71.0 FTE positions over the long term or if the positions would be limited to the terms for which funding is available. The Department would have to exceed the current FTE cap to hire all 71.0 FTE positions, therefore the Department also requested:

- To increase the departmental FTE cap for positions funded by all sources of revenue; or

- To increase the departmental FTE cap for positions funded by federal funds

**Health Licensing and Renewal Fees****Informational**

The Governor restructures various statutory and regulatory licensing fees assessed by the Department of Health (DOH), including consolidating fees into one schedule, amending fees on the basis of DLT and other national employment earnings statistics, and creating a new fee of \$50.00 for Letters of License Verification. The proposed increase of \$305,275 is attributable to changes in statutory licensing fees in Article 9 and \$1.2 million in revenue is attributable to changes in regulatory licensing fees (to occur through administrative procedures within the Department of Health).

*Analyst's Note: The additional revenue generated by a new fee of \$50.00 for a Letter of License Verification was not included in the revenue estimate of \$305,275. According to the Department of Health, an average of 5,700 verifications are requested per year. This would generate an additional \$275,000 to \$300,000 per year.*

The \$305,275 in additional revenues is the FY2013 impact and primarily the impact for odd-numbered years, as some fees are only renewed bi-annually. For FY2014, the change in fee structure is estimated to increase revenues by \$2.8 million. The amounts listed for even-year renewals in FY2013 represent initial licensures that are projected to occur that year. Big-ticket fees (primarily physicians and nurses) are renewed in even numbered years. If the fee structures are changed, the outyear impacts are magnified, which is included in the Governor's 5-year forecast.

<b>Health Fee Restructuring - All Changes</b>					
	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
Statutory	\$305,275	\$2,837,817	\$305,275	\$2,837,817	\$305,275
Regulatory	1,207,187	1,578,315	1,207,187	1,578,315	1,207,187
<b>Total</b>	<b>\$1,512,462</b>	<b>\$4,416,132</b>	<b>\$1,512,462</b>	<b>\$4,416,132</b>	<b>\$1,512,462</b>

Source: Office of Revenue Analysis

In modifying the current fee schedule, DOH consulted data from the Department of Labor and Training (DLT) to determine the average wages and salaries for each profession requiring state licensure. To determine the change in fee, DOH calculated the number of work hours necessary for each profession to pay the restructured fee. According to DLT data and the Budget Office, each restructured fee is no less than one-half hour of pay and no greater than six hours of pay to ensure the changes would be affordable and to mitigate any negative impact on the profession.

The revenue estimates were determined by DOH on the basis of the number of licenses for each profession issued in 2010 and 2011. Both newly issued licenses and renewals were included within the Department's totals and the two year average was used to perform the revenue calculation.

*Analyst's Note: According to DOH, the increase in fee collections associated with Chemical Dependency is approximately \$9,000, not \$29,775 as included in State Budget Office calculations. The total revenue collected due to Chemical Dependency fees in FY2013 is estimated to be \$29,775.*

The table below summarizes the changes in revenue by professional category (there are a range of individual professions included within each category). Each professional category includes a number of individual professions with different licensure or renewal fees. Of note, chemical dependency fees have been proposed to be reclassified from restricted receipts to general revenues, increasing general revenues by \$27,900 and decreasing restricted receipts by \$18,600. The bulk of the additional revenues (83.5 percent) is attributable to the fee increase for physicians.

## Department of Health Fee Restructuring - All Changes

<b>Professional Category</b>	<b>Impact</b>	<b>Renewal Period</b>
Acupuncture	\$2,520	Even
Athletic Trainer	(380)	Odd
Chemical Dependency	29,775	Even
Chiropractic	12,440	Annual
Clinical Laboratory Science	985	Odd
Cosmetology/Barbering	(85,020)	Varies
Dental	15,800	Even
Dietitian/Nutritionist	(35,475)	Odd
Electrology	(2,696)	Annual
Embalming/Funeral Directing	(19,960)	Annual
Emergency Medical Services	-	Varies
Hearing Aid Dealers/Interpreters for the Deaf	(4,720)	Annual
Marriage & Fam. Ther./Mental	(26,700)	Even
Massage	16,590	Annual
Medical Marijuana Program	597,168	Annual
Midwifery	(120)	Odd
Nursing	402,255	1/2 each year
Nursing Assistant	(41,350)	Varies
Nursing Home Administrator	-	Even
Occupational Therapy	190	Even
Optician	(80)	Even
Optometrist (all types)	29,560	Annual
Pharmacy	613,570	Annual
Physical Therapy	(4,220)	Even
Physician	254,895	Varies
Physician Assistant	1,760	Odd
Podiatric Medicine	2,520	Even
Prosthetist/Orthotist	(1,680)	Odd
Psychology	(940)	Even
Radiologic Technology	(2,455)	Odd
Respiratory Care	(36,900)	Odd
Sanitarian	(100)	Annual
Social Work	(218,500)	Odd
Speech Language Path./Audio	4,430	Even
Veterinary Medicine	9,300	Even
<b>Total</b>	<b>\$1,512,462</b>	

**CENTRAL MANAGEMENT**

Central Management provides overall leadership, management, and administrative functions for the department. The Central Management program also includes the Center for Emergency Preparedness and Response.

The Governor recommends 56.6 FTE positions in FY2012, an increase of 4.8 FTE from the enacted level, and includes an additional 1.4 FTE position in FY2013 for a total of 58.0 FTE positions reflecting the transfer of positions among the Executive Office of Health and Human Services (OHHS) agencies. Personnel are primarily funded with federal funds and restricted receipts (90.9 percent, or 52.7 FTE positions in FY2013); non-general revenue personnel costs are increased by \$1.0 million compared to the enacted.

<b>Central Management</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$1,352,631</b>
<i>Target and Other Adjustments</i>	<i>(44,924)</i>
Community Service Objective Grants	<i>(131,337)</i>
<b>FY2013 Governor</b>	<b>\$1,176,370</b>

**Community Service Objective Grants** **(\$131,337)**

The Governor recommends a 25.0 percent reduction to community service objective grants in state departments and agencies. Community service objective grants often supplement program objectives. The FY2012 Budget as Enacted includes \$8.3 million in community service objective funding in 15 agencies. The Governor reduces funding by \$2.1 million statewide, including a reduction of \$131,337 in the Department of Health.

### STATE MEDICAL EXAMINER

The Office of the State Medical Examiner is responsible for investigating and certifying the cause of death in the case of all known or suspected homicides, suicides, accidents, sudden infant deaths, drug related deaths, medically unattended or unexplained deaths, and deaths which may be evidence of an epidemic or other threat to the public health. The Office also provides expert testimony in criminal and civil cases.

The Governor recommends a staffing level of 15.4 FTE positions in FY2012 and FY2013 for the program, a reduction of 1.0 FTE position from the enacted. There is no change in the actual number of staff working within the Office, however the funding for some personnel has been absorbed by Central Management.

<b>State Medical Examiner</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$2,012,467</b>
<i>Target and Other Adjustments</i>	<i>67,040</i>
Personnel	<i>330,436</i>
<b>FY2013 Governor</b>	<b>\$2,409,943</b>

**Personnel** **\$330,436**

The Governor assumes 2.0 FTE Assistant Medical Examiner positions will be filled in FY2013 and fully funds both positions, resulting in an increase in general revenue of \$330,436 for salaries and benefits. Contract expenditures for FY2013 are less than the FY2012 revised by \$97,450 as a result of the assumed hiring of both Assistant Medical Examiner positions.

*Analyst's Note: At the beginning of FY2012, the Department was able to fill both the vacant Chief Medical Examiner and Assistant Medical Examiner positions, leaving only one vacancy of an Assistant Medical Examiner within the Office. Following the hiring of both staff, a second Assistant Medical Examiner Position became vacant.*

*Currently there are 2.0 vacant Assistant Medical Examiner FTE positions for which the Department is actively recruiting. It is assumed that the first position (which it is close to filling) will be filled by April 1, 2013. It is unknown when the second position will be filled. It has already overspent what was budgeted for contract staff in FY2012 to assume the workload from the vacancies.*

**ENVIRONMENTAL AND HEALTH SERVICES REGULATION**

The Division of Environmental and Health Services Regulation is responsible for two broad areas of regulation and oversight: health facilities and professionals, and environmental concerns such as safe food and drinking water.

In the area of health services regulation, the division is responsible for the regulation of health professions, facilities, managed care organizations, health systems development and expansion (through the Certificate of Need process), and hospital conversion and mergers (under the Hospital Conversion Act).

The Division's environmental regulatory responsibilities are divided between drinking water quality, food protection, and radiologic health.

The Governor recommends 121.0 FTE positions in FY2012 and 125.4 FTE positions in FY2013. This represents an increase of 10.9 FTE positions from the enacted level to FY2013, including 6.0 new food inspectors and 4.0 nursing home inspectors.

<b>Environmental and Health Services Regulation</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$8,511,059</b>
<i>Target and Other Adjustments</i>	<i>430,893</i>
Personnel and Contracted Professional Services	850,925
Personnel Transfer to OHHS	(425,257)
Food Inspectors	231,135
Indirect Cost Recovery	(200,000)
<b>FY2013 Governor</b>	<b>\$9,398,755</b>

**Personnel and Contracted Professional Services** **\$850,925**

The Governor recommends an additional \$850,925 in order to fully fund employee benefits, contracted professional services, and to accommodate unachieved turnover savings reflected in the FY2012 Budget as Enacted. The funds are for administrative support, the Complaint Investigations Unit, and clinical laboratory licensing and monitoring. The Governor also increases appropriations for employee benefits as the base used for the FY2012 Budget as Enacted was incorrect and underfunded.

**Personnel Transfer to the Office of Health and Human Services** **(\$425,257)**

The Governor shifts 2.0 FTE positions from the Department of Health to the Office of Health and Human Services (OHHS), including 1.0 Executive/Associate Director and 1.0 Chief of Strategic Planning, Monitoring, and Evaluation position.

**Food Inspectors** **\$231,135**

The Governor adds 6.0 FTE Food Inspector positions. The Governor fully funds 3.0 FTE positions, and provides funding to hire the other 3.0 FTE positions as of April 1, 2013. The Governor's recommendation follows the 2011 review of the food safety program by the Bureau of Audits. On November 8, 2011, the Bureau of Audits completed its review of the Department's Food Safety Program and published a report on its findings and recommendations. Among its findings, the Bureau of Audits determined that the program was not sufficiently staffed and given current staffing levels, could not accommodate the required number of inspections per year.

*Analyst's Note: The FY2012 Budget as Enacted included an additional 3.0 FTE positions for Food Inspectors compared to the FY2011 enacted level, all which are funded from general revenue. The Department was successful in filling all positions.*

**Indirect Cost Recovery** **(\$200,000)**

The Governor shifts payroll expenditures for a portion of Management Services personnel and operating costs from this program to the Indirect Cost Recovery restricted receipt account. Over the past two years, year-end balances in the account have nearly doubled.

**HEALTH LABORATORIES**

The State Health Laboratories provide laboratory services to state and municipal agencies, health care providers, and the general public, for the purposes of public health, environmental protection, and forensic science. The laboratory performs approximately 250,000 analyses each year, largely on a fee-for-service basis, and collects approximately \$1.3 million in fees.

The Governor recommends a staffing level of 56.9 FTE positions in FY2012, a decrease of 4.6 FTE positions from enacted and 56.4 FTE in FY2013.

<b>Health Laboratories</b>	<b>General Revenue</b>
FY2012 Enacted	\$6,016,806
<i>Target and Other Adjustments</i>	<i>277,481</i>
Eliminate Forensic Breath Analysis and DNA Laboratory	(694,323)
<b>FY2013 Governor</b>	<b>\$5,599,964</b>

**Eliminate Forensic Breath Analysis and DNA Laboratory** **(\$694,323)**

The Governor eliminates the forensic breath analysis unit and the forensic DNA laboratory in FY2013 in order to achieve \$694,323 in general revenue savings (\$1.0 million all funds). The proposal also eliminates a total of 8.0 FTE positions, 6.0 FTE positions attributable to eliminating the DNA laboratory and 2.0 FTE positions attributable to eliminating the forensic breath analysis unit. The forensic DNA laboratory currently receives federal funding to administer the National DNA Database, CODIS, which would be eliminated if this program were no longer functioning. Rhode Island would be the only state not certified by the Federal Bureau of Investigations to collect DNA and process samples from convicted felons for upload into CODIS.

It is assumed that if these services were no longer performed by the Department of Health, state and local law enforcement units would be responsible for this service. It is also assumed that the ability of the Office of the Attorney General to prosecute would also be affected.

*Analyst's Note: If the programs remained at the Department of Health, approximately \$700,000 in general revenue savings included in the Governor's proposal would not be achieved. However, this would result in relief to municipalities and other law enforcement units from having to absorb the functions and costs of forensic breath analysis and DNA testing.*

**PUBLIC HEALTH INFORMATION**

The Division of Public Health Information includes three units. The Center for Health Data and Analysis coordinates the collection and sharing of health-related data to inform health policy decisions, monitor the status and quality of the public health, and support public health initiatives. The Office of Vital Records maintains the statewide birth, death, marriage, and divorce statistics. The Office of Health Information Technology is responsible for developing a statewide Health Information Exchange, to



facilitate the sharing of critical health information among health care providers, and for promoting the use of electronic medical records.

The Governor recommends a staffing level of 20.0 FTE positions in FY2012, a decrease of 2.6 FTE positions and 20.9 FTE positions in FY2013.

<b>Public Health Information</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$1,599,404</b>
<i>Target and Other Adjustments</i>	<i>(54,318)</i>
Personnel and Contracted Services	196,345
<b>FY2013 Governor</b>	<b>\$1,741,431</b>

**Personnel and Contracted Professional Services** **\$196,345**

The Governor recommends a net increase of \$196,345 in personnel and contracted professional services. This increase reflects an increase of \$377,170 to accommodate unachieved turnover savings reflected in the FY2012 Budget as Enacted. This increase is offset by a reduction in contracted professional services by \$179,270. This reduction affects consultants who produce healthcare facility and physician inspection reports.

**COMMUNITY AND FAMILY HEALTH AND EQUITY**

The Division of Community and Family Health and Equity develops family-centered, comprehensive, community-based programs and systems of care with a focus on eliminating health disparities and controlling disease (including HIV/AIDS and viral hepatitis). The division includes six teams: health disparities and access to care, health homes and environment, chronic care and disease management, health promotion and wellness, perinatal and early childhood health, and preventive services and community practices.

The Governor recommends 124.9 FTE positions in FY2012, an increase of 7.9 from enacted, and an additional 3.0 FTE positions in FY2013 for a total of 127.9 FTE positions, the majority of which are primarily federally funded. In FY2012, 99.5 FTE positions (79.7 percent) of staff within the Division are 100.0 percent federally-funded. In FY2013, federal funds provide for 100.5 FTE positions (78.9 percent of staff) within the Division.

<b>Community and Family Health and Equity</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$2,623,954</b>
<i>Target and Other Adjustments</i>	<i>(204,980)</i>
<b>FY2013 Governor</b>	<b>\$2,418,974</b>

<b>Community and Family Health and Equity</b>	<b>Other Funds Changes</b>
Federal Funds Changes	\$8,250,779

**Federal Funds Changes** **\$8.3 million**

The Governor recommends \$8.3 million in additional federal funding (\$10.7 million all funds) from the FY2012 Budget as Enacted for the Division of Community Family Health and Equity primarily attributable to increases in funding for immunization expenses (\$3.9 million for pharmaceutical expenses, offset by reductions in other immunization funding sources) and early childhood and preventative care programs. Of note, the Department ended FY2011 with a federal funds surplus of \$13.9 million, or 16.8 percent of the \$83.2 million in federal funds appropriated. The Governor recommends a

total increase of \$5.3 million in federal funds for early childhood and preventative care programs funded through the Patient Protection and Affordable Care Act.

- **Affordable Care Act Maternal, Infant and Early Childhood Home Visiting Program:** The Governor recommends an additional \$2.0 million in federal funds for home healthcare services aimed at reducing healthcare costs for children requiring more specialized care and enabling them to do so in the home, as opposed to in a hospital or other facility setting.

According to the Catalog of Federal Domestic Assistance, the grant aims to “strengthen and improve the programs and activities carried out under Title V of the Affordable Care Act, to improve the coordination of services for at risk communities, and to identify and provide evidence-based home visiting programs to improve outcomes for families who reside in at risk communities.”

- **Affordable Care Act Maternal and Child Health Home Visiting Development:** The Governor recommends an additional \$3.3 million in federal funds to support the implementation of statewide maternal and child health home visiting. According to the Catalog of Federal Domestic Assistance, the grant seeks to “increase knowledge about the implementation and effectiveness of home visiting programs” and supports research relating to maternal, infant, and early childhood home visiting services. Research and evaluation activities include consultation with independent researchers, state officials, and developers and providers of home visiting programs on topics such as research design and administrative data matching.
- **Women, Infants, and Children (WIC) Transfer:** The FY2011 Budget as Enacted transferred the Supplemental Nutrition Program for Women, Infants, and Children (WIC) from the Department of Health (Health) to the DHS. For FY2012, the Governor proposed to reverse the transfer, which had not yet taken place due to legal and administrative concerns expressed by the United States Department of Agriculture (USDA), which oversees the WIC program at the national level. In an August 2010 letter addressed to the Governor, the USDA found that DHS did not meet the standard required by federal regulation that the WIC program be administered by the health department or a comparable department.

The General Assembly did not concur with the Governor’s proposal to reverse the transfer, and WIC funding was provided for within the DHS budget in FY2012. Though the USDA threatened to withhold WIC funding, OHHS completed the transfer consistent with what was legislatively appropriated in the FY2012 Budget as Enacted.

OHHS continues to work with the USDA, which has presented OHHS a list of questions regarding its concerns over the transfer of the program from Health and which the Department anticipates to complete in the first half of CY2012. The Governor’s FY2013 budget maintains program funding and personnel within DHS. In FY2013, the remaining administrative costs (\$39,094) associated with WIC shift from the Department of Health to DHS.

- **Ryan White/HIV Program Transfer to DHS:** The FY2012 Budget as Enacted transferred the HIV/AIDS prevention and treatment programs, including the AIDS Drug Assistance Program (ADAP), from the Department of Health to the Department of Human Services (DHS). As a result, the Department of Health’s budget was reduced by \$2.6 million in general revenue and \$10.8 million in federal funds in FY2012. As part of the transfer, 4.0 FTE positions were removed from the Department of Health and 4.0 FTE positions were added at DHS. For FY2013, the Governor transfers an additional 1.0 FTE position from the Department to DHS. The move is part of a larger effort to centralize direct benefit social service programs at DHS. The Governor recommends the transfer of the remainder of administrative payroll costs to DHS (\$89,252).

**INFECTIOUS DISEASE AND EPIDEMIOLOGY**

The Infectious Disease and Epidemiology program is responsible for surveillance and prevention of infectious diseases, including meningitis, Lyme disease, SARS, food- and water-borne illnesses, hepatitis, sexually transmitted diseases, and vector-borne diseases such as rabies. The program also offers clinical services for tuberculosis and sexually transmitted diseases.

The Governor recommends 27.5 FTE positions in FY2012, an increase of 4.9 FTE positions from the enacted, and 27.3 FTE positions in FY2013.

<b>Infectious Disease and Epidemiology</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$2,131,704</b>
<i>Target and Other Adjustments</i>	<i>111,501</i>
Grantee Services	(484,802)
<b>FY2013 Governor</b>	<b>\$1,758,403</b>
<b>Grantee Services</b>	<b>(\$484,802)</b>

The FY2012 Budget as Enacted included a number of savings initiatives for the Department, including the closure of the Whitmarsh STD Clinic and a reduction in funding for the Tuberculosis (TB) Prevention and Control Program, including the TB clinic located at Miriam Hospital. The Governor also shifts \$10,000 in funding, formerly associated with the Whitmarsh STD Clinic, to Planned Parenthood of RI for similar treatment programs. These reductions were also included in the Department's Corrective Action Plan, submitted in September 2011.

*Analyst's Note: The Department indicated that there are on-going discussions regarding other forms of delivery of communicable disease prevention programs, including shifting funding from the Department to individual communities and health practices to provide communicable disease prevention programs. The Department also plans to provide to the Budget Office further feedback and analysis as to the implications of these reductions throughout the state as the reductions are implemented.*

**SELECTED CAPITAL PROJECTS**

The Governor does not recommend funding for any of the requested capital projects from the Department. The request included the following:

- Between FY2012 and FY2017, the Department requested \$85.2 million in RICAP funds to design and build a new State Laboratory and Medical Examiner's Office, replacing the existing 30-year-old Chapin building at 50 Orms Street. The request includes \$200,000 in FY2012 for a feasibility study to evaluate location options, including renovation of existing facilities and new construction
- \$500,000 in RICAP funds in FY2012 to construct a secure, vault-like structure to store and maintain the vital records (including birth, death, and marriage records) of the State of Rhode Island

However, the Governor includes \$3.6 million in RICAP funding from FY2012 through FY2014 for capital projects in the Department of Administration for infrastructure updates at the Chapin Health Laboratory. Updates include a retrofit to the laboratory exhaust system, new ventilation for the decomposition room, new boiler system, and an upgrade to the HVAC system



## Department of Human Services

Expenditures by Program	FY2011	FY2012	FY2012	Change		FY2013	Change	
	Actual	Enacted	Governor	from Enacted		Governor	from Enacted	
Central Management	\$13.0	\$11.5	\$11.5	(\$0.0)	-0.4%	\$11.1	(\$0.5)	-4.3%
Child Support Enforcement	9.1	8.4	8.2	(0.1)	-1.5%	8.5	0.2	2.1%
Health Care Quality, Financing & Purchasing	64.1	59.4	80.7	21.3	36.0%	17.8	(41.5)	-70.0%
Individual and Family Support	98.2	127.9	128.1	0.2	0.2%	151.5	23.6	18.5%
Medical Benefits	1,583.4	1,662.2	1,641.1	(21.1)	-1.3%	-	(1,662.2)	-100.0%
Rhode Island Works	87.7	86.1	87.9	1.8	2.0%	90.2	4.1	4.7%
State Funded Programs	267.2	301.7	301.7	0.0	0.0%	301.7	0.0	0.0%
Supplemental Security Income Program	20.9	18.0	18.8	0.8	4.3%	18.6	0.6	3.5%
Veterans' Affairs	27.0	28.2	30.0	1.8	6.5%	28.7	0.4	1.6%
Elderly Affairs	27.3	27.8	29.7	1.9	6.8%	28.9	1.1	4.0%
<b>Total</b>	<b>\$2,198.1</b>	<b>\$2,331.3</b>	<b>\$2,337.8</b>	<b>\$6.6</b>	<b>0.3%</b>	<b>\$657.1</b>	<b>(\$1,674.2)</b>	<b>-71.8%</b>
<b>Expenditures by Source</b>								
General Revenue	\$735.7	\$893.1	\$892.6	(\$0.5)	-0.1%	\$99.8	(\$793.3)	-88.8%
Federal Funds	1,302.8	1,419.6	1,421.1	1.5	0.1%	543.5	(876.1)	-61.7%
Federal Funds (ARRA)	144.1	-	2.6	2.6	-	7.1	7.1	-
Restricted Receipts	10.6	14.1	17.1	3.0	21.4%	2.3	(11.7)	-83.3%
Other Funds	4.9	4.4	4.4	(0.0)	-0.6%	4.4	(0.0)	-0.6%
<b>Total</b>	<b>\$2,198.1</b>	<b>\$2,331.3</b>	<b>\$2,337.8</b>	<b>\$6.6</b>	<b>0.3%</b>	<b>\$657.1</b>	<b>(\$1,674.2)</b>	<b>-71.8%</b>
Authorized FTE Levels	1,000.2	984.2	949.2	(35.0)	-3.6%	947.7	(36.5)	-3.7%

\$ 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 FY2013

For FY2013, the Governor proposes further consolidation of the Medicaid program within the Executive Office of Health and Human Services (OHHS) through the transfer of remaining personnel, direct medical services appropriations and operating expenditures from DHS, reducing the DHS general revenue budget by \$838.5 million (\$1,662.2 million all funds). The November 2011 Caseload Estimating Conference, which determines the required funding levels for the State's cash and medical assistance entitlement programs, calls for an additional \$42.2 million in FY2013, primarily due to increased managed care costs.

The Governor's proposed 25.0 percent statewide reduction in community service grants totals \$2.1 million in savings, \$845,000 or 40.2% of which impacts DHS grantees. The Governor's budget transfers additional personnel to DHS for the administration of the Ryan White HIV Program, the Low Income Home Energy Assistance Program and the Weatherization Assistance Program, while maintaining the Women, Infants and Children program within DHS despite ongoing discussions with the U.S. Department of Agriculture. Finally, the Governor proposes to delay the expansion of the census at the Veterans' Home until FY2013, eliminating 35.0 FTE positions.

### Personnel

The Governor recommends a number of staffing changes at DHS for FY2012 and FY2013. These changes impact both general revenue-funded and federally-funded FTE positions in the Department's Veterans' Affairs, SNAP, Medicaid, Race to the Top Early Learning and the Low Income Home Energy Assistance (LIHEAP) and the Weatherization Assistance (WAP) programs.

FY2012 Personnel Changes			
From	To	Program	Net FTE to DHS
Health	DHS	Ryan White HIV Care Program	1.0
DHS	OHHS	Medicaid Non-Emergency Transportation Program	(1.0)
DHS	-	Veterans Affairs (Veterans' Home)	(35.0)
<b>Total for FY2012</b>			<b>(35.0)</b>

FY2013 Personnel Changes			
From	To	Program	Net FTE to DHS
-	DHS	Race to the Top Grant	2.5
DHS	-	Supplemental Nutrition Assistance Program	(22.0)
-	DHS	Veterans Affairs (Veterans' Home)	9.0
DOA	DHS	LIHEAP and WAP programs	9.0
<b>Total for FY2013</b>			<b>(1.5)</b>

These FTE position changes are detailed in the program descriptions that follow.

**Community Service Grant Reduction (\$845,020)**

The Governor recommends a 25.0 percent reduction to community service objective grants in state departments and agencies. Community service objective grants often supplement program objectives. The FY2012 Budget as Enacted includes \$8.3 million in community service objective funding in 15 agencies. The Governor reduces funding by \$2.1 million statewide, including an \$845,020 reduction in DHS related to 146 grantees.

**CENTRAL MANAGEMENT**

Central Management, which includes the Office of the Director, supervises, coordinates, and monitors all departmental functions within DHS. This division also includes the Office of Policy Analysis, Research, and Development; the Operations Management Unit; the Collections, Claims, and Recoveries Unit; and the Fraud Investigation Unit.

The Governor recommends 20.0 FTE positions in FY2012 and FY2013 for Central Management, consistent with the enacted level.

Central Management	General Revenue
FY2012 Enacted	\$5,683,745
<i>Target and Other Adjustments</i>	<i>(479,730)</i>
<b>FY2013 Governor</b>	<b>\$5,204,015</b>

**INDIVIDUAL AND FAMILY SUPPORT**

The Division of Individual and Family Support (IFS), also referred to as the Division of Economic Support, operates the department’s economic benefits and work support programs, including the federal Supplemental Nutrition Assistance Program (SNAP), the Emergency Food Assistance Program, child care subsidies, the Rhode Island Works cash assistance program, Supplemental Security Income (SSI), and General Public Assistance (GPA).

The Division also provides services to individuals with disabilities, operating the Office of Rehabilitation Services (ORS), which includes the State’s vocational rehabilitation program, services for the blind and visually impaired, and disability determination.

The Governor recommends 457.5 FTE positions in FY2012 and 447.0 FTE positions in FY2013 for the program. FY2012 includes expiration of 22.0 limited period FTE positions that were fully-federally financed through a one-time unmatched grant authorized in the Department of Defense Appropriations Act of 2010 for the administrative support of SNAP that expired in September 2011. The recommended

staffing level for FY2013 includes the addition of 9.0 federally-funded FTE positions transferred from the Department of Administration for distribution of benefits under the Low Income Home Energy Assistance Program (LIHEAP) and the Weatherization Assistance Program (WAP), further consolidating all benefit program administration within DHS.

<b>Individual and Family Support (IFS)</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$22,498,106</b>
<i>Target and Other Adjustments</i>	222,682
RIde Program - Utilization Increase	600,000
RIde Program - Institute Co-pay for Adult Day Trips	(150,000)
Women, Infants, and Children (WIC) Transfer	Informational
<b>FY2013 Governor</b>	<b>\$23,170,788</b>

***RIde Program – Utilization Increase*** **\$600,000**

The Governor’s budget includes \$600,000 in additional general revenue funding to finance a projected 9.0 percent increase in RIdE program utilization in FY2013. The program has had an increase in both the number of users as well as the number of trips per user; the Department reports that the cause of this increase is unknown and suspects it could be due to rising gas prices and/or the mild winter.

The RIdE program provides van transportation for persons who are 60 or older to attend dialysis, cancer treatment, adult day care, doctors’ appointments, meal sites, and services for the blind. Clients are generally charged a \$2.00 copay each way, except if they are attending an adult day care facility or are Medicaid or Medicaid eligible under the Global Wavier.

*Analyst’s Note: Rhode Island Public Transit Authority reports that it has transported an additional 80,000 trips this year for those entitled under the Americans with Disabilities Act (ADA), with most of these being transfers of the developmentally disabled. RIPTA claims that the increase in RIdE utilization is due to cost-shifting by providers of services to the developmentally disabled who, rather than bill BHDDH against authorized transportation services, are choosing to enroll their clients as ADA and transfer the cost to RIdE. This is consistent with early BHDDH data regarding Project Sustainability, which reports that DD providers are billing only approximately 50 percent of authorized transportation costs despite attendance by clients at day programs.*

***RIdE Program – Institute Co-pay for Adult Day Trips*** **(\$150,000)**

The Governor’s budget includes \$150,000 in general revenue savings through the assessment of a \$2.00 co-payment upon RIdE clientele obtaining rides to and from adult day care centers. The RIdE program provides van transportation for persons aged 60 or older to dialysis, cancer treatment, medical appointments, meal sites and other qualifying activities. Currently, clients are charged a \$2.00 co-pay each way, except if they are attending adult day care or are Medicaid-eligible. This proposal would extend the \$2.00 co-pay to those utilizing the program to attend adult day care, effective July 1, 2012.

***Women, Infants, and Children (WIC) Transfer*** **Informational**

The FY2011 Budget as Enacted transferred the Supplemental Nutrition Program for Women, Infants, and Children (WIC) from the Department of Health (Health) to the DHS. For FY2012, the Governor proposed to reverse the transfer, which had not yet taken place due to legal and administrative concerns expressed by the United States Department of Agriculture (USDA), which oversees the WIC program at the national level. In an August 2010 letter addressed to the Governor, the USDA found that DHS did not meet the standard required by federal regulation that the WIC program be administered by the health department or a comparable department.

The General Assembly did not concur with the Governor’s proposal to reverse the transfer, and WIC funding was provided for within the DHS budget in FY2012. Though the USDA threatened to withhold WIC funding, OHHS completed the transfer consistent with what was legislatively appropriated in the FY2012 Budget as Enacted.

OHHS continues to work with the USDA, which has presented OHHS a list of questions regarding its concerns over the transfer of the program from Health and which the Department hopes to finish in the first half of CY2012. The Governor’s FY2013 budget maintains program funding and personnel within DHS.

**RHODE ISLAND WORKS**

Rhode Island Works is Rhode Island’s cash assistance program. The program provides cash assistance and employment support services to enable parents with children to support their families. Rhode Island Works (RIGL 40-5.2-5) replaced the Family Independence Program in 2008. Rhode Island Works is funded through the federal Temporary Assistance to Needy Families (TANF) program.

The November 2011 Caseload Estimating Conference (CEC) estimated a caseload average of 16,650 recipients and total program cost of \$42.5 million for FY2013, all of which is federal funds. Rhode Island also provides child care assistance to families earning less than 180.0 percent of the federal poverty level. The CEC adopted a FY2013 estimate of 6,708 child care subsidies at a total cost of \$48.3 million (\$9.7 million in general revenue). This is unchanged from the FY2012 adopted level.

<b>Rhode Island Works</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$9,668,635</b>
<i>Target and Other Adjustments</i>	
Child Care Assistance Program: Increase Low-Income Co-shares	(276,154)
<b>FY2013 Governor</b>	<b>\$9,392,481</b>

**Child Care Assistance Program: Increase Low-Income Co-shares (\$276,154)**

The Governor’s budget includes general revenue savings of \$276,154 (\$569,154 all funds) through increasing co-payments for DHS-subsidized child care by one percent of family income. Currently, working families with income between 100.0 percent of the Federal Poverty Level (FPL) and 180.0 percent of the FPL pay between 2.0 percent to 8.0 percent of their income for child care. Under this proposal, the co-payment would increase to between 3.0 percent to 9.0 percent of income and impact approximately 2,300 families. Families would pay \$4.87 more per week for child care on average.

Income Level	Current Cost-Share Percent	Current Weekly Cost-Share	Proposed Cost-Share Percent	Proposed Weekly Cost-Share
Less than 100% FPL	0.0%	\$0.00	0.0%	\$0.00
100-125% FPL	2.0%	8.00	0.03	12.00
125-150% FPL	5.0%	24.00	0.06	29.00
150-180% FPL	8.0%	\$47.00	9.0%	\$53.00

**STATE FUNDED PROGRAMS**

State Funded Programs incorporates two different programs, only one of which is, in fact, state-funded.

General Public Assistance (GPA) is a state-funded program (RIGL 40-6-3) that provides basic cash assistance and limited medical coverage. GPA benefits are available only 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.



The General Public Assistance hardship contingency fund, intended as the benefit of last resort for Rhode Islanders who do not qualify for Rhode Island Works or SSI, was reduced to half, to \$210,000, in the FY2012 Budget as Enacted. The Governor proposes level funding for FY2013.

The Supplemental Nutrition Assistance Program (SNAP), formerly called Food Stamps, is a federal nutrition program that provides food assistance to low-income households. All of the funding for SNAP benefits (\$298.2 million in FY2012) is federal funds.

<b>State Funded Programs</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$2,491,925</b>
<i>Target and Other Adjustments</i>	
Caseload Estimating Conference	50,035
<b>FY2013 Governor</b>	<b>\$2,541,960</b>

**Caseload Estimating Conference** **\$50,035**

At the November 2011 Caseload Estimating Conference, the estimators projected an increase in recipients of general public assistance in FY2013. All funds expenditures, including monthly cash payments, indigent burials, and limited medical benefits, are estimated to be \$3.2 million in FY2013, an increase of \$50,035 over FY2012. The Conference recognizes the State's continued ability to leverage Medicaid funding through the Global Waiver for medical services provided to these clients, and included \$900,000 in federal funds in each year, offsetting costs that were previously state-only.

The Caseload Estimating Conference (CEC) meets twice yearly to estimate human services cash assistance expenditures and these adopted expenditure levels are by law included in the State budget. Conferees include the State Budget Officer, the House Fiscal Advisor, and the Senate Fiscal Advisor, with the chair rotating among the three.

### 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).

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.

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 in addition to the federal payment.

In the FY2012 Budget as Enacted, the General Assembly reduced the state supplemental payment to SSI recipients in assisted living facilities from \$538 to \$332, the federal minimum, effective October 1, 2011.

Approximately 520 individuals in assisted living residences receive SSI payments; the resident retains a small portion of the payment as a personal needs allowance and the majority of the payment goes to the facility. Though there were initial concerns that the reduction of the state supplement would result in displacement of residents and closure of nursing homes, the Department reports that this has not occurred.

<b>Supplemental Security Income (SSI)</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$18,000,600</b>
<i>Target and Other Adjustments</i>	
Caseload Estimating Conference	621,400
<b>FY2013 Governor</b>	<b>\$18,622,000</b>

**Caseload Estimating Conference** **\$621,400**

The November 2011, CEC estimate reflects a caseload average of 34,300 in FY2013, 805 more than the FY2012 adopted estimate for a general revenue increase of \$621,400. In FY2013, individuals will receive estimated monthly payments averaging \$45.00 for total general revenue costs of \$18.5 million. Fees associated with the SSI program are expected to be \$100,000, bringing total program costs to \$18.6 million in FY2013.

Prior to January 1, 2011, the federal government administered the state supplemental payment, issuing beneficiaries a single check including both the federal and state payment. The State was charged a transaction fee of \$10.56 for each payment. Beginning in 2011, the State made the supplemental payments directly, avoiding \$4.0 million in transaction fees. The State continues to pay transaction fees to the federal government to administer state supplemental payments for a small portion of the caseload for which it also determines eligibility.

## HEALTH CARE QUALITY, FINANCING, AND PURCHASING

In past fiscal years, the Health Care Quality, Financing, and Purchasing (HCQFP) program was charged with overseeing the acute and long term care system, overseeing the State's Medicaid managed care plans, and developing payment methodologies and financing strategies for the Medicaid programs. In keeping with the establishment of OHHS as the single state Medicaid agency, the Governor proposes transferring most of these functions from HCQFP to OHHS. In FY2013, HCQFP will be responsible for Medicaid casework and eligibility functions only. The Governor recommends 150.3 FTE positions for FY2012 and FY2013.

<b>Health Care Quality, Financing, and Purchasing</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$18,551,887</b>
<i>Target and Other Adjustments</i>	
Transfer Medicaid Administrative Expenditures to OHHS	1,079,955
	(11,317,472)
<b>FY2013 Governor</b>	<b>\$8,314,370</b>

**Transfer Medicaid Administrative Expenditures to OHHS** **(\$11.3 million)**

The Governor transfers DHS's Health Care Quality, Finance and Purchasing (HCQFP) general revenue expenditures of \$11.3 million (\$62.8 million all funds) to the Executive Office of Health and Human Services (OHHS), further establishing OHHS as the Medicaid single state agency. This transfer includes Medical Assistance financial contract services, operating expenses and grants, Medicaid Management Information Systems (MMIS) contract services, data warehouse support, and special education administration.

This represents the transfer of all administrative expenditures in the HCQFP program except those administrative expenses associated with DHS's field office support of the Medicaid's casework and eligibility functions. These functions and their related expenses remain at DHS as the remnant of the HCQFP program with DHS, continuing to determine Medicaid eligibility under the terms of a Memorandum of Understanding established with OHHS.

## MEDICAL BENEFITS

The Medical Benefits program includes state and federal expenditures through the Medicaid program. Approximately 185,000 Rhode Islanders receive Medicaid benefits, including families receiving benefits through the Rhode Island Works program; aged, blind, or disabled individuals who qualify for SSI; children with special health care needs who qualify for SSI or who meet the disability and level of care requirements of the Katie Beckett provision; children in foster care and those receiving adoption subsidies under the supervision of the Department of Children, Youth, and Families; other low-income families and pregnant women; aged, blind, and disabled individuals who lack the income and resources to meet the incurred costs of their medical care; and certain Medicare beneficiaries with limited income.

Medicaid covers both acute care services (such as medical care in a hospital or physician's office) and long-term care services (provided either in an institution such as a nursing home, or in the community). Medicaid also pays for prescription drugs for beneficiaries, and pays the Medicare premiums for certain low-income individuals who are eligible for both Medicare and Medicaid ("dual eligibles").

Rhode Island pays for Medicaid services using two broad payment mechanisms. Most long-term care services and some acute care services are paid on a *fee-for-service* basis, which means that providers bill the state Medicaid program directly based on the particular services provided.

Children and families and most adults with disabilities receive their acute care through a *managed care* plan (RIte Care for children and families and Rhody Health Partners for disabled adults). In this system, the State contracts with a health insurer (Neighborhood Health Plan of Rhode Island and United Healthcare of New England) which is paid a monthly fee for each enrolled beneficiary. The managed care plan then contracts with health care providers and is at partial financial risk for the enrollee's medical expenses.

The Caseload Estimating Conference (CEC) estimates human services medical entitlement expenditures in November and May of each year. These adopted expenditure levels are by law included in the State budget. Conferees include the State Budget Officer, the House Fiscal Advisor, and the Senate Fiscal Advisor, with the chair rotating among the three.

<b>Medical Benefits</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$785,968,544</b>
<i>Target and Other Adjustments</i>	<i>(285,881)</i>
Caseload Estimating Conference	41,533,261
Transfer Medical Assistance to OHHS	(827,215,924)
<b>FY2013 Governor</b>	-

### **Caseload Estimating Conference** **\$41.5 million**

The November 2011 CEC adopted general revenue expenditures of \$827.5 million, \$41.5 million more than enacted, largely in anticipation of increased expenses for managed care and other acute care services.

	FY2012 Enacted	FY2012 Adopted	Change from Enacted	FY2013 Adopted	Change from Enacted
<b>Hospitals</b>					
Regular	\$113.5	\$112.2	(\$1.3)	\$105.0	(\$8.5)
Disproportionate Share	126.9	126.9	-	127.7	0.9
<b>Total</b>	<b>\$240.4</b>	<b>\$239.1</b>	<b>(\$1.3)</b>	<b>\$232.7</b>	<b>(\$7.7)</b>
<b>Long Term Care</b>					
Nursing and Hospice Care	\$341.2	\$342.5	\$1.3	\$345.5	\$4.3
Home and Community Care	74.1	76.4	2.3	84.0	9.9
<b>Total</b>	<b>\$415.3</b>	<b>\$418.9</b>	<b>\$3.6</b>	<b>\$429.5</b>	<b>\$14.2</b>
<b>Managed Care and Other Acute Care Services</b>					
Managed Care	\$620.3	\$602.0	(\$18.3)	\$638.0	\$17.7
Rhody Health	191.2	193.0	1.8	215.0	23.8
Other Medical Services	118.0	116.5	(1.5)	121.0	3.0
<b>Total</b>	<b>\$929.5</b>	<b>\$911.5</b>	<b>(\$18.0)</b>	<b>\$974.0</b>	<b>\$44.5</b>
<b>Pharmacy</b>					
Pharmacy	\$9.7	\$5.6	(\$4.1)	\$5.8	(\$3.9)
Clawback	46.4	47.7	1.3	51.0	4.6
<b>Total</b>	<b>\$56.1</b>	<b>\$53.3</b>	<b>(\$2.8)</b>	<b>\$56.8</b>	<b>\$0.7</b>
<b>Medical Assistance Total</b>	<b>\$1,641.4</b>	<b>\$1,622.8</b>	<b>(\$18.6)</b>	<b>\$1,693.0</b>	<b>\$51.7</b>
General Revenue	786.0	784.1	(1.9)	827.5	41.5

*\$ in millions*

FY2012 expenditures for managed care (including the RItE Care and RItE Share programs) are estimated to be \$602.0 million, \$18.3 million less than enacted. The Department cites lower enrollment than anticipated, lower RItE Share costs and fewer state-funded births and neonatal intensive care unit stays. Additionally, pharmaceutical expenses are estimated less than enacted in FY2012 due to larger than anticipated pharmaceutical rebate collections.

The Conferees estimate FY2013 costs to increase by 6.0 percent over the FY2012 estimate, to \$638.0 million. For Rhody Health, they estimate FY2013 expenditures to be \$215.0 million, \$23.8 million more than enacted. These increases reflect a projected increase in the number of individuals enrolled in the program, including disproportionate increases in the more expensive populations.

The adopted caseload estimate of \$827.5 million was revised downward to \$827.2 million subsequent to the conference, based on FMAP corrections.

Medical assistance caseload adjustments for FY2013 were made within the DHS budget. These adjusted funding levels were then transferred from DHS and into the newly created Medical Assistance program at OHHS, further consolidating the Medicaid program under the OHHS umbrella.

#### **Transfer Medical Assistance to OHHS**

**(\$827.2 million)**

The transfer of the Medical Benefits program to OHHS in FY2013 establishes the Medical Assistance program within OHHS and removes \$827.2 million general revenue (\$1.7 billion all funds) from DHS. The transfer of appropriations completes the process begun in FY2012 with the transfer the program's administrative staff and is consistent with the consolidation of the Medical Administration function within OHHS and its establishment as the "Single State Agency" for Medicaid.

**VETERANS' AFFAIRS**

The Division of Veterans' Affairs serves Rhode Island's veteran population which numbers approximately 93,000. The program operates the Rhode Island Veterans' Home, a state-run nursing facility, and the Veterans' Cemetery in Exeter, Rhode Island.

The FY2011 Budget as Enacted required DHS to submit a plan to the General Assembly to create a separate Department of Veterans' Affairs in state government. The FY2012 Budget as Enacted repealed this requirement, maintaining the Division of Veterans' Affairs within DHS. The Governor's FY2013 includes a staffing level of 239.2 FTE positions for the Division.

Article 19 of the Governor's Budget includes a resolution to give "careful consideration" to the recommendation, made by the Special House Commission to "Undertake a Comprehensive Study of the RI Veterans' Home in Bristol and Develop a Master Plan for the Overall Future Direction of the Facility" and to the recommendation that the Governor and General Assembly consider a bond issue for the construction of a new Veterans' Home and associated assisted living residence on the property of the existing facility in Bristol.

The resolution has no fiscal impact. However, ballot placement and passage of a bond measure to construct a new Veterans' Home in three phases including a new long term care facility, a new assisted living wing, and the renovation of the existing facility would have long-term capital costs estimated at \$100.7 million excluding debt service based upon the Commission's approved architectural and site study report. Potential federal participation in the project would lower the total cost to \$70.1 million. Though the Department requested funds in its FY2013 Capital Budget for continuing renovations to the Home, the request would be modified should lawmakers decide to build a new Veterans' Home.

<b>Veterans' Affairs</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$18,568,043</b>
<i>Target and Other Adjustments</i>	
Veterans' Home - Personnel	566,913
Veterans' Home - Personnel	523,659
Veterans' Home - Census Expansion Delay	(354,590)
Veterans' Home - Overtime	575,805
<b>FY2013 Governor</b>	<b>\$19,879,830</b>

***Veterans' Home – Personnel*** **\$523,659**

The Governor proposes reducing turnover savings at the Veterans' Home for a general revenue increase of \$523,659. The FY2012 Budget as Enacted had included a turnover rate of 14.3 percent which the Department was not able to achieve. For FY2013, the Governor's proposes turnover of 8.2 percent as the Division anticipates shorter hiring lags and fewer unfilled positions.

***Veterans' Home – Census Expansion Delay*** **(\$354,590)**

The Governor proposes to delay the expansion of the residential census at the Veterans' Home for a general revenue savings of \$354,590. The FY2012 Budget as Enacted had authorized and funded 35.0 additional FTE clinical staff positions for the fourth quarter of the year in anticipation of an increased census at the Veterans' Home in FY2013. However, rather than increase the census in FY2013, the Governor proposes to delay the increase until FY2014, adding staff in the fourth quarter of FY2013. In addition to the revised timetable, the Governor also proposes to revise the staff roster related to the expansion. For FY2013, instead of the 35.0 FTE positions originally planned for the expansion, the Governor recommends 9.0 FTE positions with the remaining clinical support derived from seasonal (non-FTE) institutional attendants.

**Veterans' Home – Overtime****\$575,805**

The Governor recommends \$575,805 in additional general revenue financing for overtime at the Veterans' Home for FY2013. The census expansion planned for FY2012 was a dual initiative to consolidate nursing operations at the Veterans' Home, realize staffing economies, reduce overtime and generate general revenue savings of \$1.0 million in FY2012. Although seven nursing units have been consolidated into five, the Department has been unable to realize any significant reductions in overtime expenses and the Governor's Supplemental FY2012 Budget appropriates an additional \$1.3 million for overtime to the Home.

**CHILD SUPPORT SERVICES**

The Office of Child Support Services assists families by ensuring payment of court-ordered child support payments. The office provides the following services: location of non-custodial parents, establishment of paternity, establishment and modification of child support orders, and enforcement, through the use of license suspensions, credit bureau reporting, tax refund intercepts, and liens. Collections recovered for families that receive state support through Rhode Island Works or Medicaid are retained by the State; other collections are distributed directly to families.

The Governor recommends 61.2 FTE positions for FY2012 and FY2013.

<b>Child Support Services</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$2,214,781</b>
<i>Target and Other Adjustments</i>	<i>100,466</i>
<b>FY2013 Governor</b>	<b>\$2,315,247</b>

**ELDERLY AFFAIRS**

The Division of Elderly Affairs (DEA) provides comprehensive services, advocacy, and public policy dedicated to the needs of older Rhode Islanders, adults with disabilities, their caregivers, and families. Elderly Affairs implements a system of community-based care for those sixty years and older as well as adults with disabilities. The Division is responsible for developing and implementing a State Plan on Aging under the federal Older Americans Act. The Division oversees the Aging and Disability Resource Center (called "The Point") and a network of community information specialists who provide referrals to services and other resources to elders and adults with disabilities. The Division also monitors more than 200 community service grants to regional and community-based agencies.

The Division manages the Rhode Island Pharmaceutical Assistance to the Elderly (RIPAE) program, which provides financial assistance for medications to approximately 5,000 Rhode Islanders. Recipients are eligible if they are age 65 and older, or age 55 and older and receiving Social Security Disability Income (SSDI). Since 2008, RIPAE enrollees are required to enroll in a Medicare Part D prescription drug plan, which significantly reduces RIPAE utilization.

The Governor recommends 30.0 FTE positions for FY2012 and FY2013.

<b>Elderly Affairs</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$9,485,036</b>
<i>Target and Other Adjustments</i>	<i>380,785</i>
Personnel	675,215
RIPAE Reduction	(200,000)
<b>FY2013 Governor</b>	<b>\$10,341,036</b>

**Personnel****\$675,215**

The Governor's budget increases personnel funding by \$675,215 at Elderly Affairs to accommodate a change in resource availability in FY2013. The FY2012 Budget as Enacted used unspent FFY2011 Older Americans Act grant funding to replace general revenue spending for the Division's personnel expenditures. However, the Division reports that the Administration on Aging (AoA) requires any unspent grant funding be reported as unobligated and returned to AoA. Therefore, the recommendation reverses the FY2012 Budget as Enacted, using general revenue funding to replace grant funding.

The recommended increase in personnel expenditures also restores personnel funding that had been withdrawn from the Division when the General Assembly merged the former Department of Elderly Affairs into DHS and assumed savings through unspecified efficiencies. These economies of scale have not materialized; therefore, the Governor recommends restoring prior personnel funding levels.

**RIPAE Reduction****(\$200,000)**

The Governor's FY2013 budget includes a \$200,000 reduction in funding in anticipation of reduced demand for program benefits along with reduced administrative costs associated with the Rhode Island Pharmaceutical Assistance to the Elderly (RIPAE) program.

The RIPAE program provides income-scaled pharmaceutical subsidies for low- and middle-income seniors. Under typical Medicare Part D plans, into which all RIPAE members are required to enroll, individuals are responsible for 25.0 percent of their drug costs up to an annual drug cost of \$2,840. For drug purchases above this initial coverage limit and under the catastrophic coverage threshold (\$6,448) enrollees are responsible for 100.0 percent of the cost.

RIPAE was designed to address this Medicare Part D coverage gap or "Medicare donut hole". Since its passage, however, the federal Affordable Care Act has been gradually eliminating the coverage gap, reducing the need for RIPAE-funded services.

Calendar Year	Medicare Part D coverage gap: Enrollee share of drug costs	
	Brand-name and biologic drugs	Generic drugs
2010	100.0%	100.0%
2011	50.0%	93.0%
2012	50.0%	86.0%
2013	47.5%	79.0%
2014	47.5%	72.0%
2015	45.0%	65.0%
2016	45.0%	58.0%
2017	40.0%	51.0%
2018	35.0%	44.0%
2019	30.0%	37.0%
2020	25.0%	25.0%

In FY2012, the Governor recommended eliminating the program but the General Assembly did not concur. Rather, it converted the program from a point-of-sale discount to a reimbursement program with participants submitting receipts to the State quarterly and receiving a reimbursement that, combined with the new federal discount, equaled their discount under the old program.

**CAPITAL PROJECTS**

The Governor recommends funding for eight capital projects in FY2013, including \$165,000 in RICAP funds to establish and refurbish vending facilities to be operated by the legally blind. Other projects include improvements, upgrades and renovations to the Veterans' Home financed through restricted receipts, and constructing a new columbarium at the Veterans' Cemetery, which is eligible for full federal reimbursement.

*(For details of the Governor's complete capital proposal, see the Capital Budget Analysis.)*





## Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals

Expenditures by Program	FY2011	FY2012	FY2012	Change from		FY2013	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$0.8	\$1.1	\$1.1	(\$0.1)	-4.6%	\$1.2	\$0.0	0.8%
Hospital & Community System Support	3.0	4.4	6.0	1.7	38.4%	4.8	0.4	9.4%
Service for the Developmentally Disabled	242.6	212.7	213.8	1.1	0.5%	216.3	3.6	1.7%
Behavioral Healthcare Services	102.1	108.7	108.9	0.1	0.1%	111.0	2.3	2.1%
Hospital & Community Rehabilitation Svcs	102.5	114.2	103.1	(11.1)	-9.7%	112.4	(1.7)	-1.5%
<b>Total</b>	<b>\$451.0</b>	<b>\$441.1</b>	<b>\$432.9</b>	<b>(\$8.2)</b>	<b>-1.9%</b>	<b>\$445.7</b>	<b>\$4.5</b>	<b>1.0%</b>
<b>Expenditures by Source</b>								
General Revenue	172.7	184.2	187.1	2.8	1.5%	189.3	5.1	2.7%
Federal Funds	232.4	225.4	228.7	3.3	1.5%	233.9	8.5	3.8%
Federal Funds - ARRA	35.0	0.1	0.3	0.2	480.0%	0.0	(0.0)	-30.0%
Restricted Receipts	6.9	8.0	7.1	(0.9)	-11.0%	7.2	(0.8)	-10.1%
Other Funds	3.9	23.4	9.7	(13.7)	-58.5%	15.2	(8.2)	-34.9%
<b>Total</b>	<b>\$451.0</b>	<b>\$441.1</b>	<b>\$432.9</b>	<b>(\$8.2)</b>	<b>-1.9%</b>	<b>\$445.7</b>	<b>\$4.5</b>	<b>1.0%</b>
Authorized FTE Levels	1,372.2	1,378.2	1,383.2	5.0	0.4%	1,383.2	5.0	0.4%

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

The Department of Behavioral Health, Developmental Disabilities, and Hospitals (BHDDH) (formerly known as the Department of Mental Health, Retardation, and Hospitals (MHRH)) is responsible for providing a comprehensive system of care for people with mental illness, physical illness, developmental disability, and substance use disorders or addiction. BHDDH administers a coordinated system of mental health promotion and substance abuse prevention through contracted, community based service delivery programs and direct services at both campuses of Eleanor Slater Hospital (Pastore Center in Cranston and Zambarano in Burrillville) and Rhode Island Community Living and Supports (RICLAS) facilities.

The FY2012 Budget as Enacted authorized 1,378.2 FTE positions; as of the payroll period ended January 28, 2012, 88.5 percent of these FTE positions were filled. The Governor's Budget authorizes 1,383.2 FTE positions for FY2013, a 5.0 FTE position increase over FY2012. These new FTE positions are federally-funded positions in the Behavior Health program and are associated with the Transformation Transfer Initiative (TTI) grant that funds peer support services and recovery training at certified mental health centers.

### MAJOR ISSUES AND TRENDS FOR FY2013

Relative to the budget reductions and reforms to the Department of BHDDH contained in the FY2012 Budget as Enacted, the focus of the Governor's FY2013 budget is primarily to maintain current services. Project Sustainability, a new payment methodology used to reimburse providers of services to the developmentally disabled, has been implemented and the Department is on target to achieve all anticipated savings in FY2012. Though savings from closures of RICLAS group home were only partially achieved in FY2012, the Governor's budget does not include any savings from additional closures for FY2013. The health homes initiative, which began last year within the behavior health program, is expanded to two additional populations in FY2013 with total initiative general revenue savings totaling \$2.3 million. Finally, the Governor restores funding for personnel and overtime for both the Eleanor Slater Hospital and for RICLAS, programs with unachieved savings in FY2012.

**Health Home Initiatives**

**(\$2.3 million)**

The Governor assumes \$2.3 million in general revenue savings in FY2013 from annualized FY2012 savings and from expanding the health home initiative to two additional BHDDH populations: the developmentally disabled and those in the Department’s methadone maintenance program. These savings are realized through an enhanced federal match for case management and care coordination services delivered through state-licensed facilities. Since the savings come exclusively from cost-shifting due to an enhanced federal match, there are no all funds savings from these initiatives, nor are there any service impacts to clients.

The federal Affordable Care Act (ACA) offers states up to eight quarters of 90.0 percent federal matching funds for a set of services delivered through a coordinated care initiative for the chronically ill called a health home. Whereas the medical home model coordinates care among medical care providers, the health home initiative calls for the coordination of services of medical care providers and behavioral health professionals. It focuses on holistic patient assessment and individual care plans that are executed and monitored by a multi-disciplinary team.

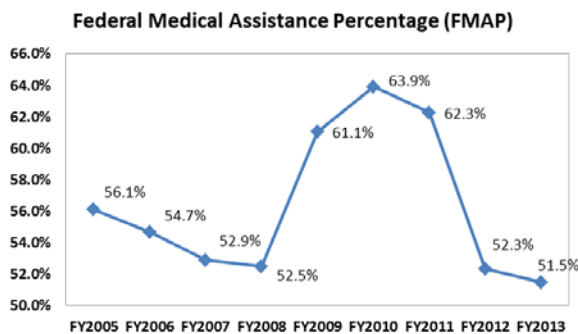
In FY2012, the State received approval from the Centers for Medicare and Medicaid Services (CMS) to establish health homes for two populations:

Health Home Initiative	Department	Savings	CMS Approval
Serious and Persistent Mental Illness	BHDDH	\$1.5	Received
Children with Special Health Care Needs	DHS	0.3	Received
Developmentally Disabled	BHDDH	0.2	Pending
Methadone Maintenance	BHDDH	0.3	Pending
<b>Total, in millions</b>		<b>\$2.3</b>	

adults with serious and persistent mental illness through BHDDH and for children with special health care needs through the Department of Human Services. The enhanced federal match for these CMS-approved health homes expires September 30, 2013, after which the State will receive federal reimbursement according to the regular Federal Medical Assistance Percentage in effect at the time.

**Growth Trends Rates and FMAP Adjustment**

General revenue Medicaid spending rose steeply in FY2012 over FY2011 as the enhanced federal Medicaid match provided through the American Recovery and Reinvestment Act expired.



The Governor’s FY2013 budget is impacted by another downward adjustment of the Federal Medical Assistance Percentage (FMAP) from 52.3 percent in FFY2012 to 51.5 percent in FFY2013, the projected rate published by Federal Funds Information for States (FFIS) in March 2011 that was used to formulate target adjustments in July 2011. This decrease in federal financial participation requires an additional \$531,869 in general revenue to reach the FY2013 current services level for Medicaid-

financed services spread across the Department’s programs.

**Community Service Grant Reduction**

The Governor recommends a 25.0 percent reduction to community service objective grants in state departments and agencies. Community service objective grants often supplement program objectives. The FY2012 Budget as Enacted includes \$8.3 million in community service objective funding in 15

agencies. The Governor reduces funding by \$2.1 million statewide, including an \$54,264 reduction in BHDDH.

### CENTRAL MANAGEMENT (OFFICE OF THE DIRECTOR)

The Office of the Director provides overall management and policy direction for the Department. The program oversees most functions within BHDDH, except for the Hospital, where day-to-day operations are managed by an Executive Director (appointed by the BHDDH Director). The program functions include management and administration; legislative affairs; constituent affairs; advocacy; hospital appeals; strategic planning; community and provider involvement; and public education. The program also centralizes emergency management, planning and renovation of construction, performance improvement, and funds development for the Department. For FY2013, the Governor recommends 8.0 FTE positions, consistent with FY2012.

<b>Central Management</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$829,195</b>
<i>Target and Other Adjustments</i>	<i>(31,981)</i>
<b>FY2013 Governor</b>	<b>\$797,214</b>

### HOSPITALS AND COMMUNITY SYSTEM SUPPORT

The Hospitals and Community Support program provides financial management support for the entire Department, including the hospitals and community patient care facilities. Operational areas within the program include Budget Development/Program Analysis; Business Services; Accounting and Financial Control; Federal Grants; Contract Management; Revenue Collection; Billing and Accounts Receivable; Patient Resources and Benefits; and Hospital Cost Setting/Revenue Forecasting. For FY2013, the Governor recommends 26.0 FTE positions, consistent with FY2012.

<b>Hospitals and Community System Support</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$2,435,629</b>
<i>Target and Other Adjustments</i>	<i>91,485</i>
<b>FY2013 Governor</b>	<b>\$2,527,114</b>

### DEVELOPMENTAL DISABILITIES

The Developmental Disabilities (DD) program supports a statewide network of private and public programs for those with developmental disabilities. These supports include several levels of residential care, community placements, day programs, and respite programs. The goal of the program is to provide access to appropriate supports in the least restrictive environment for the developmentally disabled. The program manages a population ranging from those previously institutionalized at Ladd School prior to the closure of the facility in 1993 to those with mild functional disabilities in need of daytime supports and vocational training to function within society.

Rhode Island's DD program differs from that of neighboring states in that different criteria are used to determine eligibility. Rhode Island's criteria include both mental retardation and "related conditions" while Massachusetts and Connecticut restricts eligibility to persons with diagnoses of mental retardation alone. Therefore, for example, an

	Participants	Participants per 1000
Rhode Island	3,284	3.11
Connecticut	8,525	2.43
Massachusetts	11,861	1.80
United States	572,493	1.87

*Source: The State of the States in  
Developmental Disabilities, 2011*

individual with an IQ of less than 70 would qualify for services in Massachusetts, Connecticut and Rhode Island. Individuals with “related conditions” such as cerebral palsy or epilepsy, however, would not be eligible for DD services in Massachusetts or Connecticut but would qualify in Rhode Island, even if their IQ were above 70. This more inclusive definition results in a greater participation rate relative to the state’s total population as evidenced in the accompanying table.

The Developmental Disabilities (DD) program serves 3,400 individuals through state-run programs and community-based providers and including those who receive case management services only. The state-run system has 32 homes which are 24 hour nursing-level facilities. The state system, otherwise known as RICLAS (Rhode Island Community Living and Supports) has a capacity of 259 persons. Private residential providers operate 339 facilities with a capacity of 1,741 persons. The remaining 2,400 clients served by DD programs participate in day programs, supportive employment, and programs that provide support to allow individuals to continue living with their families. Many clients are served by more than one DD program.

The Governor’s recommendation for FY2013 includes 443.0 FTE positions, consistent with FY2012.

<b>Service for the Developmentally Disabled</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$97,336,360</b>
<i>Target and Other Adjustments</i>	<i>111,206</i>
Medicaid FMAP Adjustment	1,575,996
RICLAS Personnel and Overtime	1,733,527
Health Homes Initiative - Developmentally Disabled	(220,363)
Project Sustainability	Informational
RICLAS Group Home Closures	Informational
<b>FY2013 Governor</b>	<b>\$100,536,726</b>

***Medicaid FMAP Adjustment*** ***\$1.6 million***

The change in the Federal Medical Assistance Percentage (FMAP) from 47.7 percent in FY2012 to 48.53 percent in FY2013 increases the general revenue share of medical expenses for the Developmentally Disabled in FY2013 by \$1.6 million and reduces the federal funds by \$1.4 million.

***RICLAS Personnel and Overtime*** ***\$1.7 million***

The state-operated residential DD system, RICLAS, receives an additional \$1.7 million (\$3.9 million all funds) in personnel and overtime funding in the Governor’s budget. These include \$1.4 million in additional general revenue (\$3.3 million all funds) for personnel, reversing turnover savings taken in FY2012 that the Department was unable to achieve due to its 24/7 operations. This funding also includes \$200,000 general revenue in holiday pay that was inadvertently omitted in the FY2012 Budget as Enacted.

The Governor’s Budget also recommends an additional \$322,905 general revenue (\$595,654 all funds) for overtime, recognizing the Department’s continued difficulty in hiring and keeping registered nurses (RN), certified nursing aides (CNA) and community living aides (CLA).

In order to address its difficulties with personnel and overtime expenses with a more permanent solution, the Department requests to begin the practice of continuous hiring for RN’s, CNA’s and CLA’s, which represent 52.5 percent of FTE positions at Eleanor Slater Hospital and 75.4 percent of FTE positions in RICLAS homes. This would allow them to accelerate the hiring process, reduce position vacancies and minimize overtime expenses.

Two RICLAS group homes were closed in FY2011 and six homes were to be closed as part of the FY2012 Budget as Enacted. Three of the six homes were closed ahead of schedule in FY2012 as current residents were consolidated into fewer RICLAS homes and some eventually transferred to privately run homes. Further progress on the remaining three homes scheduled for closure in FY2012 may be delayed as providers are reluctant to provide services to the neediest DD individuals.

Additionally, the Department reports that further progress on this initiative may be unlikely since any additional closures and resultant personnel reductions could challenge existing collective bargaining contracts. Attempts to turn RICLAS homes over to private providers as turn-key operations could also meet with challenges due to the State’s privatization law, which was included in the FY2008 Budget as Enacted. The law limits the conditions under which the Department could essentially turn the RICLAS staff into private employees.

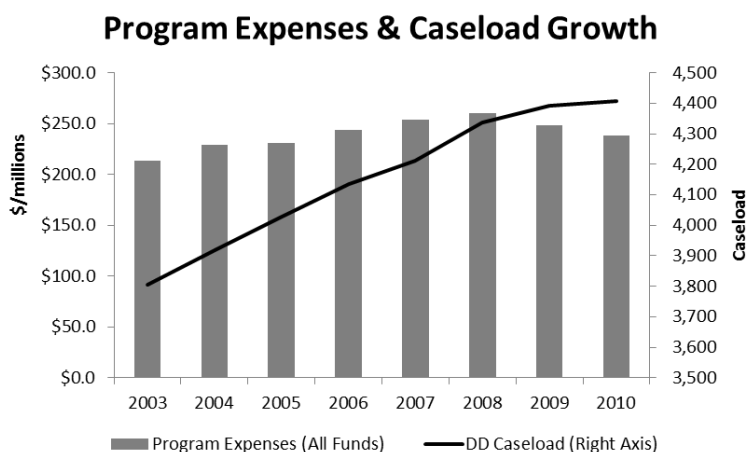
**Health Homes Initiative – Developmentally Disabled** **(\$220,363)**

The Governor’s budget assumes \$220,363 general revenue savings from the extension of the health homes initiative to the medically fragile developmentally disabled population. Savings will come from cost-shifting from general revenue to federal funds through the enhanced federal Medicaid match of 90.0 percent available through the health homes program. Since all general revenue savings are achieved through this enhanced match, there are no all funds savings associated with this initiative and there are no service impacts to clients.

The Department plans to follow a similar health home methodology implemented and approved by CMS in FY2012 for service to those with serious and persistent mental illness. The Department will identify those developmentally disabled individuals with at least two chronic conditions such as asthma, diabetes, heart disease, or obesity and offer them additional services. These individuals will receive their services through a designated health home provider, who would provide comprehensive care management, care coordination, health promotion, transitional support services, referrals to other community organizations and the use of health information technology.

**Project Sustainability** **Informational**

The FY2012 Budget as Enacted included all funds savings of \$19.3 million for reforms included in Project Sustainability. The Department has implemented this program and anticipates that all savings will be achieved in FY2012. Lower than expected utilization of services resulted in a \$5.0 million program surplus in FY2012 which was directed to assist providers in the form of a rate increase.



Prior to FY2012, providers of services to the developmentally disabled (DD) were paid using a system of monthly bundled rates with each provider negotiating a unique rate with BHDDH and the resulting rates varying by more than one hundred percent among providers. Providers received negotiated rates for every resident as a monthly bundle, regardless of that individual’s level of need and the amount or quality of services provided.

In order to bring more accountability and transparency to the services provided to the developmentally disabled, the General Assembly approved a redesign of BHDDH's DD system in FY2011 for implementation in FY2012. Project Sustainability unbundles the monthly payment structure and replaces it with a fee-for-service payment methodology that specifies a unique rate for each service that is applied to every private provider. The Department assesses each client's needs using the Supports Intensity Scale, and uses this to determine the appropriate resource allocation.

The new rate methodology established under Project Sustainability was implemented July 1, 2011, with rates further reduced effective October 1, 2011, in order to comply with the FY2012 Enacted Budget. In December 2011, CMS approved the rate methodology and all submitted rates. Social workers have now been trained to use the nationally-recognized assessment tool, the Supports Intensity Scale (SIS), and the Department is on target to complete its first 1,000 assessment by April 2012. These assessments will be used to set annual resources limits to each individual.

The implementation of new provider rates on July 1, 2011, has produced discussion with DD providers who claim that agencies have been forced to lay off employees because the FY2012 budget reductions were implemented too quickly and were too deep and have left their businesses without the resources to meet patient needs. Providers have also voiced their difficulty in complying with Project Sustainability's record-keeping and billing requirements. Though a federal lawsuit has been withdrawn, state litigation by providers is pending.

### BEHAVIORAL HEALTHCARE SERVICES

The Behavioral Healthcare Services program consists of two subprograms: Integrated Mental Health Services and Substance Abuse. The program plans, coordinates, and administers systems of treatment for substance abuse prevention and the promotion of mental health. The program provides screening, intervention, early intervention, referral, clinical treatment, and recovery support activities. The program works closely with other departments and agencies in the State, including education, child welfare, and the criminal justice system. The Governor recommends 37.0 FTE positions for FY2013, consistent with FY2012.

<b>Behavioral Healthcare Services</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$36,009,986</b>
<i>Target and Other Adjustments</i>	<i>875,797</i>
Third Party Liability Identification	(250,000)
Behavioral Health Home- SPMI	(1,448,431)
Behavioral Health Home- Methadone Maintenance	(300,495)
<b>FY2013 Governor</b>	<b>\$34,886,857</b>

#### ***Third Party Liability Identification*** ***(\$250,000)***

The proposed budget includes \$250,000 in savings from more intensive efforts to identify individuals with serious and persistent mental illness who are covered by third party liability insurers. This is a continuation of an initiative begun in FY2012.

#### ***Behavioral Health Home – Serious and Persistent Mental Illness (SPMI)*** ***(\$1.4 million)***

The Governor's budget includes \$1.4 million general revenue savings in FY2013, the incremental increase from annualizing FY2012 savings. Since the savings come exclusively from cost-shifting due to an enhanced federal match, there are no all funds savings from these initiatives nor is there any impact on services to clients. The enhanced federal funding, 90.0 percent instead of the state's FY2013 FMAP of 52.44 percent, ends September 30, 2013.

Individuals who are on Medicaid and have SPMI health conditions are eligible and automatically enrolled in the program. Health home teams are located at all BHDDH-licensed community mental health organizations (CMHOs) in Rhode Island and are responsible for establishing their own service networks that integrate the medical and mental health care of participants. Depending on the needs of the client, six services are available: comprehensive care management, care coordination, individual and family support services, health promotion, comprehensive transitional care, and referrals to community and social support services.

In November 23, 2011, BHDDH received CMS approval to use the health home model for this population, qualifying eligible services for the enhanced Medicaid match for up to eight quarters, effective October 1, 2011.

***Behavioral Health Home – Methadone Maintenance***

***(\$300,495)***

As an extension of the health home initiative launched in FY2012, the Department plans an additional \$300,495 general revenue savings through its extension to medically fragile individuals in Narcotic Treatment Programs. Like coordinated care services offered to those with SPMI, these services will also qualify for an increased federal Medicaid match of 90.0 percent for up to eight quarters with FY2013 savings based on FY2011 claims. All savings are due to cost shifting and the increased match; therefore, there are no all funds savings associated with this initiative, nor will there be any service changes to clients. The Department anticipates that six months of planning and coordination with providers, OHHS, the Centers for Medicare and Medicaid Services (CMS), and HP, the program’s fiscal agent, will be required prior to approval from CMS.

Medicaid recipients receiving methadone maintenance treatment services often carry co-occurring diagnoses of mental illness, Hepatitis B and C, human immunodeficiency virus, lung disease and heart disease. According to the Affordable Care Act, methadone individuals must have a co-occurring condition or be at risk for a co-occurring condition to be eligible for health home care coordination.

The Department maintains that it already has in place a number of the services required by CMS for health home funding, including comprehensive care management, care coordination, individual and family support, and social support service referrals. The increased federal match would enable additional services, such as those that would focus on health promotion and those that would increase the likelihood that clients would receive health care services, to be offered to this population.

**HOSPITAL AND COMMUNITY REHABILITATIVE SERVICES**

The Hospital and Community Rehabilitative Services program provides care for individuals requiring both short and long term hospitalization for psychiatric and developmentally disabled issues. The Hospital facilities are licensed by the Department of Health (DOH) and accredited by the national board for health care organizations: the Joint Commission on Accreditation of Healthcare Organizations (JCAHO). The Eleanor Slater Hospital has two campuses: the larger, at the Pastore Center in Cranston, has 306 licensed beds, while the Zambarano Campus in Burrillville has 189 licensed beds. The Pastore Center Campus focuses on surgical services and long-term psychiatric and psychogeriatric services. The Zambarano Campus focuses on long-term and rehabilitative care. The Governor recommends 869.2 FTE positions, consistent with FY2012.

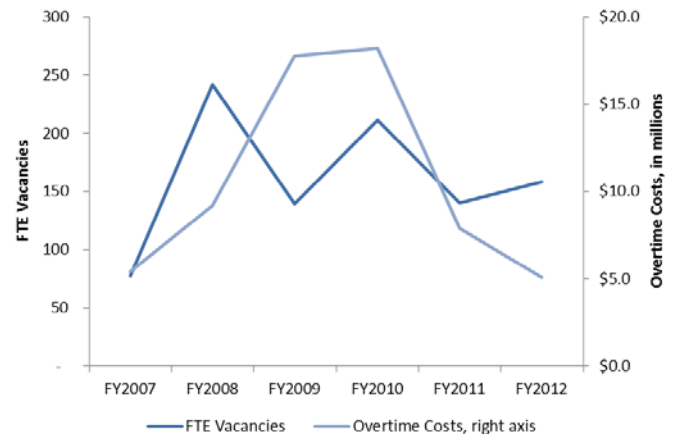
<b>Hospital and Community Rehabilitation Services</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$47,638,399</b>
<i>Target and Other Adjustments</i>	<i>(10,912)</i>
Personnel and Overtime	2,933,792
<b>FY2013 Governor</b>	<b>\$50,561,279</b>

**Personnel and Overtime****\$2.9 million**

The Governor's budget recommends reversing turnover savings that were part of the FY2012 budget, adding an additional \$2.9 million in general revenue (\$7.5 million all funds) for personnel in the Hospital and Community Rehabilitation Services program.

Personnel reductions were contained in this program for FY2012, including \$1.2 million in general revenue savings from a 3.0 percent statewide reduction and \$1.0 million in additional turnover savings. Since the hospital is a 24/7 operation, the failure to fully fund the program's positions resulted in \$1.8 million projected additional overtime expenses. For FY2013, the Governor restores funding for the program's FTE positions.

The Governor recommends a decrease of \$317,612 in overtime expense for the Hospital and Community Rehabilitation Services program, a recommendation that assumes the Department will hire additional nurses and certified nursing assistants. These savings will be offset by an increase in personnel expenses.

**FTE VACANCIES AND OVERTIME COSTS**

*Analyst's Note: The above graph demonstrates that prior increases in hiring have not necessarily resulted in reduced overtime costs at BHDDH.*

**CAPITAL PROJECTS**

The Governor recommends funding for fourteen projects as part of the BHDDH Capital Budget, totaling \$52.0 million from all funding sources for FY2013 through FY2017. Of this, \$49.4 million would be funded through Rhode Island Capital Plan (RICAP) and \$2.7 million through federal funds.

The single largest project included in proposed capital budget is the hospital consolidation project, which has a total project cost of \$36.5 million, will be completed by FY2016, and which is funded with \$5.5 million in RICAP funds for FY2013. Though the project originally involved the restructuring of the Eleanor Slater Hospital through the renovation of the Mathias and Varley buildings, the current project proposes construction of a new facility. This new structure is to merge the Pastore Center hospital system, which is currently scattered throughout the complex, into one building, resulting in more efficient and cost effective operations.

Other projects funded in the Governor's FY2013 Capital Budget include:

- Repairs to existing DD community facilities operated by the state or providers (\$1.3 million)
- Fire code upgrades for DD provider facilities (\$1.6 million)
- Development of housing opportunities for independent and shared living (\$1.0 million)

*(For details of the Governor's complete capital proposal, see the Capital Budget Analysis.)*



## Governor's Commission on Disabilities

<b>Expenditures by Program</b>	<b>FY2011 Final</b>	<b>FY2012 Enacted</b>	<b>FY2012 Governor</b>	<b>Change from Enacted</b>		<b>FY2013 Governor</b>	<b>Change from Enacted</b>	
Commission on Disabilities	\$1,112,354	\$1,482,324	\$1,350,703	\$131,621	8.9%	\$1,417,795	\$64,529	4.4%
<b>Expenditures by Source</b>								
Federal Funds	\$171,062	\$230,890	\$172,580	(\$58,310)	-25.3%	\$175,536	(\$55,354)	-24.0%
General Revenue	903,101	992,170	916,763	(75,407)	-7.6%	982,565	(9,605)	-1.0%
Other Funds	33,000	250,000	250,000	-	-	250,000	-	-
Restricted Receipts	5,191	9,264	11,360	(2,096)	(0)	9,694	(430)	(0)
<b>Grand Total</b>	<b>\$1,112,354</b>	<b>\$1,482,324</b>	<b>\$1,350,703</b>	<b>\$131,621</b>	<b>8.9%</b>	<b>\$1,417,795</b>	<b>\$64,529</b>	<b>4.4%</b>
Authorized FTE Levels		4.0	4.0	-	0.0%	4.0	-	0.0%

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 FY2013

As part of its budget submission, the Commission proposed to repeal the State Coordinating Committee on Disability Rights, which would not have resulted in cost savings, but would have freed up employee time to allow them to perform critical, day-to-day responsibilities. The Governor did not recommend eliminating this function. The Governor recommends 4.0 FTE positions in FY2012 and FY2013 for the Commission.

<b>Commission on Disabilities</b>	<b>General Revenue</b>
FY2012 Enacted	\$388,786
<i>Target and Other Adjustments</i>	1,648
Reconfiguration of Commission Personnel	(19,338)
<b>FY2013 Governor</b>	<b>\$371,096</b>

### **Reconfiguration of Commission Personnel (\$19,338)**

The Governor reconfigures the Commission's staff by adding a Public Education Aide, offset by the retirement of a Special Projects Coordinator. The Aide will assist with information and referral efforts associated with the Americans with Disabilities Act and provide support to administrative staff. The Commission's Special Projects Coordinator is anticipated to retire by March 2012, for a net \$19,338 reduction in general revenue expenses in FY2013.

### CAPITAL PROJECTS

The Governor's Commission on Disabilities coordinates the expenditure of capital improvement funding for projects to bring State governmental facilities into compliance with the Americans with Disabilities Act. The Governor includes a total of \$4.5 million FY2012 through FY2017, including \$1.7 million in RICAP funds.

(For details of the Governor's complete capital proposal, see the Capital Budget Analysis.)



## Commission on the Deaf and Hard of Hearing

<b>Expenditures by Program</b>	<b>FY2011 Actual</b>	<b>FY2012 Enacted</b>	<b>FY2012 Governor</b>	<b>Change from Enacted</b>		<b>FY2013 Governor</b>	<b>Change from Enacted</b>	
Commission	\$358,036	\$387,985	\$386,286	(\$1,699)	-0.4%	\$390,251	\$2,266	0.6%
<b>Expenditures by Source</b>								
General Revenue	\$358,036	\$387,985	\$386,286	(\$1,699)	-0.4%	\$390,251	\$2,266	0.6%
<b>Total</b>	<b>\$339,304</b>	<b>\$362,824</b>	<b>\$364,802</b>	<b>(\$1,699)</b>	<b>0.5%</b>	<b>\$387,985</b>	<b>\$2,266</b>	<b>6.9%</b>
Authorized FTE Levels	3.0	3.0	3.0	-	0.0%	3.0	-	0.0%

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.

### MAJOR ISSUES AND TRENDS FOR FY2013

The CDHH requested an additional 1.0 FTE position for a staff interpreter. Two of the 3.0 FTE positions at CDHH are filled by persons who are deaf, and in order to communicate with other agencies and the hearing public, the staff must wait until a contract interpreter is available, sometimes two to three weeks later. The top range of the salary for the Executive Interpreter would be \$56,265, and if average benefits cost 33.0 percent of salary, total cost in FY2013 would be \$74,832.

The Governor does not fund the requested initiative and recommends a staffing level of 3.0 FTE positions in FY2012 and FY2013 for the CDHH.

<b>Commission on Deaf and Hard of Hearing</b>	<b>General Revenue</b>
FY2012 Enacted	\$387,985
<i>Target and Other Adjustments</i>	\$2,266
<b>FY2013 Governor</b>	<b>\$390,251</b>



## Office of the Child Advocate

<b>Expenditures by Program</b>	<b>FY2011 Actual</b>	<b>FY2012 Enacted</b>	<b>FY2012 Governor</b>	<b>Change from Enacted</b>		<b>FY2013 Governor</b>	<b>Change from Enacted</b>	
Child Advocate	\$597,596	\$652,432	\$578,868	(\$73,564)	-11.3%	\$661,503	\$9,071	1.4%
<b>Expenditures by Source</b>								
General Revenue	\$550,911	\$603,384	\$528,834	(\$74,550)	-12.4%	\$611,469	\$8,085	1.3%
Federal Funds	46,685	49,048	50,034	986	2.0%	50,034	986	2.0%
<b>Grand Total</b>	<b>\$597,596</b>	<b>\$652,432</b>	<b>\$578,868</b>	<b>(\$73,564)</b>	<b>-11.3%</b>	<b>\$661,503</b>	<b>\$9,071</b>	<b>1.4%</b>
Authorized FTE Levels	5.8	5.8	5.8	-	0.0%	5.8	-	0.0%

The Office of the Child Advocate (OCA) protects the legal, civil and special rights of all children and youth involved in the care of the Department of Children, Youth and Families (DCYF). The Office strives to improve conditions and circumstances through monitoring, compliance and advocacy.

### MAJOR ISSUES AND TRENDS FOR FY2013

The Governor recommends a staffing level of 5.8 FTE positions in FY2012 and FY2013 for the Office of the Child Advocate. Despite the overall decrease in DCYF caseloads, there were 2,541 indicated cases of child abuse and neglect, a rate of 9.1 per 1,000 children over the last three years in Rhode Island. Seven communities (Central Falls, Newport, Pawtucket, Providence, Westerly, West Warwick, and Woonsocket) accounted for nearly two-thirds of indicated cases. The OCA seeks to prevent such cases by scrutinizing the manner in which the State protects and cares for children by examining system-wide issues and by taking any necessary action to protect the rights of children in DCYF care.

<b>Child Advocate</b>	<b>General Revenue</b>
FY2012 Enacted	\$603,384
<i>Target and Other Adjustments</i>	<i>8,085</i>
<b>FY2013 Governor</b>	<b>\$611,469</b>



## Office of the Mental Health Advocate

<b>Expenditures by Program</b>	<b>FY2011 Actual</b>	<b>FY2012 Enacted</b>	<b>FY2012 Governor</b>	<b>Change from Enacted</b>		<b>FY2013 Governor</b>	<b>Change from Enacted</b>	
Mental Health Advocate	\$399,837	\$468,718	\$413,172	(\$55,546)	-11.9%	\$447,119	(\$21,599)	-4.6%
<b>Expenditures by Source</b>								
General Revenue	\$399,837	\$468,718	\$413,172	(\$55,546)	-11.9%	\$447,119	(\$21,599)	-4.6%
Authorized FTE Levels	3.7	3.7	3.7	-	0.0%	3.7	-	0.0%

The Office of the Mental Health Advocate ensures the legal, civil, and special rights of people with mental illness in Rhode Island. This includes providing legal representation at involuntary commitment proceedings, monitoring procedures and policies at in-patient treatment facilities and community-based mental health programs, proposing and evaluating legislation, and litigating civil rights and treatment rights disputes. The Office also advocates for improvements in the Mental Health System by monitoring and evaluating the quality of services available to clients of the mental health system. The Office seeks to close gaps in the services and programs administered by mental health providers including shortcomings in service related to emergency hospitalizations, psychiatric care for prison inmates, and homelessness among individuals with chronic serious mental illness.

### MAJOR ISSUES AND TRENDS FOR FY2013

The Governor recommends a staffing level of 3.7 FTE positions in FY2012 and FY2013 for the Office. In recent years the Office has experienced a reduction in staff from 7.0 to 3.7 FTE positions (0.7 of which is currently a vacant staff attorney position). As a result, the Office has ceased to perform regular compliance reviews at mental health facilities and at licensed mental health group homes and perform investigations only when a compliant has been filed. Currently, the Compliance Review Unit within the Office is not staffed.

<b>Mental Health Advocate</b>	<b>General Revenue</b>
FY2012 Enacted	\$468,718
<i>Target and Other Adjustments</i>	<i>(21,599)</i>
<b>FY2013 Governor</b>	<b>\$447,119</b>





## Elementary and Secondary Education

Expenditures by Program	FY2011	FY2012	FY2012			FY2013		
	Actual	Enacted	Governor	Change to Enacted	%	Governor	Change to Enacted	%
Admin of the Comprehensive Education Strategy	\$257.8	\$257.8	\$275.1	\$17.3	6.7%	\$253.1	(\$4.8)	-1.8%
Central Falls	40.0	40.4	39.2	(1.3)	-3.1%	39.4	(1.0)	-2.5%
Davies Career and Technical School	17.7	17.8	19.3	1.5	8.4%	17.3	(0.4)	-2.5%
Metropolitan Career and Technical School	12.6	13.6	14.6	0.9	6.8%	16.0	2.4	17.5%
Education Aid	655.5	643.2	643.0	(0.3)	0.0%	709.4	66.1	10.3%
School Construction Aid	68.0	72.5	69.8	(2.7)	-3.8%	74.6	2.1	2.8%
School for the Deaf	6.6	6.8	7.2	0.4	5.4%	7.0	0.2	3.2%
Teacher Retirement	70.3	81.6	84.1	2.5	3.0%	78.2	(3.4)	-4.2%
<b>Total</b>	<b>\$1,128.6</b>	<b>\$1,133.9</b>	<b>\$1,152.2</b>	<b>\$18.3</b>	<b>1.6%</b>	<b>\$1,195.0</b>	<b>\$61.2</b>	<b>5.4%</b>
<b>Expenditures by Source</b>								
General Revenue	\$846.1	\$863.1	\$862.8	(\$0.3)	0.0%	\$932.1	\$69.0	8.0%
Federal Funds	179.5	192.9	192.7	(0.2)	-0.1%	192.7	(0.2)	-0.1%
Federal Funds (ARRA)	80.4	45.2	60.1	14.9	32.9%	37.3	(8.0)	-17.6%
Restricted Receipts	19.6	26.3	27.0	0.7	2.6%	26.5	0.2	0.6%
Other Funds	3.0	6.3	9.6	3.2	51.3%	6.5	0.1	2.0%
<b>Total</b>	<b>\$1,128.6</b>	<b>\$1,133.9</b>	<b>\$1,152.2</b>	<b>\$18.3</b>	<b>1.6%</b>	<b>\$1,195.0</b>	<b>\$61.2</b>	<b>5.4%</b>
Authorized FTE Levels	325.4	348.4	355.4	7.0	2.0%	355.4	7.0	2.0%

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

The Rhode Island Department of Elementary and Secondary Education, under the leadership of the Board of Regents, 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 FY2013

The Governor's FY2013 budget recommendation for the Rhode Island Department of Elementary and Secondary Education (RIDE) is \$1,195.0 million, an increase of \$61.2 million or 5.4 percent from the FY2012 Budget as Enacted. General revenue increases by \$69.0 million (8.0 percent), federal funds decrease by \$160,293 (0.1 percent), federal ARRA funds decrease by \$8.0 million (17.6 percent), restricted receipts increase \$167,232 (0.6 percent), and other funds increase by \$124,908 (2.0 percent). The increase in general revenue is due primarily to a \$68.6 million increase in education aid.

The Governor recommends fully funding the second year of the new education funding formula and provides funding for all categorical aid programs. The Governor also replaces \$32.5 million of federal Education Jobs Fund used to supplant general revenue in the FY2012 Budget as Enacted. The Governor recommends an additional 7.0 FTE positions, including an increase of 13.0 FTE limited-term positions for the federally-funded Race to the Top - Early Learning Challenge grant and a decrease of 6.0 FTE positions Davies funded through the federal Perkins Grant.

In December 2011, Rhode Island was awarded a Race to the Top Early Learning Challenge grant for \$50.0 million over four years. The focus of the grant is to improve access to early learning programs as a strategy to close the preparation gap among children entering kindergarten. The federal grant will support work to expand the child-care program quality-rating system, provide professional development

for individuals working in early-learning programs, build upon the statewide data system to monitor students from birth through their college years, and develop a statewide kindergarten assessment. The Governor recommends \$1.8 million in federal funds in FY2012 and \$4.4 million in FY2013 for Race to the Top Early Learning Challenge grant program.

In March 2011, the Department launched the Uniform Chart of Accounts (UCOA), a method of accounting to provide transparency, uniformity, accountability and comparability of the financial information from each district and charter school. RIDE is using the UCOA to identify best practices and to help districts develop budget and investment priorities. The financial information released in March 2011 represents FY2010 data.

**Statewide Community Service Grant Reduction (\$160,916)**

The Governor recommends a 25.0 percent reduction to community service objective grants in state departments and agencies. Community service objective grants often supplement program objectives. The FY2012 Budget as Enacted includes \$8.3 million in community service objective funding in 15 agencies. The Governor reduces funding by \$2.1 million statewide, including a reduction of \$160,916 in the Department of Elementary and Secondary Education related to 43 grantees.

**ADMINISTRATION OF THE COMPREHENSIVE EDUCATION STRATEGY (ACES)**

This program encompasses the offices of Adult and Career and Technical Education, Instruction and Assessment, Finance, Middle and High School Reform, Network and Information Systems, Policy (Commissioner’s Office), Progressive Support & Intervention, Diverse Learners, and Educator Quality and Certification. Through these offices, RIDE provides leadership and support for the entire elementary and secondary education system in Rhode Island.

The Governor recommends 168.9 FTE positions in FY2012 and in FY2013 for the program. This represents an increase of 13.0 limited-term, federally funded FTE positions to implement the Race to the Top Early Learning Challenge grant.

<b>Administration of the Comprehensive Education Strategy</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$17,184,938</b>
<i>Target and Other Adjustments</i>	
Adult Education Grants	44,562
Kits in Teaching Elementary Science (KITES)	2,000,000
Perkins School for the Blind Reimbursement	(98,000)
	(342,318)
<b>FY2013 Governor</b>	<b>\$18,789,182</b>

<b>Administration of the Comprehensive Education Strategy</b>	<b>Other Funds Changes</b>
Race to the Top Early Childhood Fund (13.0 FTE)	\$4,374,459

**Adult Education Grants \$2.0 million**

The FY2012 Budget as Enacted eliminated \$2.3 million in general revenue funding for the Adult Literacy program and required the Governor’s Workforce Board/Human Resource Investment Council (GWB/HRIC) to fund the Adult Literacy program from restricted receipts. This shift increased the amount of GWB/HRIC funding to the Department from \$3.5 million to \$5.8 million. According to the Department of Labor and Training, continuation of the additional funding in FY2013 will severely curtail the planned funding priorities of the GWB that administers the GWB/HRIC programs and funds. The Governor recommends that the GWB/HRIC continue to provide the Department with \$3.5 million from the GWB/HRIC funds. The Governor also recommends \$2.0 million in general revenue funding to bring the spending to historical expenditure levels.

***Kits in Teaching Elementary Science (KITES)*** ***(\$98,000)***

The Kits in Teaching Elementary Science (KITES) program provides teachers with nationally validated science curriculum kits that are linked to state content standards and aligned professional development activities. These kits come to teachers fully stocked and are checked and replenished by a Materials Resources Center run by the East Bay Educational Collaborative (EBEC). KITES materials have an elementary and middle school focus. The program is open for participation to all schools in Rhode Island. The Governor eliminates funding for this program (\$98,000), since the Department of Education indicates that this type of expenditure is included in the instruction cost of the education aid formula.

***Perkins School for the Blind Reimbursement*** ***(\$342,318)***

The Governor eliminates \$342,318 in general revenue funding for two students attending the Perkins School for the Blind. One of the students will age out of the program in FY2013; however, the other has one more year. Currently, the Department supports the tuition amount that exceeds five times the sending district's net expenditure per pupil. The reimbursement in FY2012 is the difference between the sending district's June 30, 2012, per pupil expenditure times five and the 2011-2012 school year tuition for the Perkins School. The estimated cost for the remaining student is \$147,000 in FY2013.

In the Education Aid program of the Department, the Governor recommends \$500,000 in general revenues to fund the High-Cost Special Education categorical fund. This fund would provide state support toward the cost for individual special education students when costs exceed five times the per-pupil combined core instruction and student success factor funding (\$60,753 in FY2013). The Governor's recommendation would presumably shift the tuition reimbursement to the categorical fund. However, at the current recommended funding level, the categorical aid would not provide full reimbursement to the district sending the student to the Perkins School in FY2013.

***Race to the Top - Early Learning Challenge Grant (federal funds)*** ***\$4.4 million***

In December 2011, Rhode Island was awarded a Race to the Top Early Learning Challenge grant for \$50.0 million over four years. The focus of the grant is to improve access to early learning programs as a strategy to close the preparation gap among children entering kindergarten. The federal grant will support work to expand the child-care program quality-rating system, provide professional development for individuals working in early-learning programs, build upon the statewide data system to monitor students from birth through their college years, and develop a statewide kindergarten assessment. The Governor recommends \$1.8 million in federal funds in FY2012 and \$4.4 million in FY2013 for this program. The Governor further recommends the addition of 13.0 limited-term, federally-funded positions to be financed through this grant.

**CENTRAL FALLS SCHOOL DISTRICT**

In 1991, it was determined that the City of Central Falls could not afford to meet its contractual, legal and regulatory obligations related to school funding because its tax base had sustained little or no growth over several years. The school district was reorganized and has been under the control of the State Department of Elementary and Secondary Education since FY1993. The State has been responsible for 100.0 percent of the education expenditures for the Central Falls School District.

Since FY2012, Central Falls is funded using the new education funding formula. The Governor recommends \$39.4 million in funding for the Central Falls School Department in FY2013. This does not include \$29,100 in federal Education Jobs Fund revenue. (See Education Aid in the Special Report section of this publication.)

<b>Central Falls</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$39,161,820</b>
<hr/>	
<i>Target and Other Adjustments</i>	<i>251,502</i>
<b>FY2013 Governor</b>	<b>\$39,413,322</b>

**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 Davies School has received its funding from state and federal sources; however, beginning in FY2012, it received its general revenue funding through the new funding formula. Sending districts pay a portion of the tuition for each student from their district, estimated to be \$1.6 million in FY2013. Furthermore, Davies is now responsible for the cost of transporting students to and from their sending districts. The estimated cost, upon full transition, is about \$450,000 annually and about \$180,000 in FY2013.

The Governor recommends \$13.4 million in general revenue funding for the Davies Career and Technical School. This does not include \$9,957 in federal Education Jobs Fund revenue. (See Education Aid in the Special Report section of this publication)

The Governor recommends 126.0 positions in FY2012 and FY2013 for the program. This represents a reduction of 6.0 FTE positions relative to the FY2012 Budget as Enacted. The positions have been removed from Davies’ FTE position cap and are now district employees. These positions are funded through the federal Perkins Grant and are responsible for career awareness programs within the sending districts. The employees have always worked in the districts and not at Davies; however, they were state employees, with state benefits, and were counted in the FTE cap. Davies is the custodian of the regional grant and the funding is passed through to the each of the six sending districts. The positions are no longer state employees and the grant funding will continue to be passed through to the districts to pay for the salary and benefits of the district-level, federal Perkins grant funded positions. Each district has the flexibility to determine the terms of employment; however, Davies does set salary guidelines. Since expenditures such as materials, field trips and other activities are part of the Perkins allocation, this shift will give the districts greater control over their career awareness programs.

<b>Davies Career &amp; Technical School</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$13,416,256</b>
<hr/>	
<i>Target and Other Adjustments</i>	<i>(15,759)</i>
<b>FY2013 Governor</b>	<b>\$13,400,497</b>

<b>Davies Career &amp; Technical School</b>	<b>Other Funds Changes</b>
Restricted Receipt School Lunch Program	\$280,000

***Restricted Receipt School Lunch Program* **\$280,000****

Pursuant to a review of its nutrition program, the Department informed Davies that, pursuant to federal guidelines, the receipts and expenditures of the school lunch and school breakfast program needed to be segregated into a separate account and not comingled with other receipts and expenditures. The \$280,000 represents the total receipts for the program. The Department requests that the account be

exempt from the 10.0 percent indirect cost recovery; however, the Governor does not recommend the exemption.

### **RHODE ISLAND SCHOOL FOR THE DEAF**

The Rhode Island School for the Deaf is a public school which offers educational programs to approximately 160 deaf and hard of hearing youngsters (and their families) from birth through age 21 in the elementary program, junior and senior high school, and early intervention and preschool programs.

The Governor recommends \$6.2 million in general revenue funding for FY2013, and 60.0 FTE positions in FY2012 and FY2013 for the program, consistent with FY2012 Budget as Enacted.

<b>Rhode Island School for the Deaf</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$5,889,334</b>
<i>Target and Other Adjustments</i>	<i>351,308</i>
<b>FY2013 Governor</b>	<b>\$6,240,642</b>

### **METROPOLITAN CAREER AND TECHNICAL SCHOOL**

The Met School is a career and technical public school district with two campuses in Providence and a third in Newport. It provides a comprehensive education which includes internships, individual learning plans, advisory, and a college transition program for students in grades nine through twelve.

The Met School was formally 100.0 percent state funded; however, beginning in FY2012, it received its general revenue funding through the new funding formula. Sending districts pay a portion of the tuition for each student from their district, estimated to be \$2.3 million in FY2013. 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. The estimated cost is about \$130,200 annually.

The Governor recommends \$11.6 million in general revenue funding for the Met. This does not include \$8,772 in federal Education Jobs Fund revenue. (See Education Aid in the Special Report section of this publication)

<b>Metropolitan Career &amp; Technical School</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$11,642,563</b>
<i>Target and Other Adjustments</i>	<i>(40,864)</i>
<b>FY2013 Governor</b>	<b>\$11,601,699</b>

### **EDUCATION AID**

The Department provides direct support to schools and school districts, including charter and state-owned schools through this program. This program also provides funding for group home beds, non-public textbook reimbursement, state-level professional development, the early childhood demonstration pilot project, state E-rate reimbursement, and the state's share of the school breakfast program.

<b>Education Aid</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$621,639,790</b>
<i>Target and Other Adjustments</i>	
Year 2 Funding Formula	(137,646)
Education Jobs Fund Restoration	21,565,007
Add to Funding Formula Distribution	31,793,939
Categorical Funds	11,000,000
Group Home Aid	5,612,840
Telecommunication Education Access Fund (E-Rate)	(420,000)
Non-Public Textbooks Reimbursement	(350,000)
School Breakfast	(240,000)
Charter School Growth	(270,000)
<b>FY2013 Governor</b>	<b>Informational</b>
	<b>\$689,843,930</b>

**Year 2 Funding Formula****\$21.6 million**

The Education Adequacy Act (2010-S-2770, Substitute A as Amended) provides a new school funding formula that creates a single methodology for distributing state aid to all public schools. The core principle behind the formula is that state funding should follow the student; therefore, distribution could change annually based on shifts in enrollment. There are no changes in funding methodology for the School for the Deaf, since it is an education program that already has a state, federal and local share.

The formula establishes a per-pupil spending amount (\$8,679 in FY2013) 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, (\$3,472) for each student eligible for free or reduced lunch.

It also accounts for local revenue generating capacity and overall poverty level by using the EWAV (Equalized Weighted Assessed Valuation) and the concentration of pre-kindergarten through sixth grade students eligible for free or reduced price lunch.

The Act includes a multi-year transition plan to ease districts into the new formula allowing time to adjust for gains or losses in education aid. The plan provides a transition period of ten years for those districts projected to receive less school aid than they did through the aid distribution in FY2011, and seven years for those districts projected to receive more aid. (See Education Aid in the Special Report section of this publication)

The Governor's FY2013 budget recommendation includes \$26.1 million to fund the second year of the education funding formula for all school districts, charter schools, Davies Career & Technical School, and the Metropolitan Career and Technical School. This includes the increase in the core instruction per pupil from \$8,333 to \$8,679 (\$5.4 million), the state share ratio updates (\$1.5 million), charter school growth (\$3.3 million), and the cost of the second year of the ten year transition period (\$11.4 million).

**Education Jobs Fund Restoration****\$31.8 million**

The Governor's budget recommendation also includes an increase of \$31.8 million in general revenue to replace federal Education Jobs Funds used to reduce general revenue funding for the education funding in FY2012. On August 10, 2010, Congress created the Education Jobs Fund, a new \$10.0 billion program designed to save or create education-related jobs during the FY2011 school year. Rhode Island was awarded \$32.9 million on September 9, 2010. The grant allows RIDE to keep 2.0 percent of the grant (\$658,586) to cover administrative costs. On September 14, 2010, a letter was sent to the school districts

by the Commissioner of Elementary and Secondary Education announcing the award of the federal Education Jobs funds to the State. The Commissioner cautioned districts that the additional funds could be used to supplant state resources.

In November 2011, the State received notice that the federal government was awarding Rhode Island an additional \$486,517 under the same Education Jobs Fund. As with the original award, 98.0 percent of the funds will be distributed to the Local Education Agencies (LEAs) with 2.0 percent (\$9,730) remaining in the Department of Education for administrative costs. The LEAs must spend the money by September 30, 2012.

FY2013, the Governor increases general revenue by \$32.3 million to replace the first federal Education Jobs Funds grant and reduces general revenue education aid by the amount of the supplemental federal Education Jobs Funds grant (\$476,787) for a net increase of \$31.8 million in general revenues.

#### **Add to Funding Formula Distribution**

**\$11.0 million**

The Governor recommends an additional \$11.0 million in general revenue for underfunded districts and charter schools in FY2013. The distribution is based on each LEAs percentage of the total funds added to all the underfunded LEAs through the FY2013 education formula calculation. The Governor presents that adding this funding in FY2013 will reduce the total amount of funding to be transitioned into the funding formula and will allow the State flexibility in maintaining the transition timeline.

*(Please see the Education Aid Special Report for a per-district distribution of the additional \$11.0 million.)*

#### **Categorical Funds**

**\$5.6 million**

When the education funding formula was passed in 2010, five categorical funds were identified that would not be distributed according to the formula, but according to other methodology. They include Transportation, Regionalization Bonus, Career & Technical Education, Early Childhood, and High Cost Special Education.

The Governor's FY2013 Budget includes funding for all of these categories.

- **Transportation:** This fund provides funding for transporting students to out-of-district, non-public schools and for 50.0 percent of the local costs associated with transporting students within regional school districts. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Governor recommends \$2.2 million in FY2013, an increase of \$1.1 million over the FY2012 Budget as Enacted.

<b>Categorical</b>	<b>Change from Enacted</b>
Transportation	\$1,087,840
Regionalization Bonus	(438,071)
Career & Tech Schools	3,000,000
Early Childhood	1,450,000
High Cost Special Ed	500,000
	<b>\$5,599,769</b>

- **Regionalization Bonus:** This fund provides a bonus to regionalized districts and those that regionalize in the future. In the first year, the bonus is 2.0 percent of the State's share of the total foundation aid. In the second year, the bonus is 1.0 percent of the State's share and in the third year the bonus phases out. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Governor recommends \$413,170 in FY2013, a decrease of \$438,071 from the FY2012 Budget as Enacted.
- **Career and Technical Schools:** This fund contributes toward the initial investment needs to transform existing programs or create new programs and the costs associate with facilities, equipment maintenance and repair, and supplies of higher cost programs. The Governor

recommends \$3.0 million in FY2013. This represents the first year of funding for the career and technical fund, which will be fully funded by the end of the formula transition.

- **Early Childhood:** This fund is designed to increase access to voluntary, free, high-quality pre-kindergarten programs. The funds will be distributed through a request for proposals process targeting communities in three tiers with the first tier having the highest concentration of children at risk for poor educational outcomes. The Governor recommends \$1.5 million in FY2013. This represents the first year of funding for the early childhood education fund, which will be fully funded by the end of the formula transition.
- **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 (\$60,755 for FY2013). The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Governor recommends \$500,000 in FY2013 for the first year of funding. This represents the first year of funding for the high-cost special education fund, which will be fully funded by the end of the formula transition.

#### ***Group Homes***

***(\$420,000)***

The Governor's FY2013 budget includes \$8.2 million to fund group home beds. This is \$420,000 less than the FY2012 Budget as Enacted, and represents a decrease of 6.0 beds in Burrillville, 8.0 beds in Newport, 1.0 bed in North Providence, 7.0 beds in Portsmouth, and 6.0 beds in Providence. Group home aid is funded outside of the new funding formula.

#### ***Telecommunications Education Access Fund***

***(\$350,000)***

Through Article 12, the Governor decreases the current monthly E-rate surcharge on landlines from \$0.26 to \$0.15 per line, and institutes a \$0.15 E-rate surcharge on wireless devices. Article 12 describes "wireless devices" to mean each wireless instrument or device, including cellular, telephony, internet, Voice over Internet Protocol (VoIP), satellite, computer, radio, communication, data, or any other wireless instrument. The amendments are expected to generate an additional \$846,932 annually. The surcharge is subject to the 10.0 percent indirect cost recovery charge; therefore, \$762,239 would go to fund the E-rate program and \$84,932 would be deposited into the general fund. The additional funds would leverage an additional \$1.4 million in federal funding. The article would allow the State to reduce general revenue funding for the Rhode Island Telecommunication Education Access Fund (RITEAF or E-rate) by \$350,000 per year, which is the current state match for federal funds for this program, while also increasing total funding to meet growing demand for data services (distance learning, student graduation portfolio requirements).

The purpose of the RITEAF is to fund a basic level of internet access for all qualified schools (kindergarten through grade 12) and libraries in the State. As the number of land lines has decreased over the past several years, funding for this program has also decreased. The expansion of the surcharge to include wireless devices is proposed to correct this issue. These additional funds would allow the Department to fully finance its federal E-Rate match through restricted receipts. If the article is not enacted, the Department indicates that it would need an additional \$1.0 million in general revenue funding in FY2013 to ensure the statewide network can accommodate the increased demand in bandwidth needed to implement 21<sup>st</sup> Century learning.

#### ***Non-Public Textbook Reimbursement Program***

***(\$240,000)***

Prior to FY2001, school committees furnished textbooks in the fields of mathematics, science, and modern foreign languages that appeared on the list of textbooks published by the Commissioner of



Elementary and Secondary Education to resident students in grades K-12 attending non-public schools. This list was comprised of all the textbooks used in the three topic areas in each school district across the State.

In FY2001, the General Assembly expanded the program to include English/language arts and history/social studies textbooks as those that must be available for loan to students in grades K-8. Since this expenditure is incurred at the local level, expanding the program without supporting appropriations would have presented an unfunded mandate to local communities: although communities already provided books for all subjects to public school students, the additional cost relates to loaning books to non-public school pupils. To avoid imposing an unfunded mandate on the communities, the General Assembly created a reimbursement program for the cost of providing English/language arts and history/social studies textbooks to students in grades K-8. In FY2004, this program was expanded to include students in grades 9 through 12.

Through Article 12, the Governor eliminates state funding for this program and assumes an estimated \$240,000 in savings for FY2013. This proposal does not impact non-public school students since the districts will still be required to provide the textbooks. The following table shows the FY2012 textbook reimbursement by district. Please note that the savings identified by the Governor represents the amount in the FY2012 Budget as Enacted, while the reductions in the following table show the actual FY2012 reimbursements to the districts.

***School Breakfast***

***(\$270,000)***

Through Article 12, the Governor amends the mandatory school breakfast program to make state support for administration costs optional instead of mandatory. These administrative costs include hiring servers needed to effectively run the program and encourage participation. In FY2013, the Governor eliminates funding for this program and assumes \$270,000 in general revenue savings. Federal aid for this program will not be impacted by this change and the districts will still be required to provide school breakfast programs.

The following table shows the impact of the recommended savings by LEA.

LEA	Textbook Reimbursement	School Breakfast Reimbursement
Barrington	(\$348)	(\$131)
Blackstone	-	(764)
Bristol Warren	(4,235)	(3,347)
Burrillville	(3,256)	(2,682)
Central Falls	(9,590)	(17,105)
Chariho	(4,770)	(1,831)
Coventry	(6,211)	(4,526)
Cranston	(4,983)	(13,690)
Cumberland	(3,267)	(5,533)
Davies	-	(2,012)
East Greenwich	(5,213)	(400)
East Providence	(12,259)	(5,633)
Exeter-West Greenwich	(2,260)	(846)
Foster	(253)	(291)
Foster-Glocester	(733)	(414)
Glocester	(708)	(874)
Greene School	-	(7)
International	-	(1,142)
Jamestown	(192)	(43)
Johnston	(6,545)	(2,720)
Kingston Hill	-	(122)
Lincoln	(5,632)	(3,066)
Little Compton	(1,400)	(264)
Met School	-	(6,949)
Middletown	(2,500)	(1,694)
Narrangansett	(3,059)	(719)
New Shoreham	-	(169)
Newport	(1,599)	(4,888)
North Kingstown	(15,013)	(3,610)
North Providence	(6,649)	(3,583)
North Smithfield	(7,051)	(1,020)
Pawtucket	(7,345)	(20,987)
Portsmouth	(6,182)	(1,033)
Providence	(80,149)	(120,251)
Scituate	(3,961)	(289)
Smithfield	(1,429)	(955)
South Kingstown	(19,341)	(1,465)
Tiverton	(1,147)	(1,344)
Warwick	(24,186)	(5,815)
West Warwick	(3,502)	(5,474)
Westerly	(1,774)	(4,555)
Woonsocket	(8,956)	(17,757)
<b>Total</b>	<b>(\$265,698)</b>	<b>(\$270,000)</b>

Source: Rhode Island Department of Education. Values represent FY2012 reimbursements.

**Charter School Growth****Informational**

The Governor's FY2013 budget includes \$46.9 million for public charter schools. The Governor's FY2013 Budget also includes the following charter school growth:

- The Greene School, which is located in West Greenwich and currently enrolls 126 students, would add an eleventh grade (42 students)
- The Nurses Institute, located in Pawtucket and currently enrolls 136 students, would add a twelfth grade (68 students)
- The Paul Cuffee School, which is located in Providence and currently enrolls 634 students, would add an eleventh grade (72 students)
- RIMA – Blackstone Valley Prep, which is located in Cumberland and currently enrolls 516 students, a first, third and seventh grade (252 students)
- Trinity Academy for the Performing Arts, which is located in Providence and currently enrolls 68 students, would add a ninth grade (34 students)

**HOUSING AID**

In 1960, the school housing aid program was enacted by the General Assembly to guarantee adequate school facilities for all public school children in the state, and to prevent the cost of constructing and repairing facilities from interfering with the effective operation of the schools. Applications for aid to support the construction and renovation of school buildings are submitted to and evaluated by the Rhode Island Department of Elementary and Secondary Education (RIDE). State aid is provided for approved projects based on a percentage of cost. The percentage provided by the State to the school district is determined based on a share ratio designed to measure a community's need. For FY2012, the minimum state share is 35.0 percent (increased from 30.0 percent) and the maximum is 92.7 percent. The minimum state share ratio will increase to 40.0 percent in FY2013 and thereafter.

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. RIDE must develop recommendations for further cost containment strategies in the school housing aid program.

<b>Housing Aid/ School Construction Aid</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$72,507,180</b>
<i>Target and Other Adjustments</i>	
Housing Aid	2,500,000
Charter School Housing Aid	(438,274)
<b>FY2013 Governor</b>	<b>Informational</b>
	<b>\$74,568,906</b>

**Housing Aid****(\$438,274)**

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. Due to this increase in the share ratio, several communities delayed completion of projects in order to qualify for a higher reimbursement. The

delays resulted in a \$2.7 million decrease in the estimated reimbursements for FY2012 and an increase of \$2.5 million in FY2013.

As presented in Article 12, for FY2013 and thereafter, the Governor maintains the minimum school housing share ratio at 35.0 percent from the enacted 40.0 percent with an estimated savings of \$438,274. The Department testified that only five communities had approved or completed projects in anticipation of the 40.0 percent reimbursement: East Greenwich, Newport, North Kingstown, Little Compton and Westerly. The following table shows the estimated impact of Article 12 by district.

<b>Projected Housing Aid Savings</b>	
<b>FY2013</b>	
<b>District</b>	<b>Savings</b>
Barrington	(\$9,250)
Bristol Warren	(45,699)
Chariho	(39,273)
Cumberland	(22,204)
East Greenwich	(147,500)
Exeter-W.G.	(17,008)
Jamestown	(9,305)
Johnston	(20,000)
Lincoln	(37,334)
Middletown	(20,750)
Narragansett	(9,900)
Newport	(10,250)
Portsmouth	(3,500)
Smithfield	(28,978)
South Kingstown	(1,250)
Tiverton	(1,795)
Westerly	(14,279)
<b>Total</b>	<b>(\$438,274)</b>

**Charter School Housing Aid**

**Informational**

Article 12 of the Governor’s FY2013 Budget would calculate the reimbursement for School Housing Aid for charter schools based on a three-year average of the rates of the communities where the enrolled students reside. Currently non-district sponsored charter schools are reimbursed at 30.0 percent, which is the minimum reimbursement rate for FY2012, and district-sponsored charter schools receive the same reimbursement rate as the host community.

The following table illustrates the schools current rate and estimated weighted average, based on October 1, 2011, student data. The intent of the Article is to treat all the charter schools equally; consequently, most of the district-sponsored charter schools would not see a change in the reimbursement rate. New England Laborers is a notable exception as a district sponsored charter school with a statewide catchment area.

## Estimated Share Ratios

Charter School	Current	Weighted
	Law	Average
Beacon Charter School	30.0%	61.3%
Blackstone Academy	30.0%	84.3%
Blackstone Valley Prep, A RI Mayoral Academy	30.0%	66.7%
Highlander	30.0%	72.4%
International Charter	30.0%	72.8%
Kingston Hill Academy	30.0%	41.9%
Learning Community	30.0%	86.5%
NE Laborers	45.6%	46.7%
Paul Cuffee Charter	30.0%	80.6%
Rhode Island Nurses Institute Middle College	30.0%	72.8%
Segue Institute for Learning	30.0%	92.7%
Textron (ACES)	80.6%	80.6%
The Compass School	30.0%	46.2%
The Greene School	30.0%	53.5%
Times 2	80.6%	80.6%
Trinity Academy for the Performing Arts	30.0%	80.6%

Source: Rhode Island Department of Education

This change would only impact projects completed after June 30, 2012. Since school housing aid is paid in the fiscal year following the fiscal year of completion, the impact would not be realized until FY2014. The Department currently has three active approvals for charter school construction projects. The following table shows the estimated impact of the change assuming the projects are completed by June 30, 2013, to be eligible for reimbursement in FY2014. The term of payment is based on the total project cost.

Charter School	Project		Annual Amount	Weighted		
	Amount	Term		Current Law	Average	Change
Compass	\$3,825,668	10	\$382,567	\$114,770	\$176,593	\$61,823
Learning Community	2,695,626	10	269,563	80,869	233,064	152,195
Paul Cuffee	801,590	5	160,318	48,095	129,216	81,121
<b>Total</b>						<b>\$295,139</b>

According to the Department, additional projects may be submitted; however, due to the moratorium enacted by the 2011 General Assembly limiting approvals to immediate health and safety concerns, the Department does not expect significant applications for charter schools through June 30, 2014.

## TEACHER RETIREMENT

Since 1949, all teachers are required to become members of the State Retirement System. The State pays 40.0 percent of the employer's share of the retirement contribution each year. These funds, which are actuarially determined annually, are appropriated to the Department of Education for transfer to the State Retirement Fund.

On November 17, 2011, the General Assembly passed the Rhode Island Retirement Security Act of 2011 (RIRSA) to reform the state and local pension systems. The Act introduces a hybrid pension structure for all except public safety employees and judges, to shift risk to the employee by combining the attributes of both the defined benefit and defined contribution plans.

<b>Teacher Retirement</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$81,635,719</b>
Defined Benefit Plan	(7,200,566)
Defined Contribution Plan	3,784,541
<b>FY2013 Governor</b>	<b>\$78,219,694</b>

***Defined Benefit Plan*** ***(\$7.2 million)***

Governor recommends a net decrease of \$7.2 million in the state's contribution to the teacher retirement defined benefit plan. Prior to the pension reform, the FY2013 State contribution to the Teacher Retirement Fund was estimated at \$134.7 million, an increase of \$53.0 million over the FY2012 Budget as Enacted representing wage growth and the employer contribution rate increase. The pension reform reduced the state contribution by \$60.2 million, resulting in a net reduction of \$7.2 million.

***Defined Contribution Plan*** ***\$3.8 million***

The Governor recommends \$3.8 million in general revenue for the State's share of the contribution to the new defined contribution portion of the hybrid pension system. The key elements of the defined contribution component of the hybrid plan include:

- Mandatory 5.0 percent employee and 1.0 percent employer contributions (for teachers the State pays 40.0 percent of the employer contribution)
- Employees vest immediately, but there is a three-year vesting to receive the employer contributions
- State Investment Commission is responsible for selecting the plan vendor and the State Retirement Board is responsible for administering and providing employee investment support
- Teachers not contributing into Social Security will have an additional 4.0 percent contribution and MERS police and fire personnel would have an additional 6.0 percent contributed to the defined contribution plan (50.0 percent employee/employer share)

## **CAPITAL PROJECTS**

The Governor recommends \$47.6 million in capital expenditures, of which \$24.5 million is RICAP funded, between FY2012 and FY2017, including the following:

- \$8.7 million in RICAP funding for the study, design and construction of the East Bay Metropolitan Regional Career and Technical School
- \$7.8 million in RICAP funding for capital repairs at six career and technical schools (Chariho, Cranston, East Providence, Newport, Warwick, and Woonsocket)
- \$4.7 million in RICAP funding for repairs and capital asset protection for the Davies Career and Technical School
- As presented in Article 7, the Governor also recommends \$20.0 million in COPs funding to address the varied states of LEA technological ability to meet the requirements of reform being implemented through the federal Race to the Top grant.

*(For details of the Governor's complete capital proposal, see the Capital Budget Analysis.)*

## Board of Governors for Higher Education

Expenditures by Program	FY2011	FY2012	FY2012	Change to Enacted		FY2013	Change to Enacted	
	Actual	Enacted	Revised			Governor		
Office of Higher Education	\$9.8	\$10.7	\$11.4	\$0.7	6.5%	\$38.5	\$27.7	258.5%
University of Rhode Island	647.9	692.6	705.5	12.8	1.9%	713.6	21.0	3.0%
Rhode Island College	152.8	155.5	169.5	13.9	8.9%	164.7	9.1	5.9%
Comm. College of Rhode Island	132.1	137.9	145.2	7.3	5.3%	145.3	7.3	5.3%
<b>Total</b>	<b>\$942.7</b>	<b>\$996.8</b>	<b>\$1,031.6</b>	<b>\$34.7</b>	<b>3.5%</b>	<b>\$1,062.1</b>	<b>\$65.2</b>	<b>6.5%</b>
<b>Expenditures by Source</b>								
General Revenue	\$163.9	\$166.5	\$165.7	(\$0.8)	-0.5%	\$177.6	\$11.1	6.7%
Federal Funds	3.1	4.6	5.3	0.7	15.4%	18.2	13.6	296.2%
Federal Funds - Stimulus	6.4	-	30.2	30.2	0.0%	0.4	0.4	0.0%
Restricted Receipts	0.7	0.9	0.8	(0.1)	-13.9%	0.8	(0.1)	-13.2%
Other Funds & Transfers	768.6	824.8	829.6	4.8	0.6%	865.1	40.2	4.9%
<b>Total</b>	<b>\$942.7</b>	<b>\$996.8</b>	<b>\$1,031.6</b>	<b>\$34.7</b>	<b>3.5%</b>	<b>\$1,062.1</b>	<b>\$65.2</b>	<b>6.5%</b>
Sponsored Research Positions	785.0	776.2	776.2	-	0.0%	776.2	-	0.0%
Authorized FTE Levels	3,417.1	3,438.4	3,438.8	0.4	0.0%	3,504.4	66.0	2.0%

\$ in millions. Totals may vary due to rounding

Higher Education in Rhode Island functions under the direction of the Board of Governors for Higher Education. The Board is not a department of state government, but rather an independent public corporation, which acts in concert and cooperation with the executive and legislative branches. 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).

The major responsibilities of the Board of Governors (Board) 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.

### MAJOR ISSUES AND TRENDS FOR FY2013

Total funding for the system of public higher education in Rhode Island is \$996.8 million in the FY2012 Budget as Enacted, of which \$166.5 million is general revenue; \$4.6 million is federal funds; \$941,338 is restricted receipts; \$19.3 million is Rhode Island Capital Plan (RICAP) funding; and \$805.5 million is from private sources (unrestricted), including tuition and fee revenue.

The Governor's FY2013 budget proposal includes total funding of \$1,062.1 million, representing an increase of \$65.2 million over the FY2012 Budget as Enacted, including a general revenue increase of \$11.1 million (6.7 percent) over the FY2012 Budget as Enacted. Total general revenue funding includes \$24.7 million in debt service costs across the three institutions. Prior to FY2007, all debt service costs appeared in the Department of Administration. Audit findings resulted in a change in the way that debt service payments are reported when paid from University and College funds. Debt service costs increase by \$5.9 million above the FY2012 Budget as Enacted, and the Governor includes \$5.2 million in additional general revenue funding, resulting mainly from the proposed merger of the Rhode Island Higher Education Assistance Authority into the Office of Higher Education.

Federal funds increase by \$13.6 million over the FY2012 Budget as Enacted, due mainly to the transfer of \$13.4 million in federal funds from the Rhode Island Higher Education Assistance Authority to the Office of Higher Education.

Other funds increase by \$40.2 million over the FY2012 Budget as Enacted. Major changes include tuition increases of \$9.2 million at URI, \$4.7 million at RIC, and \$4.7 million at CCRI; \$14.3 million increase in sponsored research at URI; \$3.1 million increase in auxiliary fees; and an increase of \$1.5 million in scholarships.

Actual tuition and fee revenue, by institution, along with a projection for FY2013, are shown in the table below.

<b>Tuition and Fee Revenue, 2007-2013 (projected)</b>				
<b>Year</b>	<b>URI</b>	<b>RIC</b>	<b>CCRI</b>	<b>Total</b>
2007	\$161.4	\$42.9	\$33.1	\$237.4
2008	185.6	45.9	37.5	\$269.0
2009	201.5	51.5	42.9	\$295.9
2010	221.5	57.6	46.8	\$325.9
2011	232.0	62.3	51.0	\$345.3
2012	256.0	65.2	49.8	\$371.0
2013	265.6	68.2	54.8	\$388.7
<b>5-Year Increase</b>	<b>\$80.0</b>	<b>\$22.3</b>	<b>\$17.3</b>	<b>\$119.7</b>
% Increase	43.1%	48.6%	46.2%	44.5%

*\$ in millions*

*Source: Office of Higher Education*

#### ***Administration of Higher Education (The Licht Report)***

Article 9 of the FY2012 Appropriations Act required the Department of Administration to conduct research and analysis to recommend a revised plan for the organizational structure for higher education governance and to submit a report to the General Assembly by November 1, 2011. The report included the following recommendations:

- Phase-out the current arrangement that allows a President of a public higher education institution in Rhode Island to serve a dual role as Commissioner
- Restore the authority of the Board of Governors to allocate appropriations among the three public higher education institutions and to remove the full-time employee (FTE) cap that has been enacted in the State budget since the mid-1990s (repealed by Public Law 2004, Chapter 595, Article 34, Section 1)
- Establish a Joint PK-20+ Advisory Committee between the Board of Governors and the Board of Regents
- Centralize security forces, human resources database, labor relations grievance process, data analysis capacity, and financial aid offices; eliminate the duplication of effort regarding the review of lease agreements by both the Board of Governors and the State Properties Committee; and develop a shared services agreement between the three public higher education institutions and the Department of Administration for capital project management
- Transfer the powers and duties of the Rhode Island Higher Education Assistance Authority (RIHEAA) to the Office of Higher Education (OHE) and eliminate the governing board of RIHEAA and maintain and support the role of the Rhode Island Student Loan Authority (RISLA)
- Transfer of duties regarding the review and approval of Proprietary Schools from OHE to the Department of Business Regulation

The Governor's budget proposal adds 0.6 FTE position to make the Commissioner a full-time position. Currently, the President of CCRI also holds the position of Commissioner of Higher Education. The



proposal also transfers the powers, duties and 39.6 FTE positions from the Rhode Island Higher Education Assistance Authority (RIHEAA) to the Office of Higher Education (OHE). The Board of Governors has voted to establish a Joint PK-20+ Commission.

### **University of Rhode Island Retirement Initiative Program**

The President of the University of Rhode Island received permission from the Board of Governors at its February 23, 2013, meeting to offer a one-time retirement incentive to faculty and non-classified staff who are age 62 or older and have a minimum of 10 years of service with the University as of July 1, 2012. Eligible employees would receive a one-time payment equivalent to 40.0 percent of current salary, with a minimum payout of \$20,000.

The University indicates that 152 faculty and 94 staff are eligible to participate in this program; and if 50.0 percent take advantage of the early retirement incentive. The University estimates that net projected savings in year one will be \$4.5 million and \$4.8 million in year two. This offer has not been extended to faculty or staff at RIC or CCRI. University staff has indicated they intend to redirect these resources to high priority programs at the University.

### **ARRA Stabilization Funds**

In total, over four years (FY2010 and FY2013), Higher Education was scheduled to receive \$28.9 million, or 17.6 percent, of the total \$164.9 million in American Recovery and Reinvestment Act (ARRA) Stabilization funds. The General Assembly allocated the Higher Education share of the funding between URI, RIC, and CCRI based on the square footage of academic buildings that require fire safety improvements. The following table shows the distribution of the funds, along with the square footage of the academic buildings used to calculate the distribution.

Academic Institution	Higher Education Stabilization Funds					
	Square Footage of Academic Buildings	FY2010 Distribution	FY2011 Distribution	FY2012 Distribution	FY2013 Distribution	Four-Year Total
University of Rhode Island	1,808,090	\$0.8	\$2.8	\$9.5	\$0.1	\$13.3
Rhode Island College	1,435,938	\$0.0	2.6	7.3	0.0	\$9.9
Community College of Rhode Island	817,100	0.0	0.5	5.2	0.0	\$5.7
<b>Total</b>	<b>4,061,128</b>	<b>\$0.8</b>	<b>\$5.9</b>	<b>\$22.0</b>	<b>\$0.1</b>	<b>\$28.9</b>

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

Although all ARRA funds have been encumbered, the projects were to be completed and payments to vendors made by December 31, 2011. The Office of Higher Education received an extension of the deadline from December 31, 2011, to June 30, 2012, for the use of its funds for ARRA projects. The federal Department of Education is currently allowing schools, upon written request, to extend deadlines until March 2013; however, the Office indicates it did not need to extend the deadline that far out as all projects will be completed by June 20, 2012.

### **Higher Education – Bond Referendum**

The Governor recommends a new \$109.9 million bond referendum for higher education on the November 2012 ballot. The proposed measure would fund two projects, including:

**Nursing Education Facility:** The Governor recommends a bond referendum to construct a new nursing education building in Providence, to be used jointly by the University of Rhode Island (URI) and Rhode Island College (RIC). A total of \$65.2 million in bonds would be placed on the ballot for voter approval for the construction of this facility, estimated to be approximately 120,000 square feet. The amount proposed is not inclusive of land costs and no specific location for the facility has been identified. Options using parcels from the relocation of I-195 and different parcels of private land in Providence have been identified in a recent feasibility study as possible locations. The recommended \$65.2 million includes \$5.1 million for enhancements to both institutions for nursing-related education, but that

language is not included in the referendum, nor have these improvements been identified. The construction of the nursing facility accounts for \$60.1 million of the total bond financing proposed by the Governor.

**RIC Capital Improvements:** The Governor recommends a \$44.7 million bond referendum to modernize and renovate academic buildings at Rhode Island College. A four-phase renovation would include improvements at Adams Library, Craig Lee Hall, Clark Science Hall, and Henry Barnard School at Rhode Island College (RIC). Renovations would include installing new windows, elevators, restrooms, classroom and office enhancements, asbestos removal, power washing, and the sealing of brick and slate walls

*(Additional information on these projects can be found in the Capital Budget Analysis section of this report.)*

### Personnel

The Governor's recommendation amends the overall 4,280.6 FTE position cap, which includes the 776.2 Limited Service Employee (LSE) position cap for Higher Education. Between FY2012 and FY2013, the Governor adds 66.0 FTE positions.

- The Governor transfers 39.6 FTE positions from the Higher Education Assistance Authority (RIHEAA) to the Office of Higher Education and eliminates 2.0 FTE positions, the RIHEAA Executive Director and Department Manager positions
- The Office of Higher Education also includes an additional 0.6 FTE positions to restore the position of Commissioner to full-time, 1.0 FTE position for a new Associate Commissioner, 0.4 FTE for an Information Technologist, and 0.4 FTE positions for an Education Specialist
- The Governor also recommends an additional 24.0 FTE positions in Higher Education reflecting 14.0 FTE positions for new faculty at the University of Rhode Island, 8.0 FTE positions for new faculty at Rhode Island College, and 2.0 FTE for new staff positions at Rhode Island College. The table below shows current vacancies at each institution.

**Vacant Higher Education Positions**  
*as of January 2012*

		FTE	FTE	FTE	FTE	LSE	LSE	LSE	LSE
		Authorized	Filled	Vacant	% Vacant	Authorized	Filled	Vacant	% Vacant
OHE	Jan-11	18.4	13.0	5.4	33.0%	1.0	0.0	1.0	100.0%
	Jan-12	13.4	11.0	2.4	17.9%	1.0	0.0	1.0	100.0%
URI	Jan-11	1,834.5	1,798.0	36.5	3.9%	602.0	481.6	120.4	19.9%
	Jan-12	1,843.3	1,826.2	17.1	0.9%	593.2	486.7	106.5	18.0%
RIC	Jan-11	810.1	786.3	23.8	3.5%	82.0	66.8	15.2	15.7%
	Jan-12	827.6	789.3	38.3	4.6%	82.0	66.2	15.8	19.3%
CCRI	Jan-11	704.1	711.6	-7.5	2.5%	100.0	23.0	77.0	76.0%
	Jan-12	754.1	681.9	72.2	9.6%	100.0	55.7	44.3	44.3%
<b>Total</b>	Jan-11	<b>3,367.1</b>	<b>3,308.9</b>	<b>58.2</b>	<b>1.7%</b>	<b>785.0</b>	<b>571.4</b>	<b>213.6</b>	<b>27.2%</b>
	Jan-12	<b>3,438.4</b>	<b>3,308.4</b>	<b>130.0</b>	<b>3.8%</b>	<b>776.2</b>	<b>608.6</b>	<b>167.6</b>	<b>21.6%</b>

Limited Service Employee (LSE) positions are funded through private, federal, and grant revenues. These positions are unique to the Higher Education system. They typically have a higher vacancy rate because of the duration of grants that fund the positions and the uncertainty of employment on "soft money" (grant funding).

**OFFICE OF HIGHER EDUCATION (OHE)**

The OHE provides staffing to the Board of Governors. The Office houses the Commissioner of Higher Education, three Associate Commissioners, legal staff, financial and audit support, and several positions supporting specific programs, such as early college access and veterans affairs. The OHE provides research, policy, and fiscal analysis for Board programs and services. The goal of the OHE is to support the mission of the Board of Governors, to ensure that higher education in Rhode Island remains economically and geographically accessible.

**Role and Function**

A board with broad powers of oversight and coordination in the areas of finance, policy, and academics has existed in some form or another since 1939, when the Board of Trustees of State Colleges was established by the General Assembly. The most recent incarnation of this oversight and coordination function is the Rhode Island Board of Governors for Higher Education (RIBGHE), which was created by the Legislature in 1981. The Office of Higher Education is the administrative arm of the RIBGHE, and is headed by the Commissioner of Higher Education.

<b>Office of Higher Education</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$6,141,012</b>
<i>Target and Other Adjustments</i>	
Merge RIHEAA with OHE	(37,931)
Community Service Grants	5,583,801
	(202,112)
<b>FY2013 Governor</b>	<b>\$11,484,770</b>

**Merge RIHEAA with OHE****\$5.6 million**

For FY2013, the Governor recommends merging the Higher Education Assistance Authority into the Office of Higher Education, transferring \$27.7 million in funding and 39.6 FTE positions, including \$5.6 million in General Revenue, \$13.4 million in federal funds, and \$8.8 million in other funds. The Governor recommends the transfer of the following programs and amounts from RIHEAA to OHE.

- **Needs Based Grants and Scholarships:** The Governor recommends a total of \$5.0 million in general revenue for the needs based scholarship program. This is a decrease of \$172,126 in general revenue from the FY2012 Budget as Enacted due to the elimination of the federal Student Incentive Grants program. The Governor also recommends \$7.3 million for the CollegeBound*fund* grants for need based scholarships. The number of students who are from low income and very low income households is determined by reviewing information on all Rhode Island students made available from the Free Application for Federal Student Aid (FAFSA), a form that must be completed by all prospective college applicants. In FY2012, HEAA anticipates providing an average award of \$607 to more than 20,000 students, and in FY2013 the average award is estimated at \$528.
- **Academic Promise Scholarship Program:** The Governor recommends an additional \$1.0 million in Tuition Savings Program funds to continue the Academic Promise Scholarship Program in FY2012 and FY2013. This program provides scholarship awards of no less than \$250 and no more than \$2,500 per year for up to four years of college attendance. Awards are based on academic potential as measured by the Scholastic Aptitude Test (SAT) or the American College Test (ACT). An applicant must also demonstrate financial need as measured by the FAFSA. In FY2013, the \$1.0 million appropriation from the Tuition Savings Program is offset by a decrease of \$250,000 in General Revenue funds for this program.

Need Based Scholarships & Grants	FY2011	FY2012	FY2012	Change from		FY2013	Change from	
	Actual	Enacted	Revised	Enacted		to OHE	Enacted	
General Revenue	\$7.1	\$5.4	\$5.3	(\$0.1)	-1.9%	\$5.2	(\$0.2)	-4.4%
Tuition Savings Fees (CBf)	6.3	7.3	7.3	0.0	0.0%	7.3	-	0.0%
Academic Promise	-	-	1.0	1.0	0.0%	0.8	0.8	0.0%
<b>Total</b>	<b>\$13.4</b>	<b>\$12.7</b>	<b>\$13.6</b>	<b>\$0.9</b>	<b>7.1%</b>	<b>\$13.2</b>	<b>\$0.5</b>	<b>4.0%</b>

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

- **Administration of the College Tuition Savings Program:** The Governor recommends the transfer of \$8.8 million in other funds to support the administration of the College Tuition Savings Program. These revenues are derived primarily from fees paid by non-Rhode Island participants in the program and are used for the administrative and operating expenses.
- **Way To Go Website:** As part of the FFELP's federally-mandated responsibilities to conduct early awareness and college outreach activities, RIHEAA initiated WaytogoRI.org, an online web portal provided free to Rhode Island residents, elementary and secondary schools (public, private and parochial), and post-secondary institutions. WaytogoRI.org allows students, parents and educators to explore education and career options, plan and prepare for college and careers, conduct college and career searches, and complete on-line applications and transmit academic transcripts electronically for college admission. Total operating costs for the program include \$500,000 per year for a contract with XAP Corporation to administer the program, and \$300,000 for RIHEAA personnel. The Governor recommends transferring this program to the Office of Higher Education

### Community Service Objective Grants

**(\$202,112)**

The Governor recommends a 25.0 percent reduction to community service objective grants in state departments and agencies. Community service objective grants often supplement program objectives. The FY2012 Budget as Enacted includes \$8.3 million in community service objective funding in 15 agencies. The Governor reduces funding by \$2.1 million statewide, including a reduction of \$202,112 in the Office of Higher Education.

### UNIVERSITY OF RHODE ISLAND

Expenditures by Source	FY2011	FY2012	FY2012	Change to Enacted		FY2013	Change to Enacted	
	Actual	Enacted	Revised	Enacted		Governor	Enacted	
General Revenue	\$71.6	\$73.7	\$74.6	\$0.9	1.2%	\$77.6	\$3.9	5.3%
Federal Funds	-	-	-	-	0.0%	-	-	0.0%
Federal Funds - ARRA	\$2.9	-	18.3	18.3	0.0%	0.4	0.4	0.0%
Other Funds and Transfers	\$573.4	618.9	612.6	(6.3)	-1.0%	635.6	16.7	2.7%
<b>Total</b>	<b>\$647.9</b>	<b>\$692.6</b>	<b>\$705.5</b>	<b>\$12.9</b>	<b>1.9%</b>	<b>\$713.6</b>	<b>\$21.0</b>	<b>3.0%</b>

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

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.

<b>University of Rhode Island</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$73,712,534</b>
<i>Target and Other Adjustments</i>	<i>(1,088,921)</i>
Personnel (14.0 new FTE positions)	5,086,579
Community Service Grants	<i>(66,286)</i>
<b>FY2013 Governor</b>	<b>\$77,643,906</b>

***Personnel (14.0 new FTE positions)***

***\$5.1 million***

The Governor recommends an increase of 14.0 FTE positions for faculty at the University of Rhode Island in FY2013, including 12.0 FTE Assistant Professors and 2.0 FTE Instructors. These positions are requested to meet student demand and to contribute to student retention. Student enrollment has increased by more than 11.2 percent over the last five years while FTE positions for faculty have remained unchanged. Although there are currently 17.1 vacant FTE positions at URI, the process to reclassify and change the job descriptions of existing unfilled positions also requires union agreement and a committee process. According to URI, vacant FTE positions do not match the needs which URI is trying to meet with the addition of the 14.0 FTE positions for faculty.

***Community Service Objective Grants***

***(\$66,286)***

The Governor recommends a 25.0 percent reduction to community service objective grants in state departments and agencies. Community service objective grants often supplement program objectives. The FY2012 Budget as Enacted includes \$8.3 million in community service objective funding in 15 agencies. The Governor reduces funding by \$2.1 million statewide, including a reduction of \$66,286 at the University of Rhode Island.

***Approved Bond Issue***

In November 2010, the voters approved a \$61.0 million general obligation bond issue to design and construct a new building to house the Department of Chemistry, accommodating teaching labs and classrooms, research labs, and faculty and administrative offices. This project has received \$232,690 in RICAP funding to complete a feasibility study, while \$4.8 million in RICAP funding would be used to complete architectural and engineering plans, along with site preparation, through FY2013. The \$61.0 million G.O. bond would be distributed as \$13.0 million in FY2012, \$38.0 million in FY2013, and \$10.0 million in FY2014.

***University of Rhode Island Retirement Initiative Program***

The President of the University of Rhode Island received permission from the Board of Governors at its February 23, 2013, meeting to offer a one-time retirement incentive to faculty and non-classified staff who are age 62 or older and have a minimum of 10 years of service with the University as of July 1, 2012. Eligible employees would receive a one-time payment of 40.0 percent of current salary, with a minimum payout of \$20,000. Participants would also receive a \$7,000 annual stipend to offset the cost of health insurance up to age 65 and a \$3,000 annual stipend to offset the cost of Medigap health insurance for a maximum of 5 years after age 65.

The University indicates that this program would reduce personnel expenses by allowing it to replace senior faculty and staff with junior counterparts possessing different skill sets and lower salaries, while creating an opportunity to strategically redeploy faculty and non-classified staff resources to support emerging university priorities and programs. The University indicates it will reinvest 70.0 percent of the savings from faculty for new faculty and 50.0 percent of the savings from staff for new staff.

The University indicates that 152 faculty and 94 staff are eligible to participate in this program; and if 50.0 percent take advantage of the early retirement incentive, \$4.7 million would be required to pay out the lump sum settlement. Total health care stipends would be approximately \$500,000 in year one, and \$2.2 million overall. The University estimates that net projected savings in year one will be \$4.5 million and \$4.8 million in year two.

This offer has not been extended to faculty or staff at RIC or CCRI.

### **Enrollment**

Since 2003, enrollment at URI has increased by 3,184 FTE students, or 27.3 percent. The increase in enrollment over the ten-year period averages 2.7 percent annually (2.0 percent based on actual headcount). The table below shows the actual enrollments, both by headcount and by FTE, from 2003 through 2012, and a projection for 2013.

<b>URI Student Enrollment, 2002-2013</b>					
<b>Year</b>	<b>Headcount</b>	<b>Headcount % Change</b>	<b>FTE</b>	<b>FTE % Change</b>	
2003	14,378	1.6%	11,669	2.2%	
2004	14,841	3.2%	12,084	3.6%	
2005	14,780	-0.4%	12,212	1.1%	
2006	14,679	-0.7%	12,275	0.5%	
2007	15,046	2.5%	12,714	3.6%	
2008	15,754	4.7%	13,351	5.0%	
2009	15,956	1.3%	13,702	2.6%	
2010	16,496	3.4%	14,206	3.7%	
2011	16,511	0.1%	14,195	-0.1%	
2012	17,201	4.2%	14,853	4.6%	
2013 Projected	16,943	-1.5%	14,594	-1.7%	
<b>10-Year Average</b>	<b>15,564</b>	<b>2.0%</b>	<b>13,126</b>	<b>2.7%</b>	

### **Tuition and Fees**

Tuition and fees at URI rose by 9.5 percent for in-state students and 2.0 percent for out-of-state students for FY2013.

<b>URI Tuition &amp; Fees, 2010-2013 (projected)</b>								
<b>Undergraduate</b>	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>	<b>Proposed FY2013</b>	<b>Change</b>	<b>% Change</b>	<b>Change</b>	<b>% Change</b>
					<b>from FY2010</b>	<b>from FY2010</b>	<b>from FY2012</b>	<b>from FY2012</b>
In-State	\$9,528	\$10,476	\$11,366	\$12,450	\$2,922	30.7%	\$1,084	9.5%
Out-of-State	26,026	27,182	27,454	28,016	1,990	7.6%	562	2.0%
<b>Graduate</b>								
In-State	9,946	10,870	11,794	12,920	2,974	29.9%	\$1,126	9.5%
Out-of-State	23,218	24,250	24,492	24,994	1,776	7.6%	502	2.0%

### **Rhode Island State Crime Lab**

The Rhode Island State Crime Lab (SCL) provides analysis of trace evidence, firearms evidence, explosives residue, fingerprints, and other types of forensic crime scene evidence, at no charge to local police departments. The SCL is not involved in blood, hair, and toxicology testing; these functions are

part of the State Health Laboratories, housed within the Department of Health (DOH). The Office of the State Medical Examiner also exists as a program within DOH.

The SCL has been located at URI since it was established in 1949, although the funding for the program has shifted from the University of Rhode Island to the Office of the Attorney General, and, most recently, to the Department of Health (DOH) in FY2010. However, a 2009 report by the National Academy of Science (*Just Science: Forensic Reform to Improve the Accuracy of the Criminal Justice System*) promotes the independence of forensic laboratories and suggests that Rhode Island provides an example of best practices by locating the SCL at URI.

The FY2012 Budget as Enacted transferred \$775,000 in general revenue funding for the SCL from DOH to a separate program within Higher Education. The 9.0 FTE positions associated with the SCL were transferred from URI to the new program. The functions and administration, along with the funding for the SCL remain unchanged.

<b>State Crime Lab Personnel</b>	<b>FTE</b>
Director	1.0
Administrative Assistant	1.0
Firearms Examiner	2.0
Trace Evidence Examiner	2.5
Latent Print Examiner	2.0
Information Technology Technician	0.5
<b>Total</b>	<b>9.0</b>

The Governor's FY2012 Supplemental Budget recommends \$846,885 and the FY2013 Budget recommends \$858,820 for the SCL, an increase of 10.8 percent over the FY2012 Budget as Enacted.

#### RHODE ISLAND COLLEGE (RIC)

<b>Expenditures by Source</b>	<b>FY2011 Actual</b>	<b>FY2012 Enacted</b>	<b>FY2012 Revised</b>	<b>Change to Enacted</b>	<b>FY2013 Governor</b>	<b>Change to Enacted</b>
General Revenue	\$41.1	\$40.3	\$38.8	(\$1.6) -3.9%	\$41.7	\$1.3 3.3%
Federal Funds	-	-	-	- 0.0%	-	- 0.0%
Federal Funds - ARRA	2.9	-	7.0	7.0 -	-	-
Other Funds and Transfers	108.9	115.2	123.7	8.5 7.4%	123.0	7.8 6.8%
<b>Total</b>	<b>\$152.8</b>	<b>\$155.5</b>	<b>\$169.5</b>	<b>\$13.9 8.9%</b>	<b>\$164.7</b>	<b>\$9.1 5.9%</b>

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

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.

<b>Rhode Island College</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$40,338,093</b>
<i>Target and Other Adjustments</i>	<i>(652,789)</i>
Personnel (10.0 new FTE positions)	1,971,312
<b>FY2013 Governor</b>	<b>\$41,656,616</b>

**Personnel (10.0 New FTE Positions)****\$1,971,312**

The Governor recommends an increase of \$1.9 million for personnel costs at RIC, which includes 10.0 new FTE positions for faculty at Rhode Island College in FY2013. These positions include 2.0 Professors, 1.0 Associate Professor, 5.0 Assistant Professors, a Director of Admissions, and an Administrative Assistant to the President. These positions are recommended to meet student demand and bring additional expertise into a wide range of programs. Although there are currently 38.3 vacant FTE positions at RIC, the process to reclassify and change the job descriptions of existing unfilled positions also requires union agreement and a committee process. According to RIC staff, vacant FTE positions do not match the needs which RIC is trying to meet with the addition of the 10.0 FTE positions for faculty.

**Approved Bond Issue**

In November 2010, the voters approved a \$17.0 million general obligation bond issue to renovate the existing 34,000 square foot Art Building and construct a new 6,000 square foot wrap around addition, for a total of 40,000 square feet. The new Art Center would include faculty offices, classrooms, studios for print making, metals, ceramics, photography and sculpture, workshop areas, slide library, photography lab, computer lab, and multipurpose presentation areas. The new facility would centralize the Art Program activities, which are currently scattered around campus. A feasibility study was conducted by RGB design firm in April of 2004. Construction began in January 2011 on the interior of the facility, with anticipated completion in the summer of 2013. The Governor recommends \$1.7 million in RICAP funding and \$8.5 million of bond funds in FY2012 and \$8.5 million in FY2013.

**Enrollment**

Since 2003, enrollment at RIC has increased by 822.0 FTE students, or 13.0 percent. Growth has accelerated in the second five years of the decade, with 435.0 more FTE students projected for 2012 than 2008, a 6.6 percent increase. The increase in enrollment over the ten-year period averages 1.2 percent annually (0.5 percent based on actual headcount). The chart below shows the actual enrollments, both by headcount and by FTE, from 2002 through 2011, and a projection for 2012.

**RIC Student Enrollment, 2002-2013**

<b>Year</b>	<b>Headcount</b>	<b>Headcount % Change</b>	<b>FTE</b>	<b>FTE % Change</b>
2003	8,628	0.0%	6,323	-0.1%
2004	8,662	0.4%	6,411	1.4%
2005	8,674	0.1%	6,478	1.0%
2006	8,700	0.3%	6,623	2.2%
2007	8,662	-0.4%	6,411	-3.2%
2008	8,800	1.6%	6,710	4.7%
2009	8,790	-0.1%	6,742	0.5%
2010	9,063	3.1%	7,094	5.2%
2011	8,990	-0.8%	7,080	-0.2%
2012	9,095	1.2%	7,145	0.9%
2013 Projected	9,090	-0.1%	7,140	-0.1%
<b>10-Year Average</b>	<b>8,806</b>	<b>0.5%</b>	<b>6,702</b>	<b>1.2%</b>

Of the total FTE students enrolled in 2007, 5,916.0 (92.3 percent) were in-state students while 655.0 (7.7 percent) were out-of-state students. In 2012, 6,280.0 (87.9 percent) were in-state students while 865.0 (12.1 percent) were out-of-state students.



**Tuition and Fees**

Tuition and fees at RIC rose by 4.0 percent for in-state students and 4.0 percent for out-of-state students for FY2013.

RIC Tuition & Fees, 2010-2013 (projected)								
Undergraduate	FY2010	FY2011	FY2012	Proposed FY2013	Change	% Change	Change	% Change
					from FY2010	from FY2010	from FY2012	from FY2012
In-State	\$5,988	\$6,986	\$7,268	\$7,558	\$1,570	26.2%	\$290	4.0%
Out-of-State	15,880	16,878	17,554	18,256	2,376	15.0%	702	4.0%
<b>Graduate</b>								
In-State	6,156	6,674	6,962	7,250	1,094	17.8%	288	4.1%
Out-of-State	12,060	12,578	13,082	13,586	1,526	12.7%	504	3.9%

**COMMUNITY COLLEGE OF RHODE ISLAND (CCRI)**

Expenditures by Source	FY2011 Actual	FY2012 Enacted	FY2012 Revised	Change to Enacted		FY2013 Governor	Change to Enacted	
General Revenue	\$44.5	\$46.3	\$46.2	(\$0.1)	-0.3%	\$46.8	\$0.5	1.0%
Federal Funds	-	-	-	-	0.0%	-	-	0.0%
Federal Funds - ARRA	0.7	-	5.0	5.0	763.5%	-	-	0.0%
Restricted Receipts	0.7	0.9	0.8	(0.1)	(0.2)	0.8	(0.1)	-13.2%
Other Funds	86.4	90.7	93.3	2.6	3.0%	97.7	7.0	7.7%
<b>Total</b>	<b>\$132.2</b>	<b>\$137.9</b>	<b>\$145.2</b>	<b>\$7.3</b>	<b>5.5%</b>	<b>\$145.3</b>	<b>\$7.3</b>	<b>5.3%</b>

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

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 some classes in space in the Shepard Building in downtown Providence and at Westerly Middle School.

Community College of Rhode Island	General Revenue
FY2012 Enacted	\$46,295,580

Target and Other Adjustments	486,038
<b>FY2013 Governor</b>	<b>\$46,781,618</b>

Community College of Rhode Island	Other Funds
Workforce Development Initiative - HRIC	(\$127,578)

**Workforce Development (restricted receipts) (\$127,578)**

The Center for Workforce and Community Education (CWCE) is housed on the Lincoln campus of CCRI. The CWCE provides a wide range of adult education, workforce training, and leadership development courses and programs. In 2009, a group of state education and business leaders was convened as the CCRI 21st Century Workforce Commission. The Commission was tasked with determining the best ways to invest funding to provide training that matches the needs of Rhode Island's employers. The final report of the Commission identified the need for targeted funding to provide outreach to employers and to develop training opportunities for workers.

As part of the FY2012 Budget as Enacted, the General Assembly included \$237,672 in funding through the Human Resources Investment Council (HRIC) to establish 3.0 new FTE positions at the CWCE (a director and two field representatives) and to improve career education processes and outreach through targeted marketing and grant writing.

The Governor's FY2012 Revised Budget recommendation includes \$106,159 and 2.0 FTE positions for this program; and the Governor's FY2013 Budget request includes \$110,094 and 2.0 FTE positions for this program.

### **Enrollment**

Since 2003, enrollment at CCRI has increased by 1,628.0 FTE students, or 18.3 percent. 464.0 more FTE students projected for 2013 than 2008, a 4.6 percent increase. The increase in enrollment over the ten-year period averages 1.7 percent annually (0.9 percent based on actual headcount). The following table shows the actual enrollments, both by headcount and by FTE, from 2003 through 2012, and a projection for 2013.

<b>Year</b>	<b>Headcount</b>	<b>Headcount % Change</b>	<b>FTE</b>	<b>FTE % Change</b>
2003	15,321	-2.4%	8,895	-0.3%
2004	15,748	2.8%	9,320	4.8%
2005	15,856	0.7%	9,426	1.1%
2006	15,319	-3.4%	9,195	-2.5%
2007	15,739	2.7%	9,641	4.9%
2008	16,369	4.0%	10,059	4.3%
2009	16,810	2.7%	10,330	2.7%
2010	17,476	4.0%	10,771	4.3%
2011	16,810	-3.8%	10,523	-2.3%
2012	17,116	1.8%	10,544	0.2%
2013 Projected	17,225	0.6%	10,523	-0.2%
<b>10-Year Average</b>	<b>16,256</b>	<b>0.9%</b>	<b>10,763</b>	<b>1.7%</b>

### **Tuition and Fees**

Tuition and fees at CCRI rose by \$274 (7.5 percent) for FY2013. Given the statistically insignificant number of out-of-state students at CCRI, the in-state tuition increase represents the true cost of a CCRI education.

<b>Undergraduate</b>	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>	<b>Proposed FY2013</b>	<b>Change</b>	<b>% Change</b>	<b>Change</b>	<b>% Change</b>
					<b>from FY2010</b>	<b>from FY2010</b>	<b>from FY2012</b>	<b>from FY2012</b>
In-State	\$3,376	\$3,652	\$3,676	\$3,950	\$574	17.0%	\$274	7.5%
Out-of-State	9,008	9,792	9,816	10,582	1,574	17.5%	766	7.8%

### **CAPITAL PROJECTS**

There are a number of capital projects which are a focus in Higher Education in FY2012.

The voters approved general obligation bonds for two projects (the Chemistry building at URI (\$61.0 million) and the Art Center Renovation and Addition at RIC (\$17.0 million) in November of 2010: both projects have begun construction.

The Governor also proposes additional general obligation bond questions for Higher Education in 2012 and 2014, as follows:

	2012	2014
<b>URI</b>		
Joint Nursing Building	\$65.2	
College of Engineering		\$102.5
Fine Arts Center Renovation		65.0
<b>RIC</b>		
Modernization and Rehabilitation, Academic Buildings I	44.7	
<b>Total</b>	<b>\$109.9</b>	<b>\$167.5</b>

Other significant capital projects include:

**URI**

- The College of Pharmacy (\$75.2 million, including \$65.0 million in a 2006 general obligation bond proceeds), to be completed in FY2012
- A new URI Biological Resources Laboratory funded with \$16.9 million in RIHEBC Revenue Bonds, beginning in FY2013
- Kingston Campus Parking Garage funded with \$15.0 million in RIHEBC bonds and \$900,000 in University/College funds, to be completed in FY2014
- The conversion of the former Roger Williams Dining Hall to a student wellness center (\$11.0 million, with \$2.0 million in private funding and \$9.0 million University and College funds through student fees and student union revenue) to be completed in FY2013

**RIC**

- The modernization of infrastructure (\$18.7 million, including \$18.5 million in RIHEBC funds and \$189,260 in University/College funds), to be completed in FY2013
- The inclusion of a general obligation bond referendum on the November 2012 ballot to fund \$44.7 million in the first phase of renovations to RIC academic buildings
- Student Union addition and renovation funded with \$34.5 million in RIHEBC bonds and \$2.4 million in University/College funds in FY2013

**CCRI**

- Energy Conservation/Performance Contracting funded with Certificates of Participation (\$6.8 million in FY2012 and \$4.7 million in FY2012)
- Renovations and addition to the Athletic Facility (\$12.9 million in RIHEBC bonds) beginning in FY2014
- Renovations to the two main campuses of CCRI: \$20.1 million for the Knight Campus and \$22.5 million for the Flanagan Campus funded with RICAP funds beginning in FY2015

*(For details of the Governor's complete capital proposal, see the Capital Budget Analysis.)*



## Rhode Island State Council on the Arts

<b>Expenditures by Program</b>	<b>FY2011 Actual</b>	<b>FY2012 Enacted</b>	<b>FY2012 Governor</b>	<b>Change from enacted</b>	<b>FY2013 Governor</b>	<b>Change from enacted</b>
Grants Program	\$2,451,655	\$2,124,699	\$2,909,221	(\$784,522)	\$2,567,352	(\$442,653)
State Council on the Arts	1,002,473	962,227	962,227	0	861,671	100,556
<b>Total</b>	<b>\$3,454,128</b>	<b>\$3,086,926</b>	<b>\$3,871,448</b>	<b>(\$784,522)</b>	<b>\$3,429,023</b>	<b>(\$342,097)</b>

<b>Expenditures by Source</b>	<b>FY2011 Actual</b>	<b>FY2012 Enacted</b>	<b>FY2012 Governor</b>	<b>Change from enacted</b>	<b>FY2013 Governor</b>	<b>Change from enacted</b>
General Revenue	\$1,681,095	\$1,678,862	\$1,673,875	(\$4,987)	\$1,586,729	(\$92,133)
Federal Funds	954,515	973,064	979,573	6,509	998,794	25,730
Other Funds	818,518	435,000	1,218,000	(783,000)	843,500	(408,500)
<b>Total</b>	<b>\$3,454,128</b>	<b>\$3,086,926</b>	<b>\$3,871,448</b>	<b>(\$784,522)</b>	<b>\$3,429,023</b>	<b>(\$342,097)</b>

Authorized FTE Levels	8.6	8.6	8.6	-	8.6	-
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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, and is home to the Rhode Island Film & Television Office. The Governor recommends 8.6 FTE for FY2013, consistent with the FY2012 Budget as Enacted.

<b>RI State Council on the Arts</b>	<b>General Revenue</b>
FY2012 Enacted	\$1,678,862
<i>Target and Other Adjustments</i>	<i>(1,576)</i>
Community Service Grant Reduction	(90,557)
Motion Picture Production Tax Credit	Informational
<b>FY2013 Governor</b>	<b>\$1,586,729</b>

### **Community Service Grant Reduction** **(\$90,557)**

The Governor recommends a 25.0 percent reduction to community service objective grants in state departments and agencies. Community service objective grants often supplement program objectives. The FY2012 Budget as Enacted includes \$8.3 million in community service objective funding in 15 agencies. The Governor reduces funding by \$2.1 million statewide, including a \$90,557 reduction at RISCA.

### **Motion Picture Production Tax Credit** **Informational**

The State offers a tax credit for motion picture production companies equivalent to 25.0 percent of qualified production costs attributable to expenditures within the State. The 2008 General Assembly capped the total annual credit issuance allocation at \$15.0 million in a given year, and productions must meet a minimum \$300,000 production budget threshold to qualify. The credits are transferable, and unused portions may be carried forward for up to three years.

Article 28 of the Governor's FY2013 Budget modifies the Motion Picture Production Tax Credit to include pre- and post-production (excluding marketing) work and documentary productions; reduces the minimum total production budget eligibility requirement from \$300,000 to \$100,000; shifts credit review and approval authority from the Rhode Island Film and Television Office to the Division of Taxation; and establishes a sunset date for the program of July 1, 2019, after which additional certifications would not be granted. No revenue change is associated with this proposal.



## Rhode Island Atomic Energy Commission

Expenditures by Program	FY2011 Actual	FY2012 Enacted	FY2012 Governor	Change from Enacted		FY2013 Governor	Change from Enacted	
<b>Atomic Energy Commission</b>	<b>\$1,198,881</b>	<b>\$1,511,526</b>	<b>\$1,394,387</b>	<b>(\$117,139)</b>	<b>-7.7%</b>	<b>\$1,389,551</b>	<b>(\$121,975)</b>	<b>-8.1%</b>
<b>Expenditures by Source</b>								
General Revenue	\$858,629	\$879,592	\$877,459	(\$2,133)	-0.2%	\$876,213	(\$3,379)	-0.4%
Federal Funds	76,635	324,104	183,752	(140,352)	-43.3%	180,216	(143,888)	-44.4%
Other Funds	263,617	307,830	333,176	25,346	8.2%	333,122	25,292	8.2%
<b>Total</b>	<b>\$1,198,881</b>	<b>\$1,511,526</b>	<b>\$1,394,387</b>	<b>(\$117,139)</b>	<b>-7.7%</b>	<b>\$1,389,551</b>	<b>(\$121,975)</b>	<b>-8.1%</b>
Authorized FTE Levels	8.6	8.6	8.6	-	-	8.6	-	-

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) established a nuclear engineering minor for its engineering students. A team of five URI students from this program of study recently won the undergraduate division of the annual Student Design Competition sponsored by the American Nuclear Society. Their project, which safely transfers materials from the reactor to the work area, is currently in use at the facility.

### MAJOR ISSUES AND TRENDS FOR FY2013

The Governor's FY2013 budget proposal recommends \$1.4 million from all funds, including \$876,213 from general revenue, \$180,216 from federal funds, and \$333,122 from other funds, mainly user fees, RICAP funds, and assessments to University of Rhode Island. This represents an all funds decrease of \$121,975 (8.1 percent) including a general revenue decrease of \$3,379, a federal funds decrease of \$143,888, and an increase in other funds of \$25,292. The Governor's budget shifts \$54,497 of personnel and operating expenses from general revenue to other funds in order to allocate the full amount allowable to sponsored research. It also provides current funding for the exploration of additional commercial uses of the reactor, including new technology for cancer research.

The Commission is seeking a 20-year renewal of its license from the Nuclear Regulatory Commission (NRC). The Rhode Island Atomic Energy Commission is required to provide assurances to the NRC that it would have adequate resources to operate the facility safely during the renewal period. The Commission claims that further budgetary cuts would jeopardize the safe operation of the facility and invalidate its response to the NRC regarding adequate operational funding.

*Analyst's Note: Should the Commission not receive funding sufficient to safely operate the facility and the NRC reject the Agency's application, the reactor would have to be decommissioned at a cost to the state estimated to be \$30.0 million. Furthermore, the Commission is unsure whether a complete decommission is even possible at this time since some of its waste is "mixed waste" for which there is currently no place for disposal.*

The Commission continues to implement the RINSC security plan that brings the facility into full compliance with the NRC's upgraded security requirements instituted for research reactors following the terrorist attacks on September 11, 2001. In FY2011 and FY2012, the Commission's total annual capital

budget went towards this compliance. In 1994, the facility converted to a low-enriched, non-weapons grade uranium fuel, which is thought to be a low-potential terrorist target.

The Governor recommends 8.6 FTE positions in FY2012 and FY2013 for the program, 2.6 of which are provided to URI for its radiation safety functions.

**CAPITAL PROJECTS**

The Governor recommends a total of \$50,000 in RICAP-funded asset protection projects between FY2012 and FY2014. These projects include covering existing asbestos floor tiles, performing minor roof repairs and upgrading air conditioning.

*(For details of the Governor's complete capital proposal, see the Capital Budget Analysis.)*



## Higher Education Assistance Authority

Expenditures by Program	FY2012		FY2012		Change from		FY2013		Change from	
	FY2011	Enacted	Enacted	Governor	Enacted	%	Governor	Enacted	%	
Higher Education Assistance Authority	\$23.7	\$27.4	\$27.4	\$27.9	\$0.5	6.7%	\$0.0	(\$27.4)	-100.0%	
<b>Expenditures by Source</b>										
General Revenue	\$7.3	\$5.9	\$5.9	\$5.9	(\$0.0)	8.9%	\$0.0	(\$5.9)	-100.0%	
Federal Funds	9.7	13.5	13.5	13.0	(0.5)	9.4%	-	(13.5)	-100.0%	
Other Funds	6.6	8.0	8.0	9.0	1.0	0.0%	-	(8.0)	-100.0%	
<b>Grand Total</b>	<b>\$23.7</b>	<b>\$27.4</b>	<b>\$27.4</b>	<b>\$27.9</b>	<b>\$0.5</b>	<b>6.7%</b>	<b>\$0.0</b>	<b>(\$27.4)</b>	<b>-100.0%</b>	
Authorized FTE Levels	41.6	41.6	41.6	41.6	-	0.0%	-	(41.6)	-100.0%	

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

The Rhode Island Higher Education Assistance Authority (HEAA) was created in 1977 to provide a system of financial assistance programs to promote opportunities for post-secondary education by providing grants and loans to qualified students. The Authority administers three major programs:

- The Scholarship and Grant Program includes the state grant program and a student intern program. The State grant program is the central program in the division: it distributes financial assistance, in the form of grants to low-income students and scholarships to those with both low incomes and high academic achievement.
- The Loan Program includes the Federal Family Education Loan Program (FFELP) and the Health Professions Contract Program. The FFELP program is gradually being phased out due to a change in federal laws, but the program will continue to pursue collections activities.
- The CollegeBoundfund Program includes the CollegeBoundfund, the Academic Promise Scholarship Program and the CollegeBoundfund 5&10 Matching Grant Program.
- The CollegeBoundfund (CBf) is a “qualified state tuition program” under section 529 of the IRS code. The program encourages qualified students, parents and others responsible for paying the cost of higher education to plan for college by investing contributions that will grow, tax-free, each year. Earnings are exempt from federal tax if used for qualified expenses, and are state income tax exempt for Rhode Island residents. As of November 30, 2011, there were 20,010 CBf accounts worth more than \$276.9 million belonging to Rhode Island residents.

### MAJOR ISSUES AND TRENDS FOR FY2013

For FY2013, the Governor recommends merging the Higher Education Assistance Authority into the Office of Higher Education, transferring the duties of the Authority, along with \$27.7 million in funding and 39.6 FTE positions, including \$5.6 million in general revenue. The Governor has also expressed an interest in using RIHEAA’s \$20.0 million operating reserve fund to establish a scholarship fund. (See details under Office of Higher Education.)

RIHEAA’s ability to continue as a stand-alone agency is severely jeopardized by recent changes in federal law. On March 3, 2010, President Obama signed into law the Health Care and Education Reconciliation Act of 2010. The Act made changes in student financial assistance programs, including a provision eliminating loan originations under Federal Family Education Loan Program (FFELP) effective July 1, 2010. As a result, all guaranteed student loans are now originated under the Federal Direct Loan Program.

RIHEAA’s role as a guarantee agency in the FFELP constitutes its single largest activity; approximately 75.0 percent of the Authority’s employees are allocated to the guarantee agency functions (24.0 FTE positions out of a total of 31.0 currently filled FTE positions). RIHEAA’s guarantee loan operation makes over 90.0 percent of its net revenue from the collection and rehabilitation of defaulted loans that it has guaranteed. Although the Authority will continue to provide services for loans currently in its portfolio (including claims payments and reinsurance transactions, default prevention and aversion activities, and collection of defaulted student loans), it is difficult to predict the time period over which such services will be required, and to what extent those responsibilities would constitute a substantive activity for the Authority.

RIHEAA’s senior management believes that a reasonable estimate of that time period is in the range of three to five years. The table below shows projected net income/loss from guarantee agency functions assuming current staff levels. The Authority will begin experiencing losses in FY2016 under the best case scenario, and will probably experience a loss in FY2015 unless another revenue stream is identified.

RIHEAA Net Income (Loss) Projections							
Projection	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
High	\$0	\$0	\$1,764,343	\$929,746	\$619,714	\$11,290	(\$420,305)
Base	2,922,870	2,063,925	1,191,852	409,757	87,316	(456,477)	(813,600)
Low	-	-	943,954	125,912	(256,396)	(788,336)	(1,114,775)

*Projections provided by RIHEAA at current staffing levels.*

*Low projection - 15.0 percent default rate and 13.0 percent annual rehabilitation rate.*

*Base projection - 17.0 percent default rate and 15.0 percent annual rehabilitation rate.*

*High projection - 19.0 percent default rate and 18.0 percent annual rehabilitation rate.*

## Rhode Island Historical Preservation and Heritage Commission

<b>Expenditures by Program</b>	<b>FY2011 Actual</b>	<b>FY2012 Enacted</b>	<b>FY2012 Governor</b>	<b>Change from Enacted</b>		<b>FY2013 Governor</b>	<b>Change from Enacted</b>	
Historic Preservation & Heritage Commission	\$2.2	\$2.9	\$2.8	\$0.1	3.9%	\$2.8	\$0.1	2.7%
<b>Expenditures by Source</b>								
General Revenue	\$1.3	\$1.5	\$1.3	(\$0.1)	-9.0%	\$1.4	(\$0.1)	-6.7%
Federal Funds	0.8	0.8	0.9	0.0	4.7%	0.9	0.0	4.7%
Restricted Receipts	0.1	0.5	0.5	0.0	-	0.5	0.0	-
Other Funds	0.0	0.1	0.1	0.0	0.0%	0.1	0.0	0.0%
<b>Total</b>	<b>\$2.2</b>	<b>\$2.9</b>	<b>\$2.8</b>	<b>\$0.1</b>	<b>3.9%</b>	<b>\$2.8</b>	<b>\$0.1</b>	<b>2.7%</b>

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

Authorized FTE Levels	16.6	16.6	16.6	-	-	16.6	-	-
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The Rhode Island Historical Preservation and Heritage Commission (Commission) operates a statewide historical preservation program that identifies and protects historic buildings, districts, structures, and archaeological sites. The Commission also develops and carries out programs to document and celebrate the rich cultural heritage of Rhode Island's people. Through a site manager, the Commission administers the Eisenhower House at Fort Adams State Park in Newport as a venue for events and social functions. The Governor's recommends 16.6 FTE positions for FY2013, unchanged from FY2012.

<b>Historical Preservation and Heritage Commission</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$1,469,797</b>
<i>Target and Other Adjustments</i>	10,663
Salaries and Benefits	(69,375)
Community Service Grant Reduction	(40,147)
<b>FY2013 Governor</b>	<b>\$1,370,938</b>

### **Salaries and Benefits** **(\$69,375)**

The Governor's budget recommends general revenue financing for salaries and benefits at \$69,375 below current service target level of \$1.3 million. The Heritage Aid position, which was vacant for all of FY2012, is proposed to remain vacant for all of FY2013 as well in order to achieve targeted turnover savings. Though \$16,837 in turnover savings were taken in FY2012 for the vacant Principal Archaeologist position, this position is now filled and the proposal fully funds this position in FY2013.

### **Community Service Grant Reduction** **(\$40,147)**

The Governor recommends a 25.0 percent reduction to community service objective grants in state departments and agencies. Community service objective grants often supplement program objectives. The FY2012 Budget as Enacted includes \$8.3 million in community service objective funding in 15 agencies. The Governor reduces funding by \$2.1 million statewide, including a \$40,147 reduction in the Commission.

## **CAPITAL PROJECTS**

The Governor recommends a total of \$375,000 in RICAP funding for repairs and upgrades to the Eisenhower House in FY2013.

(For details of the Governor's complete capital proposal, see the Capital Budget Analysis.)



## Rhode Island Public Telecommunications Authority

<b>Expenditures by Program</b>	<b>FY2011 Actual</b>	<b>FY2012 Enacted</b>	<b>FY2012 Governor</b>	<b>Change from Enacted</b>		<b>FY2013 Governor</b>	<b>Change from Enacted</b>	
RI Public Telecommunications Authority	\$1,525,009	\$1,631,172	\$1,568,477	\$62,695	3.8%	\$1,127,054	\$504,118	30.9%
<b>Expenditures by Source</b>								
General Revenue	\$929,325	\$947,960	\$932,562	\$15,398	1.6%	\$425,286	\$522,674	55.1%
Other Funds & Transfers	595,684	683,212	635,915	47,297	6.9%	701,768	(18,556)	-2.7%
<b>Total</b>	<b>\$1,525,009</b>	<b>\$1,631,172</b>	<b>\$1,568,477</b>	<b>\$62,695</b>	<b>3.8%</b>	<b>\$1,127,054</b>	<b>\$504,118</b>	<b>30.9%</b>
Authorized FTE Levels	16.0	15.0	15.0	-	-	14.0	(1.0)	-6.3%

The Rhode Island Public Telecommunications Authority (Authority) is the owner and license holder for WSBE-DT Rhode Island PBS, Rhode Island's public television station. WSBE provides life-long learning opportunities to all Rhode Islanders, regardless of their ability to pay, through its programming and outreach services. The Authority is partially supported by private fundraising conducted by the Rhode Island Corporation for Public Broadcasting.

The Corporation for Public Broadcasting is a private, non-profit organization created by Congress in 1967. The Corporation for Public Broadcasting is a separate organization from the Rhode Island Public Broadcasting Foundation. The Corporation for Public Broadcasting receives an annual federal grant, which it in turn distributes to local broadcasting organizations around the country through a formula based on the local organization's fundraising and state support. In Rhode Island, the grant from the Corporation for Public Broadcasting flows through the Rhode Island Public Broadcasting Foundation to the Public Telecommunications Authority as other funds.

### MAJOR ISSUES AND TRENDS FOR FY2013

Article 13 of the Governor's Budget ends appropriations for the support and maintenance of the Rhode Island Public Telecommunications Authority effective January 1, 2013, saving the State \$664,615. The Governor recommends a general revenue appropriation for the first six months of FY2013, after which funding for the Authority would cease. Eliminating state support is not intended to eliminate the Authority since the Authority receives approximately 80.0 percent of its funding from other sources.

### THE RHODE ISLAND PUBLIC TELECOMMUNICATIONS AUTHORITY

<b>RI Public Telecommunications Authority</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$947,960</b>
<i>Target and Other Adjustments</i>	<i>14,910</i>
Personnel	(127,031)
Elimination of State Support for Channel 36	(664,615)
<b>FY2013 Governor</b>	<b>\$425,286</b>

#### **Personnel** **(\$127,031)**

In FY2013, the Governor recommends \$127,031 in turnover for the vacant ITV Director FTE position. Due to financial difficulties experienced in FY2012, the Authority laid off the previous ITV Director in January 2012.

**Elimination of State Support for Channel 36****(\$664,615)**

The Governor recommends six-month funding for the Authority in FY2013, after which state funding of the Authority would be discontinued. The State will realize \$664,615 in general revenue savings in FY2013. Elimination of funding does not necessarily mean the elimination of the Authority, given it relies on a number of funding streams to support its operations. The Governor plans to work with the Authority to create a transition plan both in terms of timing and funding.

*Analyst's Note: Eliminating support for Channel 36 represents \$664,615 in savings, six months' of the Authority's FY2013 current services level of \$1.3 million.*

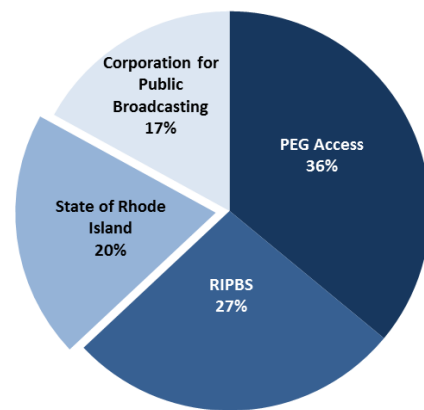
Rhode Island Public Broadcasting System (RIPBS) Foundation is the fund-raising arm of the Authority. Each year, the Authority is dependent upon the Foundation's activities for 27.0 percent of its total revenue and 43.0 percent of its operating revenue. The Foundation undertakes a number of fundraising activities, including membership activities, which account for the majority of fundraising revenue. Despite the current recession and increased competition for donations, the Foundation raised \$627,000 through membership activities in FY2011, up from \$606,000 in FY2010.

Special events such as three annual on-air auctions are also included in the Foundation's fundraising activities. During FY2011, WSBE raised \$153,000 in special events revenue, a decrease of \$14,456 from the \$168,011 raised in FY2010.

The Authority has a number of relationships with independent producers, acting as a fiscal agent for the producers whereby the producer is able to solicit donations for their projects. Revenue produced through these solicitations is restricted revenue and must be matched to an expense associated with it.

The Corporation for Public Broadcasting (CPB) represented 17.0 percent of the Authority's revenue in FY2011. Recent grant awards to the Authority include \$788,437 in FY2010 and \$807,895 in FY2011. The increase in funding in FY2011 is due to an adjustment to the funding formula used to determine grant amounts.

**2011 Revenue Sources**  
Source: Rhode Island Public Telecommunications Authority draft basic consolidated financial statements for year end June 30, 2011



*Analyst's Note: The Authority currently leases its main operating facility at 50 Park Street, Providence from the State on a month-to-month basis. The State does not charge the Authority for this rental, and the Authority's financial statements do not record this in-kind contribution. While Article 3 eliminates funding for the Authority as of January 1, 2013, it does not address the state-owned facility and what relationship the Authority will have with the State in the future.*

## Department of the Attorney General

Expenditures by Program	FY2011 Actual	FY2012 Enacted	FY2012 Governor	Change from Enacted		FY2013 Governor	Change from Enacted	
Bureau of Criminal Identification	\$1.1	\$1.1	\$1.2	\$0.1	10.4%	\$1.2	\$0.1	9.6%
Civil	4.8	5.4	6.2	0.8	14.3%	5.7	0.3	5.9%
Criminal	14.8	17.0	17.1	0.1	0.5%	16.3	(0.7)	-4.0%
General	2.9	3.2	3.0	(0.1)	-4.7%	3.1	(0.1)	-2.0%
<b>Total</b>	<b>\$23.6</b>	<b>\$26.7</b>	<b>\$27.5</b>	<b>\$0.8</b>	<b>3.1%</b>	<b>\$26.4</b>	<b>(\$0.3)</b>	<b>-1.2%</b>
<b>Expenditures by Source</b>								
General Revenue	\$20.8	\$22.4	\$23.1	\$0.6	2.7%	\$23.3	\$0.8	3.7%
Federal Funds	1.4	2.9	2.6	(0.3)	-9.0%	1.6	(1.3)	-44.7%
Federal Funds (ARRA)	0.4	0.0	0.3	0.3		0.0	0.0	
Restricted Receipts	0.8	1.1	1.4	0.2	20.7%	1.2	0.1	9.6%
Other Funds	0.3	0.3	0.3	0.0	0.0%	0.3	0.0	15.0%
<b>Total</b>	<b>\$23.6</b>	<b>\$26.7</b>	<b>\$27.5</b>	<b>\$0.8</b>	<b>3.1%</b>	<b>\$26.4</b>	<b>(\$0.3)</b>	<b>-1.2%</b>
Authorized FTE Levels	231.1	231.1	233.1	2.0	0.9%	233.1	2.0	0.9%

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

The Department of the Attorney General is the central legal agency of the state. The Department is responsible for the prosecution of all felony criminal cases and misdemeanor appeals as well as prosecution of misdemeanor cases brought by state law enforcement in the various district courts. Additionally, as chief legal officer of the state, the Attorney General acts to protect consumers against fraudulent business practices; investigates Opens Meetings Act and Access to Public Records compliance; and, acts as the central repository for criminal history and information in the state. The Department is divided into four budget programs: Criminal, Civil, General, and Bureau of Criminal Identification.

### MAJOR ISSUES AND TRENDS FOR FY2013

The Governor recommends \$26.4 million in total funding for the Department, a decrease of \$316,264 (1.2 percent) from the FY2012 Budget as Enacted. Federal funds decrease by \$1.3 million (44.7 percent), reflecting the end of financing through the long-term health care grant in FY2012. The reductions are partially offset by an \$833,457 (3.7 percent) increase in general revenues, an additional \$107,870 (9.6 percent) in restricted receipts, and \$37,500 (15.0 percent) in additional other funds.

The Governor's budget recommendation includes \$223,270 in estimated turnover savings for the Department in FY2013, equivalent to 2.3 FTE positions based on an average \$97,812 estimated cost per position for the Department. Through January 28, 2012, the Department has averaged 5.4 vacant FTE positions (2.3 percent). The budget proposal increases personnel funding across programs reflecting reduced turnover assumptions in FY2013. The recommendation includes 233.1 FTE positions in both FY2012 and FY2013, an increase of 2.0 FTE positions from the FY2012 Budget as Enacted.

The Governor's recommendation continues to fund the multi-state tobacco settlement litigation in the Civil Division in FY2013, as the case is not expected to be resolved this fiscal year. The Criminal Division budget includes additional operating costs from an assessment from the Judiciary based on the Department's square footage used in various state courthouses.

### GENERAL DIVISION

The General Division is responsible for the overall operations of the Department. It consists of the following units: Executive, Fiscal, Personnel, Operations, Management Information Systems, and Public Information/Legislation. The Division oversees the finances of the Department, prepares and submits the

Department’s annual budget, and lobbies for the resources necessary for the efficient operation of the Department.

The Governor recommends \$2.8 million in general revenue funding for the General Division in FY2013, a \$100,572 (3.5 percent) decrease from the FY2012 Budget as Enacted. Funding changes are primarily attributable to target and statewide adjustments. The Governor recommends 22.6 FTE positions in FY2012 and FY2013 for the program.

<b>General</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$2,909,135</b>
<i>Target and Other Adjustments</i>	<i>(100,572)</i>
<b>FY2013 Governor</b>	<b>\$2,808,563</b>

**CRIMINAL DIVISION**

The Criminal Division is charged with the prosecution of felony cases and misdemeanor appeals. The Division assists the Attorney General in carrying out the constitutional responsibility to prosecute all felony criminal offenses occurring in the state, as well as all misdemeanor criminal cases brought by state law enforcement agencies or appealed to the Superior Court. Specialized units focused on white-collar crime, narcotics and organized crime, firearms offenses, juvenile offenders, domestic violence and sexual assault, Medicaid fraud, and District Court offenses.

The Governor recommends \$14.4 million in general revenue funding for the Criminal Division in FY2013, an increase of \$630,545 (4.6 percent) from the FY2012 Budget as Enacted. Federal funds decrease by \$1.3 million (45.1 percent) from the expiration of the Long Term Health Care Grant. Additional general revenues are required to replace personnel funding reflecting unachieved turnover savings in the Division, and funding is included to pay for space used by the Division in the various courthouses. The Governor recommends 150.5 FTE positions in FY2012 and FY2013 for the program.

<b>Criminal</b>	<b>General Revenue</b>
FY2012 Enacted	<b>13,739,364</b>
<i>Target and Other Adjustments</i>	<i>356,782</i>
Judicial Facilities Assessment	136,960
Turnover Reduction	136,803
<b>FY2013 Governor</b>	<b>14,369,909</b>

<b>Criminal</b>	<b>Other Funds Changes</b>
Long-Term Health Care Grant (federal funds)	(\$1,333,335)

**Judicial Facilities Assessment \$136,960**

The Governor includes a Judicial proposal to assess tenant agencies pro-rata shares of operating costs in Judicial buildings. The total proposal shifts \$912,089 in estimated costs from the Judiciary to state and outside agencies that use space in the various courthouses based on a projected cost of \$10.48 per square foot. The proposal results in an apparent 17.1 percent operating cost reduction at the Judiciary for courthouse operations expenses. The Department of the Attorney General occupies 13,071 square feet in state courthouses, resulting in \$136,960 in estimated additional operating costs.



	Square Footage	Allocation	FY2013 Estimate
<b>State Agencies</b>			
Judiciary	420,895	82.86%	\$4,410,194
Sheriffs	46,441	9.14%	486,615
Attorney General	13,071	2.57%	136,960
Department of Corrections	9,169	1.81%	96,074
Public Defender	8,919	1.76%	93,454
DCYF- Juvenile Probation	3,982	0.78%	41,724
Capitol Police	3,006	0.59%	31,497
State Police	1,554	0.31%	16,283
<b>Outside Agencies</b>			
Providence Police	505	0.10%	5,291
Women's Resource Center	252	0.05%	2,640
RI Legal Services	148	0.03%	1,551
<b>Total</b>	<b>507,942</b>	<b>100.0%</b>	<b>\$5,322,283</b>
<b>Non-Judicial Allocation</b>	<b>87,047</b>		<b>\$912,089</b>

**Turnover Reduction****\$136,803**

The Governor recommends an additional \$136,803 in general revenue funding in FY2013 for the Criminal Division for turnover that was budgeted but unachieved in FY2012. The FY2012 Budget as Enacted included an estimated 2.5 percent turnover rate. The Governor includes 1.5 percent turnover in his assumptions for FY2013. Through the January 28, 2012, payroll period, the Department has averaged 5.4 vacant FTE positions (2.3 percent turnover on FTE position basis).

**Long-Term Health Care Grant (federal funds)****(\$1.3 million)**

The Governor recommends a reduction of \$1.3 million in federal Long-Term Health Care Grant funding. The FY2012 Budget as Enacted included \$1.5 million in funding under the grant, including \$497,848 for personnel, \$495,500 for computer equipment purchases, \$391,076 in operating costs, and \$120,000 for information technology consulting. The systems installations will be completed in FY2012. For FY2013, the Governor includes \$158,712 in personnel funding for 2.0 additional FTE positions for Automated Fingerprint Identification System operators and \$12,377 in associated operating costs. Under the grant, the State is required to run background checks for persons seeking employment in various healthcare, assisted living and nursing service facilities.

**CIVIL DIVISION**

The Civil Division is charged with conducting the state's legal affairs, and representing the State in legal proceedings. By law, the Attorney General initiates and defends actions in state and federal courts whenever warranted; ensures that representation is provided to state officers, employees and agencies in all courts; advises state officers and agencies on legal issues; and issues written opinions on legal issues when requested by governmental officers.

The Governor recommends \$4.9 million in general revenue funding for the Civil Division in FY2013, an increase of \$195,641 from the FY2012 Budget as Enacted. Funding changes are primarily attributable to target and statewide adjustments, plus slight adjustments to funding for the state's participation in a multi-state tobacco litigation case. The Governor recommends 44.0 FTE positions in FY2012 and FY2013 for the program.

<b>Civil</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$4,692,836</b>
<i>Target and Other Adjustments</i>	238,839
NAAG Tobacco Litigation	(43,198)
<b>FY2013 Governor</b>	<b>\$4,888,477</b>

**NAAG Tobacco Litigation** **(\$43,198)**

The Governor recommends a \$366,122 increase in FY2012, and a reduction of \$43,198 in FY2013, for the National Association of Attorneys General (NAAG) tobacco litigation. The FY2012 amount is a reappropriation of unexpended expert witness funding from FY2011. For FY2012 the Governor recommends \$300,000 in total funding, under the expectation that the litigation will carry forward into the next fiscal year.

In 1998, the State, along with 45 others, participated in a Master Settlement Agreement (MSA) with participating tobacco manufacturers. Under the MSA, participating states are entitled to annual payments from manufacturers. Participating manufacturers claim that many states are not fully complying with the terms of the MSA, and as a result, the manufacturers are making legal claims that future annual payments should be reduced. Rhode Island, as a participating state in NAAG, is required to provide legal counsel and/or resources for the legal proceedings, which have gone to arbitration.

**BUREAU OF CRIMINAL IDENTIFICATION**

The Bureau of Criminal Identification (BCI) is the state entity charged with maintaining criminal history information for crimes committed in Rhode Island. The BCI responds to criminal history records requests, analyzes and records fingerprint information, maintains pistol permits, issues security guard licenses, and conducts employee background checks. The BCI is open 24-hours per day, 7-days per week to respond to requests from law enforcement agencies throughout the country.

The Governor recommends \$1.2 million in general revenue funding for the BCI in FY2013, an increase of \$107,843 from the FY2012 Budget as Enacted. Funding changes are primarily attributable to target and statewide adjustments. The Governor recommends 16.0 FTE positions in FY2012 and FY2013 for the program.

<b>Bureau of Criminal Identification</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$1,101,532</b>
<i>Target and Other Adjustments</i>	107,843
<b>FY2013 Governor</b>	<b>\$1,209,375</b>

**SELECTED CAPITAL PROJECTS**

The Governor recommends a total of \$9.0 million in capital projects between FY2012 and FY2017, including:

- \$6.8 million for asset protection projects at the Department's headquarters building at 150 South Main Street in Providence; and
- \$2.3 million in FY2013 for upgrades to the Automated Fingerprint Identification System (AFIS).

*(For details of the Governor's complete capital proposal, see the Capital Budget Analysis.)*

## Department of Corrections

<b>Expenditures by Program</b>	<b>FY2011 Actual</b>	<b>FY2012 Enacted</b>	<b>FY2012 Governor</b>	<b>Change from Enacted</b>		<b>FY2013 Governor</b>	<b>Change from Enacted</b>	
Central Management	\$7.4	\$8.6	\$9.1	\$0.6	6.4%	\$9.4	\$0.8	9.2%
Community Corrections	-	-	-	-	0.0%	14.7	14.7	0.0%
Custody and Security	160.9	170.2	176.8	6.6	3.9%	115.9	(54.3)	-31.9%
Healthcare Services	-	-	-	-	0.0%	18.6	18.6	0.0%
Institutional Based Rehab/Pop Mgmt	-	-	-	-	0.0%	10.4	10.4	0.0%
Institutional Support	14.0	15.2	15.2	(0.0)	-0.2%	31.3	16.1	105.6%
Parole Board	1.2	1.4	1.3	(0.1)	-4.4%	1.4	(0.0)	-2.4%
<b>Total</b>	<b>\$183.5</b>	<b>\$195.4</b>	<b>\$202.5</b>	<b>\$7.1</b>	<b>3.6%</b>	<b>\$201.5</b>	<b>\$6.1</b>	<b>3.1%</b>
<b>Expenditures by Source</b>								
General Revenue	\$177.7	\$182.1	\$187.4	\$5.3	2.9%	\$183.2	\$1.1	0.6%
Federal Funds	2.2	2.5	2.6	0.1	5.3%	2.3	(0.2)	-8.2%
Federal Funds (ARRA)	0.6	0.4	0.6	0.1	35.3%	0.4	0.0	9.4%
Restricted Receipts	0.0	0.0	0.1	0.0	86.3%	0.1	0.0	88.9%
Other Funds	2.9	10.3	11.8	1.5	14.5%	15.5	5.2	50.4%
<b>Total</b>	<b>\$183.5</b>	<b>\$195.4</b>	<b>\$202.5</b>	<b>\$7.1</b>	<b>3.6%</b>	<b>\$201.5</b>	<b>\$6.1</b>	<b>3.1%</b>
Authorized FTE Levels	1,419.0	1,419.0	1,419.0	-	-	1,419.0	-	-

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

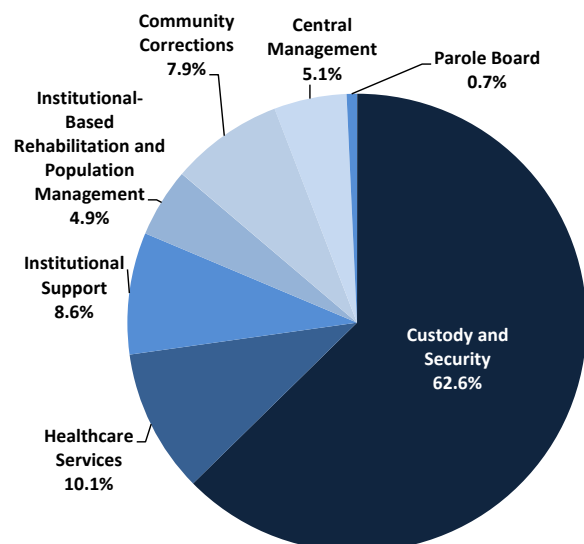
The Rhode Island Department of Corrections provides appropriate, safe, secure, and humane control of offenders, while actively assisting and encouraging offenders to become productive and law-abiding members of the community. Additionally, the Rhode Island State Parole Board is budgeted as a unit of 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 3,869 beds. Through February 2012, the Department has averaged 3,194 inmates (80.3 percent of capacity) housed at the ACI for the fiscal year, including 2,952 men, and 157 women. The Department also provides supervision of offenders in the community (home confinement, probation, and parole).

### MAJOR ISSUES AND TRENDS FOR FY2013

As part of the Executive branch performance budgeting initiative, the Department requested and the Governor recommends a change in the organizational structure for FY2013. The Department currently has four programs: Institutional Corrections, Community Corrections, Central Management, and the Parole Board. For FY2013, the Institutional Corrections Program is divided between four new programs: Custody and Security, Institutional Support, Institutional-Based Rehabilitation and Population Management, and Healthcare Services. The chart shows the FY2013 Governor's recommended general revenue distribution between and among the proposed programs.

The Governor proposes an additional \$1.1 million in general revenue funding (\$6.1 million all funds) for

Corrections Programs: FY2013 general revenues



FY2013. Authorized personnel remain unchanged at 1,419.0 FTE positions for both fiscal years. The Governor bases his FY2013 Budget recommendation on an estimated average of 3,231 inmates, or 8 inmates below the FY2012 Budget as Enacted amount of 3,239. Through February 2012, the Department has averaged 3,194 inmates for the fiscal year.

The budget recognizes the full-year impact of the Price Medium Security facility closure: the FY2012 Budget as Enacted included \$6.0 million reflective of six months of savings. The Department closed the facility as of November 14, 2011, one and one-half months ahead of schedule. Not all budgeted savings have been realized as the Department has opened unbudgeted housing modules in other facilities to accommodate inmates shifted out from the Price facility. Savings from the Price closure are estimated to total \$8.5 million in FY2013.

Base wages for Correctional Officers are understated by \$3.1 million in the FY2012 Budget as Enacted based on actual payroll experience this fiscal year. The Governor includes additional funding in FY2012 and FY2013 to account for the base adjustment. Additionally, the Governor proposes legislation (Article 22) to allow negotiations changing the way overtime is calculated for Correctional Officers.

The Governor funds Correctional Officer training classes in both FY2012 and FY2013. The proposal removes funding for required biennial weapons requalification for all Correctional Officers. The Department will now run the program as a part of the standard in-service training program, reducing required overtime funding.

### 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 is proposed to handle the Inmate Accounts and Central Distribution Center internal service funds. The Governor recommends 59.0 FTE positions in FY2012 and 76.0 FTE positions in FY2013 for the program. The changes include 12.0 FTE positions that transferred, with associated internal service funds, to run the Central Distribution Center, and 5.0 Inmate Accounts positions.

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.

<b>Central Management</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$9,009,452</b>
<hr/>	
<i>Target and Other Adjustments</i>	<i>(17,516)</i>
Time Tracker System	269,767
CO Training Class	104,280
<b>FY2013 Governor</b>	<b>\$9,365,983</b>

### ***Time Tracking System***

**\$269,767**

The Governor recommends an additional \$350,767 in FY2012 and \$269,767 in FY2013 for the Department to update a personnel time tracking system. The system will use biometric data and replace the current time-card system that requires a great deal of data entry. The current system is out of date and has had multiple “patches” that periodically fail, causing payroll errors and requiring additional data entry by staff. The data entry reductions and more accurate time accounting should yield operational savings, however neither the Department’s request or Governor’s proposal quantifies the future potential cost reductions. While the Governor provides general revenue funding for the project, Budget Office documents indicate that the project would be a candidate for funding under the proposed Information Technology Fund initiative.

**Correctional Officer Training Class****\$104,280**

The Governor recommends \$104,280 in additional general revenue funding in FY2013 for the Department to run a Correctional Officer training class in FY2013. The FY2012 Budget as Enacted includes \$667,233 to run Class 79, which began on February 6, 2012, and is scheduled to graduate on April 6, 2012. The bulk of the increase is for additional medical services expenses and is based on actual expenses from Class 78. The Department expects to hire 28 new Correctional Officers from Class 79 immediately (from a class of approximately 45 recruits) and then maintain a list of eligible hires consisting of other graduates. The Governor's FY2013 budget proposal includes \$2.5 million in overtime savings by hiring the additional Correctional Officers.

**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. The Governor recommends 10.0 FTE positions in FY2012 and FY2013 for the program, a reduction of 1.0 vacant Principal Clerk Typist position.

<b>Parole Board</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$1,365,771</b>
<i>Target and Other Adjustments</i>	<i>(34,302)</i>
<b>FY2013 Governor</b>	<b>\$1,331,469</b>

**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 is new based on the Governor's FY2013 budget proposal, and represents the core of what currently falls under the Institutional Corrections program. The program manages six correctional institutions and one jail complex, all located in Cranston at the Pastore Center. Men's facilities include High Security, Maximum Security, the John J. Moran and Donald Price Medium Security (currently closed) facilities, Minimum Security, and the Intake Center. Women are housed in the Gloria McDonald and Bernadette Guay facilities. The Governor recommends a staffing level of 986.0 FTE positions in FY2013 for the program. The staffing recommendation for FY2012 remains under the Institutional Corrections program.

<b>Institutional Custody and Security</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$112,298,765</b>
<i>Target and Other Adjustments</i>	<i>195,861</i>
Inmate Population	Informational
RIBCO Wage Base Correction	3,107,411
Donald Price Closure	(2,472,627)
Unachieved Personnel Savings	2,207,936
Weapons Requalification	(566,318)
Correctional Officer Overtime Calculations	(325,000)
SCAAP Offset	320,140
<b>FY2013 Governor</b>	<b>\$114,766,168</b>

**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.

**Population Reduction Initiatives:** The average monthly census for incarcerated individuals has been reduced by 21.1 percent since September 2007, when the monthly average population reached a high point of 3,937. Two initiatives implemented since FY2008 have aided in the reduction of the inmate population.

- The Public Defender's Defender Advocacy Program increases the use of alternatives to sentencing, including drug and alcohol treatment, counseling, and probation and/or parole, in lieu of prison time. According to the Public Defender, since inception, the Program has reduced the number of violations withdrawn or continued on probation by approximately 70.0 percent.
- The General Assembly also enacted Corrections Options, an earned good time initiative allowing offenders to reduce their prison time based on certain earned criteria. The initiative brought good time award policies for lower security inmates in line with those for inmates under more restrictive supervision. Eligible activities include good behavior, participation in various rehabilitative programs, and other incentives. Inmates sentenced to serve 9 months or less are on average serving between 80.0 percent and 90.0 percent of their sentences, as opposed to 90.0 percent to 98.0 percent prior to the passage of the Corrections Options legislation.
- As part of the FY2012 Budget as Enacted, the General Assembly allowed medical parole for inmates who have a chronic and incurable mental or physical illness, and for whom the medical costs are deemed to be exorbitant by the Department of Corrections. The Department's Medical Director would verify all medical opinions and would have the ability to deny the petition for medical parole prior to submission of an application to the Parole Board. Medical parolees would be required to wear electronic monitoring equipment unless the medical facility to which the parolee is admitted cannot accommodate such equipment. All prisoners, except those serving sentences of life without parole, would be eligible for medical parole. To date, however, the Department indicates that no inmates have met the medical parole qualifications.

**Budgeting:** The Department primarily bases its budget on the projected number of inmates it will house at the Adult Corrections Institutions (ACI). Two average cost models are used for projections:

- **Personnel and Operating:** One model includes the total of personnel and operating costs (not including administrative and capital costs) divided by the number of inmates. Actual costs in FY2011 were \$48,841, up from \$43,252 per inmate in FY2010. The increase is partially attributable to dividing fixed costs across a reduced inmate census, and also due to increased personnel costs from the RIBCO arbitration and increased medical costs for inmates.

**DOC Population Projections**

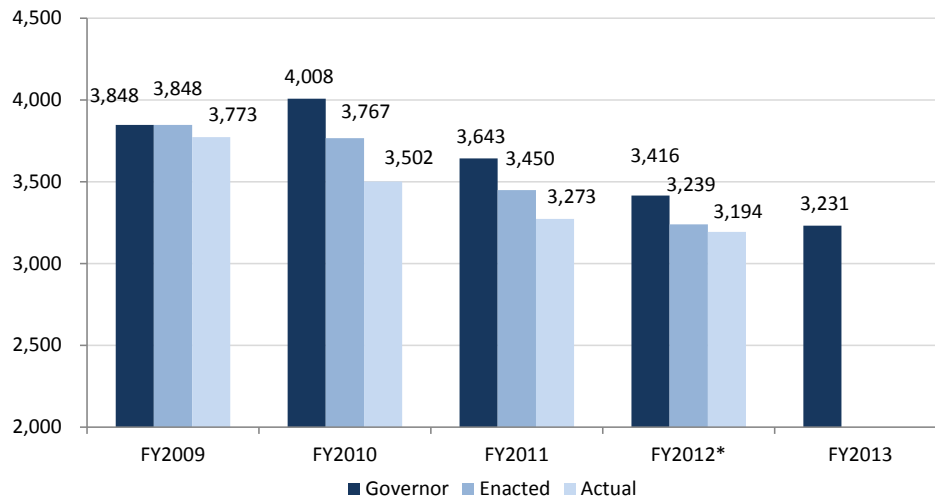
	Awaiting		Civil		%
	Trial	Sentenced	Purge	Total	Capacity *
FY2012	684	2,575	5	3,264	84.4%
FY2013	680	2,545	6	3,231	83.5%
FY2014	691	2,550	5	3,246	83.9%
FY2015	695	2,549	5	3,249	84.0%
FY2016	686	2,562	5	3,253	84.1%
FY2017	690	2,548	6	3,244	83.8%
FY2018	699	2,578	4	3,281	84.8%
FY2019	708	2,600	6	3,314	85.7%
FY2020	694	2,609	6	3,309	85.5%
FY2021	688	2,602	6	3,296	85.2%
FY2022	699	2,575	5	3,279	84.8%
<b>Average</b>	<b>692</b>	<b>2,572</b>	<b>5</b>	<b>3,270</b>	<b>84.5%</b>

\* Does not include the closed Price Medium Security facility

- Per Diem:** The second method of calculating the cost of inmates is to figure the operating cost that one additional inmate yields. For FY2013, this is estimated to be \$3,741, which includes food, linens, medicines and other normal expenses. This cost assumption is based on per diem costs for one additional inmate, and assumes that no additional staff would be needed and space exists to house the inmate in an already open and supervised cell/bed. The FY2011 actual per diem cost was \$3,681.

The Governor bases the FY2013 Budget recommendation on an estimated average of 3,231 inmates, or 8 inmates below the FY2012 enacted amount of 3,239 inmates. Through February 2012, the Department has averaged 3,194 inmates for the fiscal year.

### Corrections Inmate Census



\* data through February 2012

### RIBCO Wage Base Correction

**\$3.1 million**

The Governor adds \$3.1 million in FY2012 and FY2013 for arbitrated wage increases for Rhode Island Brotherhood of Correctional Officers (RIBCO) and its civilian employees. The additional funds are required to correct for insufficient wage projection calculations that were used to build the FY2012 Budget as Enacted. The Department of Corrections analyzed current payroll and projects base payroll costs totaling \$3.1 million more than the enacted amount. Because the FY2013 budget targets were based on FY2012 enacted amounts, the error carried forward into the current services projection for FY2013.

An arbitration award for wages and related compensation and working conditions was issued on March 31, 2010. The decisions impact approximately 79.0 percent of the Department's filled FTE positions and cover the following employees and periods:

- RIBCO employees 7/1/2006 through 6/30/2009
- RIBCO employees 7/1/2009 through 6/30/2012
- Civilian employees 7/1/2006 through 6/30/2009
- Civilian employees 7/1/2009 through 6/30/2012

The FY2011 Budget as Enacted included \$6.3 million for base payroll expenditure increases. However, the award includes two 2.95 percent wage increases to bring RIBCO members to parity with Division of Sheriffs personnel. These parity increases were not included in the FY2011 Budget as Enacted, and a 3.0 percent cost of living adjustment (COLA) effective June 19, 2011, is also added to base costs. The

payroll increases are net of medical benefit savings that were also included in the arbitration award. The arbitration award results in an estimated \$12.7 million in annualized additional personnel costs, including wages and medical benefits.

#### Arbitrated Wage Increases

Effective	RIBCO	Civilian
June 25, 2006	3.00%	3.00%
June 24, 2007	3.00%	3.00%
June 22, 2008	0.00%	0.00%
June 21, 2009	2.50%	2.50%
June 20, 2010	2.95%	<i>RIBCO Wage Parity Increase</i>
January 2, 2011	3.00%	3.00%
June 19, 2011	3.00%	3.00%
June 19, 2011	2.95%	<i>RIBCO Wage Parity Increase</i>
<b>Totals</b>	<b>20.4%</b>	<b>14.5%</b>

#### Donald Price Closure

**(\$2.5 million)**

The Department's FY2012 budget request identified potential savings proposals in an effort to reach budget savings targets established by the State Budget Office. One option included the closure of the Price medium security facility. The FY2012 Budget as Enacted closed the Price facility, and budgeted one-half of the proposed savings (\$6.0 million) to allow an implementation period for inmate reclassification and personnel adjustments. The Department is required to submit quarterly progress reports to the House and Senate Finance Committees on the Price facility shutdown initiative. The Department reported that the facility had been successfully closed as of November 14, 2011, about one and one-half months ahead of schedule.

The Governor's FY2013 Budget includes \$12.0 million for a full year of savings from the shutdown (budgeting another \$6.0 million over the FY2012 Budget as Enacted). The savings are partially offset by additional personnel costs from opening unbudgeted housing modules in other facilities to house approximately 277 inmates that were in the Price facility. Inmates from Price were moved to space in Minimum Security, the Intake Service Center, and the Moran Medium Security facilities. The additional modules require 24-hour staffing that was not included in the FY2012 Budget as Enacted. The Governor's budget includes \$3.5 million for personnel costs related to housing former Price inmates in other facilities, resulting in a net additional savings of \$2.5 million. Savings from the Price closure are estimated to total \$8.5 million in FY2013.

*Analyst's Note: According to the September 30, 2011, Quarterly Report Regarding Progress of Closing Donald Price Medium Security Facility, in July the Department analyzed whether certain Minimum Security inmates could be reclassified to Community Confinement. The Department determined that the time spent interviewing inmates and determining whether they met release criteria would not result in a sufficient number of releases to alleviate staffing pressures.*

#### Unachieved Personnel Savings

**\$2.2 million**

The Governor proposed, and the General Assembly adopted, a 3.0 percent statewide personnel adjustment for cabinet level agencies as part of the FY2012 Budget as Enacted. The Department of Corrections' budget is largely personnel (85.4 percent on an all funds basis in FY2012), so it was especially impacted by the reduction. The proposal reduced personnel funding for the Department by approximately \$5.0 million in FY2012. Because the bulk of the Department's staff are required for mandatory supervisory posts in the correctional institutions, the Department has been unable to generate the budgeted savings. The Governor includes \$2.2 million in additional general revenue funding in



FY2013 for the Institutional Custody and Security program for personnel costs related to the unachieved savings.

***Weapons Requalification***

***(\$566,318)***

The Governor eliminates general revenue funding in FY2013 for expenses related to weapons training requalification. Correctional Officers are statutorily required to be trained in firearm safety. In 2008, the General Assembly amended the law to require Correctional Officer weapons requalification every other year, as opposed to annually, as previously required. The requalification process requires a full day for each of more than 1,000 Correctional Officers. Costs include overtime pay and mileage reimbursement paid to the officers, and operating costs, including firing range rental, ammunition and other supplies expenses.

The Department indicates that the weapons training can now occur as part of the regular 40-hour in-service training that is provided to Correctional Officers each year. The use of in-service time saves overtime costs at the Department. The recommendation represents a \$566,318 savings in Institutional Custody and Security from the FY2012 Budget as Enacted.

***Correctional Officer Overtime Calculations***

***(\$325,000)***

The Governor proposes Article 22 that allows the Department of Corrections to negotiate changes to collective bargaining agreements amending the way overtime hours are calculated. The federal Fair Labor Standards Act allows overtime to be paid on a “work period” basis for certain defined fire protection and law enforcement employees. The Governor’s proposal would add Correctional Officers to the definitions of positions that are exempt from regular overtime calculations. Additionally, the article eliminates a provision requiring that collective bargaining agreements for employees at the Department of Corrections supersede state laws.

The current collective bargaining agreement for Correctional Officers expires on June 30, 2012. The Governor’s proposal assumes that the Administration will successfully negotiate the proposed overtime calculation changes in the subsequent contract.

The Department currently pays overtime for time worked above 40 hours per week, equating to above 160 hours per 28-day period. The proposal would allow up to 171 hours of straight time in the same 28-day period, resulting in 11 hours per month that would be paid at straight time rather than overtime. Full-year savings are estimated to total \$1.3 million in general revenues. The Governor includes an estimated three months of savings (\$325,000) in FY2013 to give the Administration time to negotiate with collective bargaining units.

Additionally, the proposal would strike RIGL 42-56-10(24) which currently states that collective bargaining agreements covering Department of Corrections’ personnel cannot be overridden or superseded by conflicting provisions in the general laws.

***State Criminal Alien Assistance Program (SCAAP) Offset***

***\$320,140***

The State receives funding from the federal Department of Justice to help offset costs associated with housing undocumented aliens that have committed crimes in the state. Funding for SCAAP (created in 1990) is used to offset general revenue costs associated with housing detainees. The Department reports the number of inmates who meet federal eligibility standards under SCAAP. These include “undocumented criminal aliens who have at least one felony or two misdemeanor convictions for violations of state or local law, and who are incarcerated for at least 4 consecutive days during the reporting period.” The final award to the State is based on actual inmate levels as compared to other states during a determined reporting period.

The 2011 application contained identifying information for 604 individuals. The federal government then determines the number of inmates eligible for reimbursement and issues funding to the State. Of note, the State is never notified of the number of inmates qualifying under SCAAP. The Department of Justice calculates and issues payments to states based on the amount of federal funding available.

The FY2012 Budget as Enacted included \$1.0 million in anticipated SCAAP receipts that were applied against general revenue costs. The actual award in FY2012 is \$702,695, requiring for \$320,140 in additional general revenue to offset federal funds losses. The Governor’s FY2013 recommendation level-funds the SCAAP offsets based on the FY2012 Supplemental Budget proposal, which requires \$320,140 more in general revenue funding than the FY2012 Budget as Enacted.

**INSTITUTIONAL SUPPORT**

The Governor creates the Institutional Support program for FY2013. The program will be responsible for food services, facilities maintenance and repairs, and the Inmate Classification Unit. These responsibilities currently are done through the Institutional Corrections program. The Governor recommends 63.0 FTE positions for FY2013. The staffing recommendation for FY2012 remains under the Institutional Corrections program.

<b>Institutional Support</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$15,730,283</b>
<hr/>	
<i>Target and Other Adjustments</i>	<i>50,183</i>
<b>FY2013 Governor</b>	<b>\$15,780,466</b>

*\* Note: The FY2012 Enacted number reflects costs shown in the Institutional Corrections program that are attributable to the proposed Institutional Support program in FY2013.*

**INSTITUTIONAL BASED REHABILITATION/POPULATION MANAGEMENT**

The Governor creates the Institutional Based Rehabilitation/Population Management program for FY2013. The program will handle 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. The Institutional Corrections program is currently responsible for these services.

Correctional Industries provides inmate labor and work crews and certain manufactured items. Correctional Industries services are provided centrally to all state departments and agencies as well as to municipalities. State law requires the State and municipalities to solicit bids from Correctional Industries when soliciting labor and/or supplies offered under the program. The operational cost of the program is shown on a centralized basis for informational purposes (internal service funding), but the actual costs are reflected in the operating budgets of user agencies.

The Governor recommends 69.0 FTE positions for the program in FY2013. The staffing recommendation for FY2012 remains under the Institutional Corrections program.

<b>Institutional Rehabilitation/Population Management</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$8,732,738</b>
<i>Target and Other Adjustments</i>	<i>175,670</i>
<b>FY2013 Governor</b>	<b>\$8,908,408</b>

*\* Note: The FY2012 Enacted number reflects costs shown in the Institutional Corrections program that are attributable to the proposed Institutional Rehabilitation/Population Management program in FY2013.*

## HEALTHCARE SERVICES

The Governor creates the Healthcare Services program for FY2013. The program will be responsible for medical, dental and mental health service provision to all inmates. These responsibilities currently are done through the Institutional Corrections program. The Governor recommends 86.0 FTE positions for FY2013. The staffing recommendation for FY2012 remains under the Institutional Corrections program.

<b>Healthcare Services</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$20,398,399</b>
<i>Target and Other Adjustments</i>	<i>(511,233)</i>
Turnover	<i>(1,336,425)</i>
<b>FY2013 Governor</b>	<b>\$18,550,741</b>

*\* Note: The FY2012 Enacted number reflects costs shown in the Institutional Corrections program that are attributable to the proposed Healthcare Services program in FY2013.*

### Turnover

**(\$1.3 million)**

The Governor recommends \$1.3 million in additional turnover savings in FY2013 in the Healthcare Services program. The Department identified 9.0 FTE positions to fill in FY2012, including:

<b>FTE Positions</b>	<b>Title</b>
1.0	Medical Program Director
1.0	Public Health Education Specialist
2.0	Physician II
1.0	Correctional Officer - Hospital I
1.0	Correctional Officer - Hospital II
1.0	Physician Extender
2.0	Clinical Social Worker
<b>9.0</b>	

Citing “severe fiscal constraints”, the Governor does not provide funding to fill these positions in FY2012 or FY2013. According to Budget Office documents, it is assumed that the Department will prioritize hiring when vacancies occur to achieve the targeted turnover savings.

## COMMUNITY CORRECTIONS

The Community Corrections program is responsible for supervising offenders serving portions of their sentence under probation, parole, or community confinement, and also provides certain services to victims of crimes. The Probation and Parole unit provides supervision and services for individuals under the jurisdiction of the courts or Parole Board and attempts to successfully reintegrate individuals from incarceration back into the community. Community Confinement provides supervision to individuals sentenced to “house arrest” by the courts and can include work-release supervision. Community Corrections uses electronic monitoring as a primary component of its supervision strategy. Victim

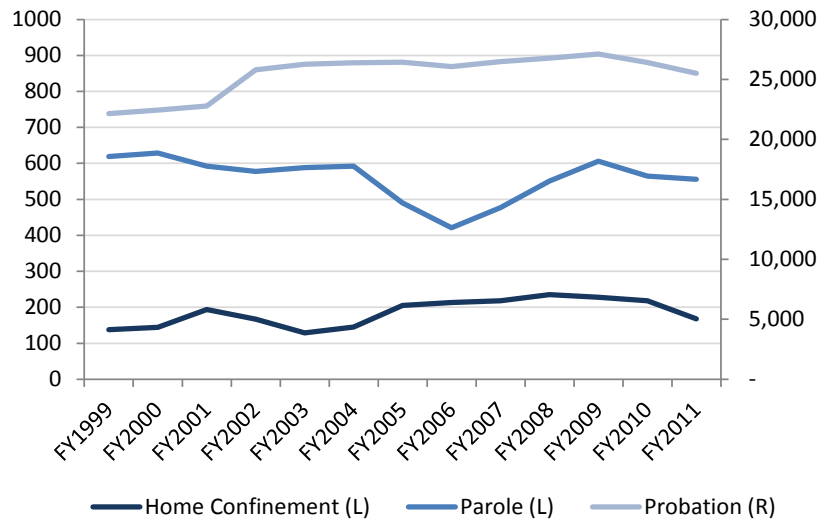
Services provides 24-hour per day automated information about offender status and victim advocacy services, including crisis intervention, referral, and case management. The Governor recommends 129.0 FTE positions in FY2012 and FY2013 for the program.

<b>Community Corrections</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$14,605,957</b>
<hr/>	
<i>Target and Other Adjustments</i>	<i>(75,594)</i>
Community Corrections Population	Informational
<b>FY2013 Governor</b>	<b>\$14,530,363</b>

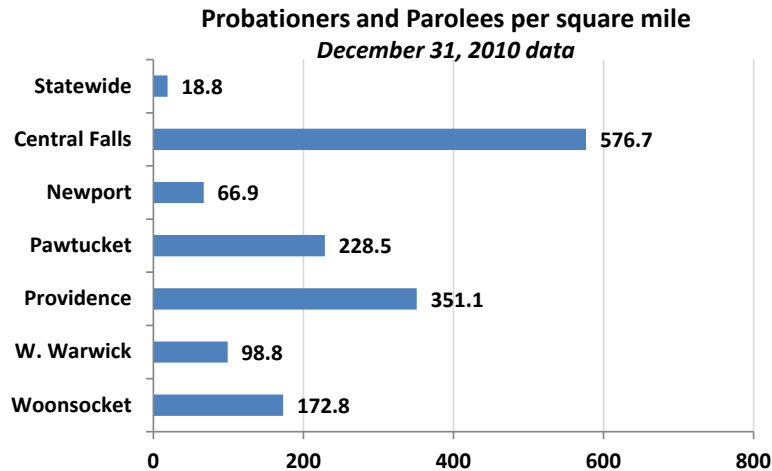
**Community Corrections Population**

**Informational**

While representing only 7.9 percent of the Department’s general revenue budget for FY2013, Community Corrections serves the largest number of individuals. In FY2011 the program served 26,222 cases, representing a 31.6 percent increase from FY1997. Based on Department of Corrections’ statistics, 1 out of every 41 adult residents in the state is on probation or parole. This equates to 1 of every 23 men (4.8 percent) and 1 of every 122 women (0.8 percent).



The number of cases in the state’s urban areas is substantially higher than statewide. The Department reports that 1 of every 8 men in Providence, and 1 of every 9 men in Pawtucket and Central Falls are under the supervision of the Community Corrections program. Statewide there are an average of 18.8 probationers and parolees per square mile. This increases to as high as 576.7 probationers and parolees per square mile in the City of Central Falls.



### SELECTED CAPITAL PROJECTS

The Governor recommends a total of \$58.9 million in capital projects between FY2012 and FY2017, including:

- \$4.2 million in FY2013 to expand the Minimum Security kitchen
- \$533,027 to complete the conversion of the Reintegration Center into the new Gloria McDonald women's facility
- At least \$3.0 million annually for general asset protection projects at the various correctional facilities

*(For details of the Governor's complete capital proposal, see the Capital Budget Analysis.)*



## Judiciary

Expenditures by Program	FY2011	FY2012	FY2012	Change from		FY2013	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Supreme Court	\$31.3	\$32.7	\$33.1	\$0.4	1.2%	\$33.1	\$0.4	1.2%
Superior Court	20.9	21.4	22.2	0.8	3.8%	22.5	1.1	5.1%
Family Court	19.1	20.8	20.6	(0.2)	-1.1%	21.2	0.4	1.9%
District Court	11.0	11.4	11.7	0.3	3.0%	11.9	0.5	4.7%
Traffic Tribunal	7.6	7.8	8.1	0.3	4.4%	8.2	0.5	6.3%
Workers' Compensation Court	7.3	7.8	7.7	(0.0)	-0.5%	8.2	0.5	5.9%
Judicial Tenure and Discipline	0.1	0.1	0.1	0.0	1.9%	0.1	0.0	2.1%
<b>Total</b>	<b>\$97.2</b>	<b>\$101.9</b>	<b>\$103.6</b>	<b>\$1.6</b>	<b>1.6%</b>	<b>\$105.3</b>	<b>\$3.4</b>	<b>3.3%</b>
<b>Expenditures by Source</b>								
General Revenue	\$84.3	\$87.1	\$88.7	\$1.6	1.9%	\$89.6	\$2.5	2.8%
Federal Funds	2.4	3.5	3.1	(0.5)	-13.0%	2.7	(0.8)	-22.0%
Federal Funds (ARRA)	0.1	0.1	0.0	(0.0)	-71.1%	-	(0.1)	-100.0%
Restricted Receipts	9.5	10.2	10.7	0.5	4.5%	11.3	1.1	11.2%
Other Funds	0.8	1.1	1.1	0.0	1.9%	1.7	0.6	52.3%
<b>Total</b>	<b>\$97.2</b>	<b>\$101.9</b>	<b>\$103.6</b>	<b>\$1.6</b>	<b>1.6%</b>	<b>\$105.3</b>	<b>\$3.4</b>	<b>3.3%</b>
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 Judicial budget. The Chief Justice appoints the State Court Administrator and an administrative staff to handle budgetary and general administrative functions. Under the direction of the Chief Justice, the Court Administrator manages appropriations for all state courts, except those as provided otherwise by law. Each court has responsibility over its own operations and has a chief judge who appoints an administrator to handle internal court management.

### MAJOR ISSUES AND TRENDS FOR FY2013

The Governor largely recommends the Judiciary's budget as requested, as required under RIGL 35-3-5. Total general revenue funding increases by \$2.5 million (2.8 percent) above the FY2012 Budget as Enacted. The increases are largely driven by statewide and target adjustments, primarily affecting personal costs. Additionally, the Judiciary and Budget Office reported a \$2.5 million error in the Judiciary's FY2012 Budget request. This error was not identified until the summer of 2011, and has carried through into the FY2012 Budget as Enacted, and into the agency targets that were issued for FY2013. Pay-as-you-go pension costs decrease by \$195,987 for judges hired prior to 1990 as the pension reforms passed in November 2011 eliminated the anticipated cost of living allowance in FY2013. The Judiciary passes through \$912,090 in operating costs to agencies using space in courthouses in FY2013; this is primarily a cost-shift to other state agencies.

**Salary Base Adjustment****\$2.5 million**

The Judiciary reported a calculation error from its original FY2012 budget request to the State Budget Office. General revenue personnel salaries were understated by \$2.5 million and the incorrect amounts carried through the Governor's FY2012 Budget recommendation, and the FY2012 Budget as Enacted amounts for the Judiciary. The Judiciary's FY2012 Supplemental Budget request corrects for the error. The Budget Office adjusted for the amount in its FY2013 target instructions to the Judiciary.

**Judicial Pensions****(\$195,987)**

The Governor recommends a decrease of \$195,987 in general revenue funding for judicial pensions for retired judges who were hired prior to December 31, 1989. These judges fall under a pay-as-you-go system, requiring annual appropriations by the Judiciary to pay the pension costs. As additional qualifying judges retire, the required retirement contribution by the Judiciary increases. The current recommendation reflects changes to retirement obligations since passage of the FY2012 Budget as Enacted. The Judiciary essentially requested the FY2012 Budget as Enacted funding level, however the pension reforms passed in November 2011 eliminated the FY2013 cost of living adjustment (COLA) that was included in the Judicial budget request. The COLA is estimated at \$191,400 in general revenue funding.

<b>Pensions</b>	<b>FY2011</b>	<b>FY2012 Enacted</b>	<b>FY2012 Governor</b>	<b>FY2013 Governor</b>	<b>Change from Enacted</b>
Supreme Court Retired Justices	\$501,821	\$558,936	\$499,415	\$534,397	(\$24,539)
Superior Court Judges	2,278,669	2,372,363	2,214,057	2,162,115	(210,248)
Family Court Judges	930,808	1,167,177	1,044,432	1,173,364	6,187
District Court Judges	1,085,414	1,196,592	1,163,707	1,198,618	2,026
Traffic Tribunal Judges	469,500	501,358	483,586	531,945	30,587
<b>Total</b>	<b>\$5,266,212</b>	<b>\$5,796,426</b>	<b>\$5,405,197</b>	<b>\$5,600,439</b>	<b>(\$195,987)</b>

**Community Service Objectives****(\$55,838)**

The Governor recommends a 25.0 percent reduction to community service objective grants in state departments and agencies. Community service grants often supplement program objectives. The FY2012 Budget as Enacted includes \$8.3 million in community service objective funding in 15 agencies. The Governor reduces funding by \$2.1 million statewide, including the reduction of \$55,838 in the Judiciary.

*Analyst's Note: Budget Office documents indicate that the calculated community service objective reductions for the Judiciary are incorrect, and that a budget amendment will reflect the corrected reduction amount. The table above indicates the calculated impact of the reduction, based on Judicial community service objective amounts.*

**SUPREME COURT**

The Supreme Court is the only constitutionally-established court in the state, and is empowered with administrative authority over the entire state court system. The Court is the final court of review, and also issues advisory opinions to Legislative and Executive branches of government and regulates the Rhode Island Bar. Administrative functions include budgeting, human resource management, purchasing, information technology management, and fine and fee collection. The Supreme Court also offers programs related to domestic violence prevention, mandatory continuing legal education, alternative dispute resolution, victim rights information, and the interpreter program. The Governor recommends 157.7 FTE positions in FY2012 and FY2013 for the program, consistent with the enacted levels.



<b>Supreme Court</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$29,887,681</b>
<i>Target and Other Adjustments</i>	674,926
Judicial Facilities Assessment	(912,090)
Indigent Defense	Informational
<b>FY2013 Governor</b>	<b>\$29,650,517</b>

**Judicial Facilities Assessment** **(\$912,090)**

The Governor includes a Judicial proposal to assess tenant agencies pro-rata shares of operating costs in Judicial buildings. The total proposal shifts \$912,089 in estimated costs from the Judiciary to state and outside agencies that use space in the various courthouses based on a projected cost of \$10.48 per square foot. The proposal results in an apparent 17.1 percent operating cost reduction at the Judiciary for courthouse operations expenses.

	<b>Square Footage</b>	<b>Allocation</b>	<b>FY2013 Estimate</b>
<b>State Agencies</b>			
Judiciary	420,895	82.86%	\$4,410,194
Sheriffs	46,441	9.14%	486,615
Attorney General	13,071	2.57%	136,960
Department of Corrections	9,169	1.81%	96,074
Public Defender	8,919	1.76%	93,454
DCYF- Juvenile Probation	3,982	0.78%	41,724
Capitol Police	3,006	0.59%	31,497
State Police	1,554	0.31%	16,283
<b>Outside Agencies</b>			
Providence Police	505	0.10%	5,291
Women's Resource Center	252	0.05%	2,640
RI Legal Services	148	0.03%	1,551
<b>Total</b>	<b>507,942</b>	<b>100.0%</b>	<b>\$5,322,283</b>
<b>Non-Judicial Allocation</b>	<b>87,047</b>		<b>\$912,089</b>

**Indigent Defense**

**Informational**

The Judiciary is responsible for the defense of indigent persons who cannot be represented by the Office of the Public Defender due to conflicts of interest or other reasons. For FY2013, the Governor recommends \$3.5 million for indigent defense, consistent with the FY2012 Budget as Enacted level.

**SUPERIOR COURT**

The Superior Court has jurisdiction for all felony cases, misdemeanor cases that have been appealed or waived from the District Court, and civil cases in which the disputed amount exceeds \$10,000, and all probate and zoning appeals. The Court has four locations throughout the state, including Providence, Warwick, Wakefield, and Newport. The Gun Court and Adult Drug Court were established in FY1995 and FY2002, respectively. The Superior Court also has appellate jurisdiction of decisions of local municipal and probate courts. Appeals from various boards and commissions, such as zoning board and Ethics Commission appeals, are heard in Superior Court as well as petitions to review disciplinary action imposed upon a state or local police officer by the chief of that department. In addition to conducting trials, the Superior Court administers the Court-Annexed Arbitration Program which speeds the disposition of certain less complex civil cases in which there is \$100,000 or less at issue. Matters such as

contract disputes, personal injury claims, and property damage suits may be certified to this alternative dispute resolution program.

The Governor recommends \$21.9 million in general revenue funding for the Superior Court in FY2012, an increase of \$1.0 million from the FY2012 Budget as Enacted. The Governor recommends 165.7 FTE positions in FY2012 and FY2013 for the program, consistent with the enacted level.

<b>Superior Court</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$20,865,210</b>
<i>Target and Other Adjustments</i>	
Adult Drug Court	<i>1,046,118</i>
<b>FY2013 Governor</b>	<b>\$21,911,328</b>

**Adult Drug Court**

**Informational**

The Governor recommends a reduction of \$6,584 in general revenue funding, for a total of \$418,125, for the Adult Drug Court in FY2013. Adult Drug Court costs totaled \$455,025 in FY2011. The FY2013 reduction reflects target benefit adjustments: core program funding remains unchanged from the FY2012 Budget as Enacted levels. The goal of the Court is to provide judicially supervised treatment for non-violent drug offenders as an alternative to incarceration. This pilot project was initiated during 2001, and was expanded during 2004 to include Kent and Washington Counties. The program is a cooperative effort involving the Superior Court, Department of Corrections, BHDDH/Substance Abuse, Department of Attorney General, and the Office of the Public Defender.

**FAMILY COURT**

The Rhode Island Family Court, established in 1961, was the first statewide Family Court in the United States. The Family Court has jurisdiction to hear and determine all petitions for divorce and any motions in conjunction with divorce proceedings, such as motions relating to the distribution of property, alimony, support and custody of children. It also hears petitions for separate maintenance, and complaints regarding support for parents and children. The Family Court also has jurisdiction over matters relating to delinquent, wayward, dependent, neglected, abused, or mentally deficient or mentally disordered children. In addition, it has jurisdiction over adoptions, paternity proceedings, and a number of other matters involving domestic relations and juveniles. Appeals from decisions of the Family Court are taken directly to the state Supreme Court.

The Court runs specialty court programs, including the Juvenile Drug Court, Domestic Violence Court, Truancy Court, Mental Health Court Clinic, and the Juvenile Re-Entry Court. The Court has four locations throughout the state, including Providence, Warwick, Wakefield, and Newport. The Governor recommends 176.7 FTE positions in FY2012 and FY2013 for the program, consistent with the enacted level.

<b>Family Court</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$17,533,090</b>
<i>Target and Other Adjustments</i>	
<b>FY2013 Governor</b>	<i>611,865</i> <b>\$18,144,955</b>

**DISTRICT COURT**

The District Court has jurisdiction over all criminal misdemeanor cases if the defendant waives the right to a jury trial. If the defendant asks for a jury trial, the case will be transferred to the Superior Court. The District Court also has jurisdiction over bail hearings in felony cases and over violation hearings in misdemeanor cases. The District Court presides over civil trials in which the damages sought total up to \$5,000. If the parties agree, the District Court can hear civil suits for damages to a maximum of \$10,000. District Court jurisdiction also includes Small Claims Court for damages up to \$2,500; violations of municipal ordinances and regulations; violations and hearings on involuntary hospitalization under the mental-health, drug-abuse, and alcohol laws; regulatory appeals, including those related to taxation; and violations of state or local housing codes. Appeals from District Court decisions go to the Superior Court. The Court has four locations throughout the state, including Providence, Warwick, Wakefield, and Newport. The Governor recommends a staffing level of 94.0 FTE positions in FY2012 and FY2013 for the program, consistent with the enacted level.

<b>District Court</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$10,924,545</b>
<i>Target and Other Adjustments</i>	<i>569,422</i>
<b>FY2013 Governor</b>	<b>\$11,493,967</b>

**TRAFFIC TRIBUNAL**

The Traffic Tribunal replaced the Administrative Adjudication Court in 1999. The Traffic Tribunal is responsible for hearing most traffic cases, distributing and controlling traffic summonses, and maintaining accurate driver accident and violation records. The Traffic Tribunal hears appeals from the Division of Motor Vehicles and the municipal courts as well as certain violations of the Department of Environmental Management. The Tribunal has authority to enforce its own judgments. The Traffic Tribunal has one location, at the Pastore Center in Cranston. The Governor recommends a staffing level of 78.2 FTE positions in FY2012 and FY2013 for the program, consistent with the enacted level.

<b>Traffic Tribunal</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$7,752,175</b>
<i>Target and Other Adjustments</i>	<i>487,713</i>
<b>FY2013 Governor</b>	<b>\$8,239,888</b>

**WORKERS' COMPENSATION COURT**

The Workers' Compensation Court has jurisdiction over all disputes between an employer and an employee relating to workers' compensation. The court's jurisdiction includes contested cases involving the rehabilitation of injured employees and claims involving disputes between an employer and its workers' compensation insurer. Since FY1990, the expenses incurred in the operation of the court are paid through the Workers' Compensation Administrative Fund (restricted receipts). The Governor recommends a staffing level of 50.0 FTE positions in FY2012 and FY2013 for the program.

<b>Workers' Compensation Court</b>	<b>Restricted Receipts</b>
FY2012 Enacted	<b>\$7,754,978</b>
<i>Target and Other Adjustments</i>	<i>460,346</i>
<b>FY2013 Governor</b>	<b>\$8,215,324</b>

### JUDICIAL TENURE AND DISCIPLINE

The Commission on Judicial Tenure and Discipline is the program charged with investigating judges who have been charged with misconduct. The Supreme Court may affirm, modify or reject the recommendations of the Commission. The Governor recommends 1.0 FTE position in FY2012 and FY2013 for the program, consistent with the enacted level.

<b>Judicial Tenure and Discipline</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$111,282</b>
<i>Target and Other Adjustments</i>	<i>2,327</i>
<b>FY2013 Governor</b>	<b>\$113,609</b>

### SELECTED CAPITAL PROJECTS

The Governor recommends a total of \$20.3 million in capital projects between FY2012 and FY2017, including:

- \$614,130 in RICAP funding in FY2012 and \$625,000 in FY2013 for asset protection projects including both interior and exterior renovations to the various judicial complexes
- \$1.6 million in Certificates of Participation funding in both FY2012 and FY2013 for court technology hardware and software upgrades
- A total of \$4.0 million in RICAP funds between FY2012 and FY2017 to replace, clean and restore HVAC systems in judicial buildings

*(For details of the Governor's complete capital proposal, see the Capital Budget Analysis.)*

## Military Staff

Expenditures by Program	FY2011	FY2012	FY2012	Change from		FY2013	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Emergency Management	\$25.1	\$20.1	\$33.6	\$13.5	67.0%	\$24.2	\$4.1	20.3%
RI National Guard	11.4	15.0	15.4	0.4	2.9%	18.0	3.0	20.3%
<b>Total</b>	<b>\$36.4</b>	<b>\$35.1</b>	<b>\$49.1</b>	<b>\$13.9</b>	<b>39.7%</b>	<b>\$42.3</b>	<b>\$7.1</b>	<b>20.3%</b>
<b>Expenditures by Source</b>								
General Revenue	\$3.8	\$3.5	\$3.8	\$0.3	8.5%	\$3.6	\$0.2	4.7%
Federal Funds	32.2	29.4	42.8	13.4	45.6%	34.2	4.8	16.4%
Federal Funds (ARRA)	0.1	-	0.0	0.0	0.0%	-	0.0	0.0%
Restricted Receipts	0.2	0.6	0.5	(0.1)	-22.7%	0.5	(0.1)	-21.0%
Other Funds	0.2	1.6	2.0	0.4	22.5%	3.9	2.3	140.8%
<b>Total</b>	<b>\$36.4</b>	<b>\$35.1</b>	<b>\$49.1</b>	<b>\$13.9</b>	<b>39.7%</b>	<b>\$42.3</b>	<b>\$7.1</b>	<b>20.3%</b>
Authorized FTE Levels	117.0	117.0	113.0	(4.0)	-3.4%	112.0	(5.0)	-4.3%

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

The mission of the Military Staff 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. Programs include the Rhode Island National Guard and the Rhode Island Emergency Management Agency (RIEMA).

### MAJOR ISSUES AND TRENDS FOR FY2013

For FY2013, the Governor provides funding as the state-match for flood expenses, and replaces general revenue funds that were removed by the General Assembly in FY2012 in an effort to increase indirect cost recoveries on federal grant funds. The recommendation includes several personnel changes, resulting in a net decrease of 5.0 FTE positions.

### NATIONAL GUARD

The National Guard program is composed of reserve units of the United States Army and Air Force, the Rhode Island National Guard, and the State Historic Militia. The Guard has numerous facilities throughout the state, including 14 armories, 3 air bases, 2 training sites, and 15 maintenance and support buildings. The Guard is largely financed through federal funds, including drill and training pay for Army and Air Guard personnel, supplies, equipment, facility maintenance and capital projects. State funds are provided as a match on some projects and primarily pay employee salary and benefit costs, training, travel, and maintenance. The Governor recommends 85.0 FTE positions in FY2012 and FY2013 for the program, 5.0 FTE positions less than enacted. Personnel changes include reductions of 1.0 FTE Project Manager, 1.0 FTE Janitor, and 4.0 FTE Maintenance Worker positions, and the addition of 1.0 FTE HVAC Supervisor position.

National Guard	General Revenue
FY2012 Enacted	\$1,446,301
Target and Other Adjustments	84,516
Life Insurance Subsidies	(14,000)
Rhode Island National Guard Counterdrug Program	Informational
<b>FY2013 Governor</b>	<b>\$1,516,817</b>

**Life Insurance Subsidies** **(\$14,000)**

The FY2006 Budget as Enacted included language that requires the State to pay for federally-issued life insurance policy premiums for members of the National Guard who have been activated for longer than 30 days. The proposal limits the state reimbursement to the premium costs for the first \$400,000 of coverage elected by Guard members. Currently, premiums for Servicemembers' Group Life Insurance (SGLI) are \$26.00 per month for maximum coverage of \$400,000. The current premium rates went into effect on July 1, 2003.

The Governor recommends a reduction of \$14,000 for subsidized life insurance payments for Guard members in FY2012 and FY2013. The recommendation funds \$1,000 in payments, which was the level requested by the agency based on actual experience from deployed Guard members.

Life Insurance Subsidies						FY2012	FY2012	FY2013	Change from
FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	Enacted	Governor	Governor	Enacted
\$75,107	\$43,896	\$76,951	\$6,036	\$6,993	\$0	\$15,000	\$1,000	\$1,000	(\$14,000)

**Rhode Island National Guard Counterdrug Program** **Informational**

Under legislation passed during the 2011 legislative session, the Rhode Island National Guard was deemed to be an eligible recipient of money and assets seized through federal, state or municipal counterdrug operations in which members of the guard supported the operations. Funds are deposited into a restricted receipt account and may be used in support of the counterdrug program. Article 14 of the Governor's FY2013 Budget proposal exempts the account from the indirect cost recovery surcharge.

**RI EMERGENCY MANAGEMENT AGENCY**

The RI Emergency Management Agency (RIEMA) 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/disasters. RIEMA operates and maintains the State Emergency Operations Center, as well as the statewide 800 MHz radio system and network.

The Governor recommends 28.0 FTE positions in FY2012 and 27.0 FTE positions in FY2013 for the program. The reduction in FY2013 is an FTE cap adjustment that does not tie to the elimination of a specific FTE position.

<b>Emergency Management</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$2,024,627</b>
<i>Target and Other Adjustments</i>	<i>(4,668)</i>
Indirect Cost Recoveries	220,000
Personnel Changes	(73,019)
March 2010 Flood Match	(50,000)
<b>FY2013 Governor</b>	<b>\$2,116,940</b>
<b>Emergency Management</b>	<b>Other Funds Changes</b>
Homeland Security Base Grants (federal funds)	(704,516)
Emergency Management Planning Grants (federal funds)	(121,635)

**Indirect Cost Recoveries****\$220,000**

The General Assembly reduced general revenue allocations in a number of departments in the FY2012 Budget as Enacted to reflect additional indirect cost recoveries on federal funds. Federal funding programs often permit the use of a portion of the receipts to support administrative costs associated with the delivery of these programs. It was estimated that Military Staff could allocate \$220,000 in administrative expenditures to these federal funds, which were to be used to offset current general revenue expenditures. The estimate was based on 5.0 percent of applicable federal funds for one-half of the year. Military Staff indicates that while it is working to achieve the indirect cost recoveries, it does not yet have federal approval, so the Governor replaced the general revenue funding for both FY2012 and FY2013. The General Assembly allocated the proposed savings to the Rhode Island Statewide Communications Network account, so the Governor's recommendation appears as a funding increase for the project.

**Personnel Changes****(\$73,019)**

The Governor makes two personnel changes at RIEMA for FY2013. The recommendation eliminates 1.0 FTE Technical Support Manager position, and adds 1.0 Senior Telecommunication and Warning Officer position under the Rhode Island Statewide Communications Network account. The new position is 50.0 percent federally-funded, while the position being eliminated was 100.0 percent state-funded. The net result is a general revenue savings of \$38,079 in FY2013. Additionally, the Governor eliminates 1.0 Administrative Manager (Fiscal Clerk) position in FY2013, saving \$34,940 in general revenue funding.

**March 2010 Flood Match****(\$50,000)**

The FY2012 Budget as Enacted includes \$100,000 in general revenue funding for the state match for federal disaster reimbursement funding for state departments and agencies for damage caused during the March 2010 floods. The State is required to provide a 10.0 percent match for federal disaster mitigation and assistance funding. The initial FY2013 budget targets eliminated funding for state match payments, however residual match costs are anticipated in FY2013. The Governor's proposal includes \$50,000 in state funding for FY2013, a reduction of \$50,000 from the current year.

**Homeland Security Base Grants (federal funds)****(\$704,516)**

Homeland Security Base Grants are intended to improve and enhance the ability to prevent, deter, respond to, and recover from threats and incidents of terrorism, and to enhance regional preparedness. The program provides financial assistance to the states (and through the states to local governments) to support activities such as planning, equipment, training, and exercises. States are encouraged to develop regional approaches to planning and preparedness and to adopt, as appropriate, regional response structures. The Governor recommends a \$704,516 reduction in federal funds in FY2013 for the program. The RIEMA carried forward \$6.5 million in FY2011 homeland security grant funding into FY2012, and historically has budgeted federal funds far exceeding the required amounts.

**Emergency Management Planning Grants (federal funds)****(\$121,635)**

Emergency Management Performance Grants (EMPGs) are intended to provide resources to assist state and local governments to sustain and enhance all-hazards emergency management capabilities. An all-hazards approach to emergency response, including the development of a comprehensive program, planning, training, exercises, sets the stage for an effective and consistent response to any threatened or actual disaster or emergency, regardless of the cause. States have the opportunity to use EMPG funds to further strengthen their ability to support emergency management activities while simultaneously addressing issues of national concern as identified in the National Priorities of National Preparedness Guidelines. The Governor recommends \$121,635 less for EMPGs in FY2013. The RIEMA carried

forward \$4.2 million in FY2011 EMPG funding into FY2012, and historically has budgeted federal funds far exceeding the required amounts.

**SELECTED CAPITAL PROJECTS**

The Governor recommends a total of \$23.0 million (\$9.7 million RICAP) in capital projects between FY2012 and FY2017, including:

- \$5.4 million in federal funds in FY2012 to complete the Quonset Airport Tower project
- \$943,482 in FY2012 and \$2.0 million in FY2013 for the Armory of Mounted Commands Roof and HVAC project
- \$275,000 in funding between FY2012 and FY2013 for environmental remediation and feasibility studies for a new training facility located at the Zambarano property in the Wallum Lake section of Burrillville

*(For details of the Governor's complete capital proposal, see the Capital Budget Analysis.)*



## Department of Public Safety

<b>Expenditures by Program</b>	<b>FY2011 Actual</b>	<b>FY2012 Enacted</b>	<b>FY2012 Governor</b>	<b>Change from Enacted</b>		<b>FY2013 Governor</b>	<b>Change from Enacted</b>	
Central Management	\$6.1	\$5.2	\$5.4	\$0.3	4.9%	\$5.5	\$0.4	7.3%
E-911	5.1	4.8	5.3	0.5	10.4%	5.5	0.7	15.1%
Fire Marshal	3.0	4.7	5.0	0.3	7.4%	4.6	(0.1)	-2.1%
Municipal Police Training	0.7	0.7	0.6	(0.0)	-2.2%	0.6	(0.1)	-13.4%
Security Services	3.2	20.0	20.4	0.5	2.4%	21.7	1.8	8.9%
State Police	70.7	69.2	73.7	4.5	6.4%	72.2	3.0	4.4%
<b>Total</b>	<b>\$88.8</b>	<b>\$104.5</b>	<b>\$110.5</b>	<b>\$6.0</b>	<b>5.8%</b>	<b>\$110.2</b>	<b>\$5.7</b>	<b>5.5%</b>

### Expenditures by Source

General Revenue	\$69.1	\$89.4	\$93.1	\$3.7	4.1%	\$94.5	\$5.1	5.7%
Federal Funds	6.6	7.1	8.6	1.4	19.7%	6.9	(0.3)	-4.0%
Federal Funds (ARRA)	2.7	0.5	0.5	0.0	2.8%	0.4	(0.1)	-15.3%
Restricted Receipts	0.2	0.3	0.3	(0.0)	-10.5%	0.7	0.4	108.9%
Other Funds	10.2	7.1	8.0	1.0	13.9%	7.6	0.6	8.3%
<b>Total</b>	<b>\$88.8</b>	<b>\$104.5</b>	<b>\$110.5</b>	<b>\$6.0</b>	<b>5.8%</b>	<b>\$110.2</b>	<b>\$5.7</b>	<b>5.5%</b>

Authorized FTE Levels 423.2 605.8 606.2 0.4 0.1% 609.2 3.4 0.6%

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

The Department of Public Safety (DPS) is the principal agency of the Executive branch charged with law enforcement functions. It includes six program areas, including, the State Police, Central Management, E-911, Fire Marshal, Municipal Police Training Academy, and Security Services. The Department was created in the FY2009 Budget, and is headed by the Superintendent of the State Police.

### MAJOR ISSUES AND TRENDS FOR FY2013

The Governor recommends \$5.7 million in additional funding for the Department of Public Safety in FY2013, including \$5.1 million in additional general revenue funds. Funding for the State Police comprises the largest part of the increase. The Governor includes \$2.4 million in additional personnel funding for the State Police for wage costs associated with an unbudgeted collective bargaining agreement and additional step and longevity increases for troopers. The planned transfer of Department of Environmental Management dispatch personnel to the Department of Public Safety does not take place in the Governor's budget proposal. The Governor cites logistics and incongruous missions as concerns.

Turnover is reduced throughout the Department and is fully-eliminated in Central Management. The Governor finances 3.0 additional FTE positions for the Fire Marshal in one-half of FY2013. The Office has increasingly been strained by the expedited plan review timeline and additional staff is requested to help alleviate the pressure.

The budget for Security Services, including the Capitol Police and Sheriffs, increases by nearly \$1.0 million for wages, primarily reflective of reduced turnover savings and additional costs for unbudgeted step increases. The Judiciary shifts \$518,112 to Security Services as an operating cost assessment for the use of space in state courthouses.

The Governor's budget proposal eliminates \$352,928 in FY2013 general revenue funding for the Municipal Police Training Academy. The proposal requires a trainee fee that would be deposited as restricted receipt revenue to fund the Academy's operations. Of note, though the proposal removes all FY2013 funding, the fee would not become effective until January 2013.

**CENTRAL MANAGEMENT**

The Central Management unit consists of the Business Office, Legal Office, and Public Safety Grants Administration Office (formerly Governor’s Justice Commission). The Business Office oversees fiscal and budgetary oversight for the Department, as well as human resources, payroll, and purchasing. The Public Safety Grants Administration Office serves as a conduit agency for a number of Federal grants that flow to local and state public safety agencies. Grant administration includes both formula and discretionary grant programs.

The Governor recommends 15.6 FTE positions in FY2012 and FY2013 for the program. The General Assembly added 3.0 unfunded FTE positions in the FY2012 Budget as Enacted for administrative and human resources functions related to the transfer of the Sheriffs to the Department. The Governor funds the positions in the FY2013 budget recommendation.

<b>Central Management</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$780,113</b>
<i>Target and Other Adjustments</i>	
Payroll	(9,688)
<b>FY2013 Governor</b>	<b>\$1,172,630</b>

**Payroll** **\$402,205**

The Governor fully funds personnel costs for the Central Management program for FY2013. This includes funding for 3.0 FTE positions associated with administrative and human resources responsibilities for the Division of Sheriffs, and restoring funding for 1.0 FTE Staff Attorney position that has been on leave since March 30, 2011, as the Acting Administrator of the Division of Motor Vehicles. The General Assembly added the administrative positions in FY2012 but did not include funding for the positions. Salary and benefit costs for the positions are:

<b>Title</b>	<b>FY2013</b>
Staff Attorney	\$179,141
Administrative Assistant	79,602
Paralegal Clerk	73,370
Fiscal Clerk	70,092
<b>Total</b>	<b>\$402,205</b>

**E-911**

The E-911 Uniform Emergency Telephone System’s objective is to maintain a statewide emergency telephone system providing prompt transfers of E-911 calls to the appropriate responding fire department, medical rescue service or law enforcement agency. The Division operates 24 hours a day, 7 days a week. E-911 has a primary public safety answering point (PSAP) located in the State Police Headquarters complex in North Scituate, as well as a secondary PSAP in North Providence. Backup PSAP facilities are considered best management practices to provide service continuity in cases of emergencies affecting the primary PSAP. The Governor recommends 50.6 FTE positions in FY2012 and FY2013 for the program, consistent with the FY2012 Budget as Enacted.

<b>E-911 Emergency</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$4,772,358</b>
<i>Target and Other Adjustments</i>	
Turnover Restoration	399,375
E-911 Surcharge	321,692
	Informational
<b>FY2013 Governor</b>	<b>\$5,493,425</b>

**Turnover Restoration****\$321,692**

The Governor fully funds the 50.6 budgeted FTE positions for FY2013, restoring \$321,692 in general revenue turnover savings that were included in the FY2012 Budget as Enacted. At an average cost per FTE position of \$83,901 in FY2013, the restoration amounts to funding for 3.8 FTE positions (7.6 percent of payroll). As of the February 13, 2012, payroll period, E-911 had 46.6 filled FTE positions, equating to a 7.9 percent vacancy rate.

**E-911 Surcharge****Informational**

The State levies an E-911 surcharge on both wireline and wireless phone lines, as do most states, to fund the program. The wireline surcharge amounts to \$1.00 per line, per month, while the wireless surcharge amounts to \$1.26 per line, per month. The additional \$0.26 levied on wireless lines was enacted in 2004 to fund the costs of a GIS database development and maintenance, and to fund primary and secondary answering point improvements. All E-911 surcharge collections are deposited as general revenues. Following is a snapshot of surcharge collections, and general revenue expenditures for E-911.

	<b>Wireless</b>	<b>Wireline</b>	<b>Total</b>	<b>E-911 General Revenue Expenses</b>
FY2008	\$8,972,008	\$6,960,201	\$15,932,209	\$4,944,839
FY2009	9,268,119	6,426,140	15,694,259	4,826,932
FY2010	9,436,615	6,052,115	15,488,730	4,628,377
FY2011	8,722,513	5,735,674	14,458,187	4,829,770

**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.

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The Governor recommends 33.0 FTE positions in FY2012 and 36.0 FTE positions in FY2013 for the program. The Governor adds 1.0 FTE Assistant Explosives and Flammable Liquids Technician, 1.0 FTE Fire Investigator, and 1.0 FTE Fire Safety Inspector position in FY2013.

<b>State Fire Marshal</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$2,568,574</b>
<i>Target and Other Adjustments</i>	
Payroll	9,529
	105,916
<b>FY2013 Governor</b>	<b>\$2,684,019</b>

### **Payroll** **\$105,916**

The Department requested 3.0 new FTE positions for FY2013: 1.0 FTE Assistant Explosives and Flammable Liquids Technician, 1.0 FTE Fire Investigator, and 1.0 FTE Fire Safety Inspector. The Governor recommends the positions, but keeps the positions, in addition to a 1.0 FTE Fire Investigator, unfilled until January 1, 2013. The Governor's proposal adds \$15,000 for overtime due to the Fire Investigator vacancies. The Governor increases general revenue funding by \$105,916 to fund the positions for six months and the additional overtime in FY2013.

Beginning October 15, 2010, time allowed for architectural and construction document plan reviews for compliance with state fire codes was reduced from 90 days to 15 days. The changes were made in an effort to streamline business permitting processes in the state, however the Department reports that the changes are taxing the abilities of staff to meet the mandated timelines. The Department requested an additional 3.0 FTE positions (noted above) to assist in meeting the accelerated plan review timelines.

*Analyst's Note: State Budget Office documents indicate that the Budget Office recommends that an extension of plan review time from the current 15-day schedule be reviewed and potentially extended. However, this was not requested as part of the Governor's proposed appropriations act.*

## **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 FY2012 Budget as Enacted includes the transfer of the Sheriffs, including \$17.2 million in general revenue funding and 180.0 FTE positions, from the Department of Administration. The Sheriffs are responsible for statewide activities assigned by law which relate to the duties and functions of the sheriffs of the several counties. The division is responsible for courtroom security, judicial security, cellblock, transportation of individuals charged with crimes, interstate prisoner extraditions and service of process.

The Governor recommends 223.0 FTE positions in FY2012 and FY2013 for the program. The recommendation includes eliminating the Executive High Sheriff, Kent County Sheriff, and 3.0 FTE Chief Deputy Sheriff positions in the FY2012 Supplemental Budget. All five positions were appointed to ten-year terms, which expired on November 26, 2011, and have not been reappointed. The Division is upgrading five lower grade positions and backfilling for net FY2013 general revenue savings of \$55,456.

<b>Security Services</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$19,963,594</b>
<i>Target and Other Adjustments</i>	
Wages	333,490
Judicial Facilities Assessment	920,126
	518,112
<b>FY2013 Governor</b>	<b>\$21,735,322</b>

**Wages****\$920,126**

The Governor recommends \$920,126 in additional general revenue funding for salaries and wages for the Security Services program in FY2013.

- **Capitol Police:** The Governor recommends an additional \$251,125 in salary and wage financing for the Capitol Police in FY2013. The State Budget Office has approved the hire of 3.0 FTE employees: 1.0 FTE Lieutenant on December 1, 2011, 1.0 FTE Capitol Police Officer on December 1, 2011, and 1.0 FTE Sergeant on January 1, 2012. The Department requests to fill 2.0 additional Capitol Police Officer FTE positions as of July 1, 2012. The Governor does not recommend funding to fill the 2.0 FTE Officer positions in FY2013.
- **Sheriffs:** The Governor recommends an additional \$669,001 in general revenue salary and wage funding for the Division of Sheriffs in FY2013. The recommendation includes eliminating the Executive High Sheriff, Kent County Sheriff, and 3.0 FTE Chief Deputy Sheriff positions in the FY2012 Supplemental Budget. All five positions were appointed to ten-year terms, which expired on November 26, 2011, and have not been reappointed. The Division is upgrading five lower grade positions and backfilling for net FY2013 general revenue savings of \$55,456.

Offsetting this savings, the Governor finances full-year personnel costs for the positions that were hired in FY2012, and includes step increases for Deputy Sheriffs that were not included in the Budget Office target adjustments for the Department. The collective bargaining agreement for Deputy Sheriffs grants 15 step increases within 25-years, including 11 increases in the first 10 years of services. The Department has 69 Deputy Sheriffs with less than 10 years of service who are eligible to receive the increases.

**Judicial Facilities Assessment****\$518,112**

The Governor includes a Judicial proposal to assess tenant agencies' pro-rata shares of operating costs in Judicial buildings. The total proposal shifts \$912,089 in estimated costs from the Judiciary to state and outside agencies that use space in the various courthouses based on a projected cost of \$10.48 per square foot. The proposal results in an apparent 17.1 percent operating cost reduction at the Judiciary for courthouse operations expenses. The Capitol Police and Division of Sheriffs occupy 49,447 square feet in state courthouses, resulting in \$518,112 in estimated additional operating costs.

	Square Footage	Allocation	FY2013 Estimate
<b>State Agencies</b>			
Judiciary	420,895	82.86%	\$4,410,194
Sheriffs	46,441	9.14%	486,615
Attorney General	13,071	2.57%	136,960
Department of Corrections	9,169	1.81%	96,074
Public Defender	8,919	1.76%	93,454
DCYF- Juvenile Probation	3,982	0.78%	41,724
Capitol Police	3,006	0.59%	31,497
State Police	1,554	0.31%	16,283
<b>Outside Agencies</b>			
Providence Police	505	0.10%	5,291
Women's Resource Center	252	0.05%	2,640
RI Legal Services	148	0.03%	1,551
<b>Total</b>	<b>507,942</b>	<b>100.0%</b>	<b>\$5,322,283</b>
<b>Non-Judicial Allocation</b>	<b>87,047</b>		<b>\$912,089</b>

### MUNICIPAL POLICE TRAINING ACADEMY

The Rhode Island Municipal Police Training Academy was established in 1969, and assigned to train and certify municipal law enforcement officers for all municipalities, except for the City of Providence. Municipalities do not pay to send recruits to the Academy, but they do provide in-kind services including officer time to teach courses, and meeting and firing range space. Recruits are paid by municipalities for their time spent at the Academy. Since the first training class in 1970, the Academy has graduated 114 classes. The Academy runs two to three classes and 80 to 100 professional development workshops annually. Since 1981, the Academy has been located at the Community College of Rhode Island, Flanagan Campus, in the Town of Lincoln. The Governor recommends 3.0 FTE positions in FY2012 and FY2013 for the program, consistent with the enacted level.

For FY2013, the Governor proposes to fund the Academy using restricted receipts, eliminating all general revenue funding. Article 29 of the budget proposal allows the Director of the Department of Public Safety to establish fees for Training Academy participants that would be deposited as restricted receipts.

<b>Municipal Police Training Academy</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$352,118</b>
<i>Target and Other Adjustments</i>	<i>810</i>
Restricted Receipts Surcharge Proposal	(352,928)
<b>FY2013 Governor</b>	<b>\$0</b>

### **Restricted Receipts Surcharge Proposal** **(\$352,928)**

The Governor's proposed Article 29 allows the Director of the Department of Public Safety to establish a fee structure to charge Municipal Police Training Academy participants to fully finance the costs of the Academy. Currently, the Academy is financed with State funds. While the fees would be established through rules and regulations, the revenue assumptions used in preparation of the budget are based on a \$4,000 per-participant fee estimate. The Academy trains all police officers in the state with the exception of the State Police and the Providence Police Department. Jurisdictions sending recruits to the Academy would pay the fees.

The Governor includes an estimated \$352,000 in annual restricted receipts revenues based on the proposal. The Governor proposes to exempt the account from the 10.0 percent indirect cost recovery surcharge in Article 14. Without the exemption, \$35,200 of the anticipated fees would be deposited as general revenue receipts.

The Rhode Island Municipal Police Training Academy was established in 1969 to train and certify municipal law enforcement officers for all municipalities, except for the City of Providence. 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.

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 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. Many states allow individuals to pay their own tuition to attend police training academies prior to acquiring a conditional offer. In Rhode Island, recruits must be sponsored by a municipality.

*Analyst's Note: The Governor's proposed budget Article 19 has an effective date of January 1, 2013, however the budget proposal removes full-year general revenue funding for the Academy. It is unclear how the Academy would be financed for the first six months of FY2013.*

## STATE POLICE

The Rhode Island State Police are a uniformed and investigative law enforcement agency having statewide jurisdiction. The agency is organized into three bureaus: the Administrative Bureau, Uniform Bureau, and Detective Bureau. The Administrative Bureau consists of sworn command staff, as well as civilian personnel, and it provides overall management and support. The Uniform Bureau is responsible for crime prevention and investigates criminal and noncriminal activities. The Uniform Bureau also establishes highway safety through enforcement of motor vehicle laws with emphasis on hazardous moving violations, i.e. drunk driving and speeding. The Detective Bureau is the primary investigative unit, and provides assistance to the Attorney General's Office and other agencies in investigating organized crime and white collar crime, and provides support to police agencies throughout the state. The Governor recommends 273.0 FTE positions in FY2012 and FY2013 for the program, consistent with the enacted level.

<b>State Police</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$60,970,954</b>
<i>Target and Other Adjustments</i>	
Salaries and Wages	156,839
Pay-as-you-go Pensions	2,364,876
State Fleet	(399,000)
DEM Dispatch Reversal	339,047
<b>FY2013 Governor</b>	<b>Informational</b>
	<b>\$63,432,716</b>

**Salaries and Wages****\$2.4 million**

The Governor recommends an additional \$2.4 million (10.8 percent) in general revenue funding for salary and wage costs at the State Police in FY2013. The increase includes \$844,908 attributable to the Rhode Island Troopers' Association contract agreement that was reached in late June 2011, and was not budgeted for FY2012.

Additionally, because the contract was signed prior to enactment of the FY2012 Budget, members remain eligible for longevity increases through April 30, 2013. The FY2012 Budget as Enacted eliminated future longevity awards, however it protected future awards covered under existing collective bargaining agreements. The class from 1992 will receive a 20.0 percent increase on base pay for 20 years of service, and the class of 2004 will receive a 7.5 percent increase to base pay for completion of 8 years of service.

Finally, two trooper classes (2009 and 2011) will receive step increases in FY2013 that were not budgeted in FY2012.

**Pay-as-you-go Pensions****(\$399,000)**

The Governor recommends a \$399,000 general revenue reduction for pay-as-you-go State Police pensions in FY2013 based on changes made to retirement benefits under the Rhode Island Retirement Security Act of 2011. The target budget for the State Police included a cost of living adjustment (COLA) for retirees in FY2013. Under the enacted reforms, retirees will not be eligible for the COLA in FY2013.

**State Fleet****\$339,047**

The State Police use and maintain more than 200 vehicles among the bureaus. The Uniform Bureau has 150 patrol (heavy use) vehicles. The State Police attempt to replace vehicles with regularity to reduce maintenance costs and maintain a steady fleet. For FY2013, the Governor includes \$339,047 in general revenue funding for payments for the first year of a three-year lease/purchase period. The funding will be used to replace between 20 and 22 patrol vehicles at the State Police.

**DEM Dispatch Reversal****Informational**

The transfer of 6.0 FTE positions from the Department of Environmental Management (DEM) to the Department of Public Safety (DPS) was included as part of the FY2012 Budget as Enacted. These 6.0 FTE positions provide 24/7 dispatch services for DEM at public parks for emergency situations involving pollution or wildlife and monitor remote cameras for port security. The intent was to save administrative costs by using one centralized location for 24/7 public safety dispatch and by eliminating 1.0 FTE position.

Article 4 of the Governor's proposal reverses the transfer. The FY2012 Budget delayed the transfer until January 1, 2012, and to date, the transfer has not occurred. Since passage of the FY2012 Budget, further analysis by both departments has shown that the functions are not comparable and that the consolidation may not produce any savings. There is no change to enacted funding levels as the funds were proposed to shift in the FY2012 Supplemental Budget.



**SELECTED CAPITAL PROJECTS**

The Governor recommends a total of \$4.4 million in capital projects in FY2012 and \$3.9 million in FY2013, including:

- \$1.3 million in RICAP funding in FY2012 and \$1.5 million in FY2013 to complete classrooms and offices at the Fire Academy
- \$1.0 million in RICAP funding in FY2012 and \$1.8 million in FY2013 for renovations at State Police barracks

*(For details of the Governor's complete capital proposal, see the Capital Budget Analysis.)*



## Office of the Public Defender

Expenditures by Program	FY2011 Actual	FY2012 Enacted	FY2012 Governor	Change from Enacted		FY2013 Governor	Change from Enacted	
Public Defender	\$10.0	\$10.9	\$10.8	(\$0.0)	-0.3%	\$11.1	\$0.2	2.2%
<b>Expenditures by Source</b>								
General Revenue	\$9.5	\$10.3	\$10.4	0.1	0.6%	\$10.7	0.4	3.7%
Federal Funds	0.4	0.6	0.5	(0.1)	-15.3%	0.4	(0.1)	-23.7%
Federal Funds (ARRA)	0.1	0.0	-	(0.0)	-100.0%	-	(0.0)	-100.0%
<b>Total</b>	<b>\$10.0</b>	<b>\$10.9</b>	<b>\$10.8</b>	<b>(\$0.0)</b>	<b>-0.3%</b>	<b>\$11.1</b>	<b>\$0.2</b>	<b>2.2%</b>
Authorized FTE Levels	93.0	93.0	91.0	(2.0)	-2.2%	92.0	(1.0)	-1.1%

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

The Office of the Public Defender represents indigent adults and juveniles who are charged with criminal offenses or who are in jeopardy of losing custody of their children to the state. Referrals come from the Supreme, Superior, District and Family Courts. All who are financially eligible are assigned to a staff attorney for representation in the appropriate court. The main office and two branch locations are in Providence. Three additional offices are located in the southern half of the state. The metropolitan areas of Providence and Newport account for the bulk of the cases. The Office includes four basic divisions of attorneys: appellate, criminal trial (including separate felony and misdemeanor units), juvenile, and parental rights. The Public Defender is appointed by the Governor to a six-year term, with the advice and consent of the Senate.

### MAJOR ISSUES AND TRENDS FOR FY2013

Over 96.0 percent of the agency's budget is supported by general revenues. The Governor recommends \$241,370 more (2.2 percent) on an all funds basis for FY2013. The Governor's budget recommendation replaces expiring federal funds for 2.0 FTE positions with general revenues (\$117,040). The Governor includes additional operating funding to pay an assessment that the Judiciary is charging to tenant agencies in the various courthouses.

The Governor recommends a staffing level of 91.0 FTE positions for the program in FY2012 and 92.0 FTE positions for FY2013, a reduction from 93.0 FTE positions in the FY2012 Budget as Enacted.

*Analyst's Note: Staff at the Office of the Public Defender indicate that the Governor's FTE cap allocations will be changed in a forthcoming budget amendment letter to keep the FTE authorization unchanged at 93.0 FTE positions in both FY2012 and FY2013.*

Office of the Public Defender	General Revenue
FY2012 Enacted	\$10,300,580
<i>Target and Other Adjustments</i>	86,937
Caseload Reduction Project Attorney	117,040
Community Outreach Liaison	81,000
Judicial Facilities Assessment	93,454
Adult Drug Court	Informational
<b>FY2013 Governor</b>	<b>\$10,679,011</b>

**Caseload Reduction Project Attorney** **\$117,040**

The Governor recommends \$117,040 in additional general revenue funding to offset federal funds reductions for a Caseload Reduction Project attorney. The 1.0 FTE Staff Attorney II position screens felony cases for Newport, Kent and Washington County courts. Currently the position is funded through federal Byrne Grant funding, however these funds expire in FY2012. The Governor funds the positions with general revenues because eliminating the position would require the Office to refer a greater number of cases to the Judiciary’s Defense of Indigents program. The Budget Office estimates that the increased referrals could cost upwards of \$367,000, so it was deemed more cost-effective to fund the position in the Office.

**Community Outreach Liaison** **\$81,000**

The Governor recommends \$81,000 in general revenue for 1.0 FTE Community Outreach Liaison position in FY2013. The position is meant to divert clients from incarceration and break the cycle of recidivism by assisting with enrollment into community programs to address substance abuse and other problems. Federal Byrne Grant funding for the position will expire in the summer of 2012. The Governor’s proposals replaces lost federal funding with general revenues.

**Judicial Facilities Assessment** **\$93,454**

The Governor includes a Judicial proposal to assess tenant agencies pro-rata shares of operating costs in Judicial buildings. The total proposal shifts \$912,089 in estimated costs from the Judiciary to state and outside agencies that use space in the various courthouses based on a projected cost of \$10.48 per square foot. The proposal results in an apparent 17.1 percent operating cost reduction at the Judiciary for courthouse operations expenses. The Office of the Public Defender occupies 8,919 square feet in state courthouses, resulting in \$93,454 in estimated additional operating costs.

	Square Footage	Allocation	FY2013 Estimate
<b>State Agencies</b>			
Judiciary	420,895	82.86%	\$4,410,194
Sheriffs	46,441	9.14%	486,615
Attorney General	13,071	2.57%	136,960
Department of Corrections	9,169	1.81%	96,074
Public Defender	8,919	1.76%	93,454
DCYF- Juvenile Probation	3,982	0.78%	41,724
Capitol Police	3,006	0.59%	31,497
State Police	1,554	0.31%	16,283
<b>Outside Agencies</b>			
Providence Police	505	0.10%	5,291
Women's Resource Center	252	0.05%	2,640
RI Legal Services	148	0.03%	1,551
<b>Total</b>	<b>507,942</b>	<b>100.0%</b>	<b>\$5,322,283</b>
<b>Non-Judicial Allocation</b>	<b>87,047</b>		<b>\$912,089</b>

**Adult Drug Court** **Informational**

The Office of the Public Defender requested \$91,045 in general revenue funding and 1.0 FTE position in FY2013 to fund an Assistant Public Defender IV FTE position for the Adult Drug Court in Superior Court. Currently the Court is only processing existing cases through to disposition: no new cases are being referred to the Court. The Public Defender’s request would fund an additional position for future

cases at the Adult Drug Court. The Governor did not recommend general revenue funding for the position in FY2013, unchanged from the FY2012 Budget as Enacted.

The goal of the Court is to provide judicially supervised treatment for non-violent drug offenders as an alternative to incarceration. This pilot project was initiated in Providence County in 2001, and was expanded during 2004 to include Kent and Washington Counties. The program is a cooperative effort involving the Superior Court, Department of Corrections, BHDDH/Substance Abuse, Department of Attorney General, and the Office of the Public Defender.

*Analyst's Note: Staff at the Office of the Public Defender indicate that they are working to identify alternative sources of federal funding to fund additional Adult Drug Court activities. Should funds be identified, an additional FTE position will be requested.*

## Department of Environmental Management

Expenditures by Program	FY2011 Actual	FY2012 Enacted	FY2012 Governor	<i>Change from FY2012 Enacted</i>		FY2013 Governor	<i>Change from FY2012 Enacted</i>	
Office of Director	\$6.7	\$8.1	\$9.8	\$1.7	20.7%	\$8.3	\$0.2	2.6%
Bureau of Natural Resources	32.7	52.7	57.6	4.9	9.2%	56.4	3.7	6.9%
Bureau of Environmental Protection	27.0	36.7	37.6	0.9	2.5%	34.9	(1.8)	-4.9%
<b>Total</b>	<b>\$66.3</b>	<b>\$97.5</b>	<b>\$105.0</b>	<b>\$7.4</b>	<b>7.6%</b>	<b>\$99.6</b>	<b>\$2.1</b>	<b>2.1%</b>
<b>Expenditures by Source</b>								
General Revenue	\$34.1	\$35.4	\$35.5	\$0.1	0.3%	\$34.6	(\$0.8)	-2.1%
Federal Funds	18.1	37.5	39.0	1.5	3.9%	35.9	(1.6)	-4.2%
Federal Funds (ARRA)	1.8	0.8	3.8	3.0	348.4%	-	(0.8)	-100.0%
Restricted Receipts	10.4	14.1	13.8	(0.4)	-2.7%	14.8	0.7	4.9%
Operating Transfers from Other Funds	2.0	9.6	12.9	3.3	34.1%	14.2	4.6	47.5%
<b>Total</b>	<b>\$66.3</b>	<b>\$97.5</b>	<b>\$105.0</b>	<b>\$7.4</b>	<b>7.6%</b>	<b>\$99.6</b>	<b>\$2.1</b>	<b>2.1%</b>
Authorized FTE Levels	410.0	410.0	410.0	-	0.0%	407.0	(3.0)	-0.7%

*\$ 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, to provide for the maintenance of waterways and boating facilities.

### MAJOR ISSUES AND TRENDS FOR FY2013

The Governor's FY2013 budget includes an all funds increase of \$2.1 million, or 2.1 percent above the FY2012 Budget as Enacted. The budget recommendation includes a \$760,606 (2.1 percent) decrease in general revenue expenditures compared to the FY2012 Budget as Enacted. General revenues make up 34.8 percent of DEM's budget.

The Governor’s budget reverses a provision in the FY2012 Budget as Enacted which would have transferred the dispatch functions from the Division of Enforcement at DEM to the Department of Public Safety by January 1, 2012. The Governor does not recommend the transfer, citing logistical and cross-training concerns.

FTE authorizations at the Department have decreased by 23.4 percent since the FY2006 Budget as Enacted. At that time, the Department had 531.3 FTE positions authorized. In the FY2013 budget proposal, the Governor recommends 407.0 FTE positions, a decrease of 124.3 FTE positions over this period of time. In FY2013 the Governor eliminates 3.0 FTE positions that are federally-funded and term-limited. The positions include a Supervising Environmental Scientist, a Senior Environmental Scientist, and an Environmental Scientist.

According to documents provided by the Budget Office, the Department spent \$19.9 million (42.6 percent) of the total \$43.0 million in federal funds enacted in FY2011. In FY2010, the Department spent \$18.4 million (52.3 percent) of the \$35.3 million in federal funds enacted.

**Statewide Community Service Grant Reduction (\$26,971)**

The Governor recommends a 25.0 percent reduction to community service objective grants in state departments and agencies. Community service objective grants often supplement program objectives. The FY2012 Budget as Enacted includes \$8.3 million in community service objective funding in 15 agencies. The Governor reduces funding by \$2.1 million statewide, including a reduction of \$26,971 reduction in DEM:

**OFFICE OF THE DIRECTOR**

The Office of the Director includes the Office of Management Services, Legal Services, Administrative Adjudication, and the two central service offices of Human Resources and Information Technology. The Office is responsible for developing and implementing programs to protect the state’s environment, protect citizens from public health threats resulting from pollution, and provide facilities that support outdoor recreational activities. The Governor recommends 41.5 FTE positions in FY2012 and FY2013 for the program.

<b>Office of Director</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$4,775,428</b>
	<b>Average Number of Filled FTE Positions</b>
<i>Target and Other Adjustments</i>	<del>7,609</del>
Salary/Wages and Benefits	FY2012 <sup>1</sup> (151,054)
Operating Supplies and Expenses: Headquarters	FY2011 128,212
<b>FY2013 Governor</b>	<b>FY2010 \$4,760,495</b>
	FY2009 409.5
<b>Salary/Wages and Benefits</b>	<b>FY2008 (\$151,054)</b>
	FY2007 500.0
	FY2006 510.6

The Governor’s budget proposal decreases salaries, wages and benefits in the Office of the Director. The decrease is due primarily to holding a Hearing Officer and a Senior Word Typist position vacant for another fiscal year (\$93,912) and downgrading a vacant Assistant to the Director position to an Administrative Officer position (\$55,025).

<sup>1</sup> Average through 1/28/2012 pay period.

**Operating Supplies and Expenses: Headquarters \$128,212**

The Governor recommends an increase of \$128,212 for operating supplies and expenses for FY2013. The recommendation includes an additional \$142,749 due to increased rental expense offset by a decrease of

\$14,582 for electricity and heat. Rent increased by \$1.25 per square foot for 126,184 square feet of office space. There was no increase in space rented.

### **BUREAU OF NATURAL RESOURCES**

The Bureau of Natural Resources is comprised of six divisions which manage the state's marine, freshwater and upland resources. The Bureau administers the state's agriculture programs, state land acquisitions, and local matching grant programs for outdoor recreation. The Bureau is also responsible for enforcing state laws and regulations governing hunting and fishing, public safety in state parks, and recreational boating; and for administering, maintaining and operating eight state parks, five campgrounds, seven state beaches, a golf course, the East Bay and Blackstone Bike Paths, and 40,000 acres of state-owned forests. Furthermore, the Bureau is responsible for oversight of all land leases and capital assets of port facilities and commercial fishing piers in Narragansett and Newport.

The Governor recommends 185.0 FTE positions in FY2012 and FY2013 for the program.

<b>Bureau of Natural Resources</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$18,508,312</b>
<i>Target and Other Adjustments</i>	<i>71,075</i>
Other Salary/Wages and Benefits	(641,639)
DEM Dispatch Transfer	418,565
Payments to Host Communities (Beach Fees)	(50,000)
<b>FY2013 Governor</b>	<b>\$18,306,313</b>

#### ***Other Salary/Wages and Benefits*** **(\$641,639)**

The Governor's budget proposal decreases salaries, wages and benefits in the Bureau of Natural Resources by \$641,639 in general revenue. The majority of this decrease is due to reductions in Seasonal Recreation (\$308,323) and Enforcement (\$199,913) to bring each sub-program to historical expenditure levels and by holding two positions vacant (\$289,628). The positions being held vacant are a Semi-skilled Laborer position and the Chief of Fish and Wildlife, which has been vacant for several years. There is an additional general revenue reduction (\$50,003) due to a shift of expenditures to the restricted receipt State Forestry Fund account.

#### ***DEM Dispatch Transfer*** **\$418,565**

The FY2012 Budget as Enacted transferred the dispatch functions from the Division of Enforcement at DEM to the Department of Public Safety by January 1, 2012. The 5.0 FTE positions and associated funding were to be transferred in the FY2012 Supplemental Budget. Both DEM and Department of Public Safety dispatch units operate 24 hours per day, 7 days per week, each consisting of three 8-hour shifts. Overtime costs associated with staffing the round-the-clock operations were expected to decline once the transfer was fully implemented, although estimates could not be provided at the time. The Governor does not recommend the transfer, citing logistical and cross-training concerns, and instead reverses the transfer (Article 4) requiring additional funding in FY2013. There is no fiscal impact as the FY2012 Budget as Enacted indicated that the transfer would be part of the FY2012 Supplemental Budget; however, the Budget Office adjusted DEM's FY2013 target by removing the funding.

#### ***Payments to Host Communities (Beach Fees)*** **(\$50,000)**

The FY2012 Budget as Enacted increased daily parking fees at state beaches, parks and recreation areas beginning in May 2011. In addition to raising the daily parking fees, the budget decreased the host municipality's share ratio from 27.0 percent to 16.0 percent, and allowed the State to retain the majority

of the increase. With this fee increase, total daily parking fee revenues were estimated at \$2.9 million for FY2012; instead, daily collections totaled \$2.2 million. The cost of seasonal parking passes were also increased, however, the entire season parking pass fee is retained by the State.

Total collections from daily parking fees grew by 5.8 percent, generating \$120,435; however, the host community payment declined due to the lower reimbursement rate. The FY2012 Budget as Enacted contained \$450,000 for the payment to the host communities; however, due to lower actual collections and the reduced host community percentage, the payment to host communities is reduced by \$105,642 in FY2012 and \$50,000 in FY2013.

<b>Municipality</b>	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>
Charlestown	\$21,534	\$23,801	\$15,466
Narragansett	234,972	266,054	162,476
South Kingstown	25,726	29,866	11,365
Westerly	211,669	238,226	155,051
<b>Total</b>	<b>\$493,901</b>	<b>\$557,947</b>	<b>\$344,358</b>

The table shows the recent distribution of daily parking fees to host communities.

In contrast to daily passes, season pass revenue to the State grew by \$433,586. The number of season passes sold in FY2012 increased by 73.5 percent; however, over 90.0 percent of the passes were sold before the new rate came into effect on July 1, 2011. Consequently, the revenue grew by only 61.3 percent.

The following table shows the implemented changes in parking rates for state beaches.

**Parking Rates for State Beaches**

	<b>Rate Effective</b>		
	<b>Previous Rate</b>	<b>July 1, 2011</b>	<b>Rate Increase</b>
<b>Season Passes</b>			
Resident	\$30.00	\$60.00	\$30.00
Senior Resident	15.00	30.00	15.00
Non-Resident	60.00	120.00	60.00
Senior Non-Resident	30.00	60.00	30.00
<b>Daily Parking Weekday</b>			
Resident	6.00	10.00	4.00
Senior Resident	3.00	5.00	2.00
Non-Resident	12.00	20.00	8.00
Senior Non-Resident	6.00	10.00	4.00
<b>Daily Parking - Weekend</b>			
Resident	7.00	14.00	7.00
Senior Resident	3.50	7.00	3.50
Non-Resident	14.00	28.00	14.00
Senior Non-Resident	7.00	14.00	7.00

Source: Rhode Island Department of Environmental Management

The Department is in the third year of a five-year contract with ProPark, Inc., to collect parking fees. Through the contract, due to expire on September 1, 2014, the vendor receives 20.0 percent of the revenue from the sale of season and daily passes. In FY2011, the vendor received \$581,093 in revenue. In FY2012, the vendor received \$734,963. The increase of \$153,924 represents \$45,083 due to potential lost revenues from the construction at East Matunuck and \$108,841 due to the increased revenue from season and daily parking passes.



**BUREAU OF ENVIRONMENTAL PROTECTION**

The Bureau of Environmental Protection comprises 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 to public health and environment; and assisting the public by coordinating the review of projects requiring multiple applications and permits and tracking the status of permitting activities throughout the Bureau.

The Governor recommends 183.5 FTE positions in FY2012 and 180.5 FTE positions in FY2013 for the program. The 3.0 FTE positions eliminated are federally-funded, term-limited positions including a Supervising Environmental Scientist, a Senior Environmental Scientist and an Environmental Scientist.

<b>Bureau of Environmental Protection</b>	<b>General Revenue</b>
FY2012 Enacted	<b>\$12,099,861</b>
<i>Target and Other Adjustments</i>	4,647
Salary/Wages and Benefits	(548,021)
<b>FY2013 Governor</b>	<b>\$11,556,487</b>

**Salary/Wages and Benefits** **(\$548,021)**

The Governor decreases general revenues by \$548,021 for payroll expenses in the Bureau of Environmental Protection. This includes savings due to transferring \$300,000 to restricted receipts accounts and eliminating funding for 3.0 Environmental Scientist FTE positions (\$301,681). Further savings is realized through the elimination of the monitoring fees system for the Rhode Island Pollutant Discharge Elimination System (RIPDES), and the Rhode Island Well Drilling Board and the Water Well Drilling Licensure Program, as provided in Article 30. The Governor eliminates funding of \$103,736 for the two positions related to the program modifications. Funding for the positions is eliminated; however, the positions remain within the FTE position cap. These reductions are partially offset by a \$157,399 increase in general revenue for contractual obligations (\$57,399) and a reduced turnover savings (\$100,000) target relative to the FY2012 Budget as Enacted.

**SELECTED CAPITAL PROJECTS**

The Governor recommends a total of \$109.0 million in capital projects (\$32.6 million in RICAP funds) between FY2012 and FY2017, including:

***\$25.0 Million New Bond Referendum for Open Space and Recreational Development***

The major projects for the November 2012 bond referendum include:

- **State Recreation Facilities:** The referendum provides \$5.0 million in funding for asset protection, infrastructure, and facility improvements at state parks and management areas. These funds target the restoration of facilities at Fisherman's Memorial Campground, Lincoln Woods State Park, and Goddard Memorial State Park.
- **Farmland Development Rights:** The referendum provides \$4.5 million in funds for the purchase of agricultural development rights to active farms in Rhode Island. This program allows the State to purchase the development rights to farms to eliminate the economic pressure on the farmer to sell land for residential or commercial development. From 1985 to the present, the State has protected over 4,000 acres, and the Agricultural Preservation Commission is continuing to accept applications for this on-going program.

- **Narragansett Bay and Watershed Restoration:** The referendum provides \$4.0 million in funds to protect and restore the water quality, economic viability, and sustainability of Narragansett Bay and other watersheds throughout the state.
- **Local Recreation Development Grants:** This referendum increases funding by \$3.5 million for grants to municipalities to acquire, develop or rehabilitate local recreation facilities. This includes projects at Roger Williams Park, India Point and Rocky Point.
- **State Land Acquisition Program – Open Space:** The referendum provides \$2.5 million in funds for the purchase of land, development rights, and conservation easements throughout the state.
- **Local Land Acquisition Grants:** The referendum increases funding by \$2.5 million for grants to municipalities, local land trusts, and non-profit organizations to acquire fee-simple titles, development rights, or conservation easements of open spaces throughout the state. The Department of Environmental Management (DEM) can provide funding assistance up to 50.0 percent of project costs and applications are reviewed by the Governor’s Natural Heritage Preservation Commission.
- **Local Recreation - Distressed Communities Grants:** The referendum provides \$2.0 million in grants to distressed communities for the acquisition, development, or rehabilitation of local recreation facilities. DEM can provide grants funds up to 75.0 percent of development and up to 100.0 percent of acquisition costs. Eligible municipalities currently include Providence, West Warwick, Pawtucket, Central Falls, and Woonsocket.
- **Historic/Passive Local Recreation Grants:** The referendum provides \$1.0 million in grants to municipalities for the renovation and/or development of historic and passive recreation areas and parks. Grant funding can provide assistance up to 90.0 percent of project costs through DEM.

#### ***State-Owned Dam Repairs***

In February of 2012, DEM reported that the State has 97 high and 83 significant hazard dams. “High hazard” dams are those that, if they were to fail, would cause significant property damage and potential for loss of life. A “significant-hazard” dam is one where failure would probably not result in the loss of human life but would cause major economic loss, disruption of lifeline facilities or impact other concerns detrimental to the public’s health, safety or welfare.

DEM is in the second year of a three-year inspection cycle: 65.0 percent of the dams have been inspected as of February 2012. Currently, DEM has identified 20 unsafe dams. An “unsafe” dam is one where the condition is such that an unreasonable risk of failure exists, as determined by the Director of DEM. Among the conditions that would result in an unsafe determination are excessive vegetation that does not allow a visual inspection, excessive seepage or piping, significant erosion, inadequate spillway capacity, inadequate capacity and/or serious structural deficiencies.

Of the dams identified as unsafe, 14 are privately owned. The remaining nine dams are the responsibility of municipalities including Lincoln (1), North Providence (1), Smithfield (1), South Kingstown (1), and Johnston (4). According to DEM, four of the municipalities are actively working to make the necessary repairs. To date, Johnston has not begun work identified by DEM and estimated at \$1.0 million. Under the state law, municipalities are also responsible for submitting emergency action plans to the EMA for high and significant hazard dams. To date, about half of those have been completed. While DEM gets some modest funding from FEMA each year for the inspection of unsafe dams, there is no federal or state funding source available to municipalities for fixing dams.

DEM requests \$9.1 million in RICAP funds for repairs to “high-hazard” state-owned dams. During the past 10 years, the Department completed repairs to the Stillwater Dam in Smithfield, the Olney Pond Dam in Lincoln Woods, and the Bowdish Lake Dam at the George Washington Management Area. DEM

has recently completed design of repairs to the 2 dams within the J.L. Curran Management Area in Cranston. The construction work on these dams will begin in the fall of 2012 and will continue into FY2013.

Other dams recommended for repair are the Breakheart Hill Dam (Arcadia Management Area) and the Bleachery Pond Dam (East Greenwich). Damage from the 2010 floods will require the DEM to repair dams in the Carolina Management Area and the Arcadia Management Area. The Department states that RICAP funds will be matched by federal funds for the flood damaged dams; however, no federal funds were included in the request.

The FY2012 Budget as Enacted provides \$924,204 (including carry forward) in RICAP funds in FY2012, \$1.0 million in FY2013, and \$500,000 annually from FY2014 through FY2016. DEM requests \$900,361 in FY2012 but otherwise requests funding as enacted with another \$500,000 of RICAP funding in FY2017. The Governor recommends funding as requested to allow for a sustained repair program, thus reducing the liability for failure of state-owned dams.

#### ***Fort Adams Sailing Improvements***

The Governor recommends total project costs of \$4.4 million in RICAP funding, including \$1.3 million in FY2012 and \$3.1 million in FY2013.

#### ***Fort Adams Restoration***

The Governor recommends \$9.3 million in total project costs, including \$4.5 million in general obligation bond proceeds and \$4.8 million in RICAP funds. In FY2012, the Governor recommends \$1.2 million, including \$761,359 in general obligation proceeds and \$478,824 in RICAP funds. In FY2013, the Governor recommends \$750,000 in general obligation proceeds and \$500,000 in RICAP funds.

*(For details of the Governor's complete capital proposal, see the Capital Budget Analysis.)*



## Coastal Resources Management Council

<b>Expenditures by Program</b>	<b>FY2011 Actual</b>	<b>FY2012 Enacted</b>	<b>FY2012 Governor</b>	<b>Change from Enacted</b>		<b>FY2013 Governor</b>	<b>Change from Enacted</b>	
Coastal Resources Management Council	\$5.7	\$5.3	\$7.8	\$2.5	48.3%	\$5.3	\$0.0	0.4%
<b>Expenditures by Source</b>								
General Revenue	\$2.1	\$2.2	\$2.2	\$0.0	0.1%	\$2.3	\$0.1	2.9%
Federal Funds	2.4	1.8	2.4	0.6	30.7%	1.8	(0.0)	-0.7%
Federal Funds (ARRA)	1.1	0.2	2.2	2.0	979.4%	-	(0.2)	-100.0%
Restricted Receipts	0.2	0.3	0.3	-	0.0%	0.3	-	0.0%
Other Funds	-	0.7	0.7	-	0.0%	0.9	0.2	23.4%
<b>Total</b>	<b>\$5.7</b>	<b>\$5.3</b>	<b>\$7.8</b>	<b>\$2.5</b>	<b>48.3%</b>	<b>\$5.3</b>	<b>\$0.0</b>	<b>0.4%</b>
Authorized FTE Levels	30.0	30.0	30.0	-	-	29.5	(0.5)	-1.7%

\$ 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 FY2013

The Governor's FY2013 budget recommendation for CRMC includes an all funds increase of \$20,220 (0.4 percent) from the FY2012 Budget as Enacted. This increase includes a general revenue increase of \$63,919, a federal funds decrease of \$13,497, a decrease of federal American Recovery and Reinvestment Act (ARRA) funds of (\$201,100), and an increase of \$170,900 in RICAP funds for the South Coast Restoration Project (\$120,900) and the security facility at the Stedman Government Center (\$50,000).

The Governor recommends 30.0 FTE positions in FY2012 and 29.5 FTE positions in FY2013 for CRMC. The change includes eliminating 1.0 FTE vacant federally-funded, Engineering Technician III position and the addition of a 0.5 FTE Staff Attorney position.

In FY2012, the Governor carries forward \$522,418 in unspent federal non-ARRA funds from FY2011 for the Rhode Island Aquatic Invasive Species Act (\$41,434), Narragansett Bay Habitat Restoration Planning (\$145,585), Aquaculture Research (\$193,875) and the Rhode Island Ocean Special Area Management Plan (\$141,524). ARRA funding totaling \$3.0 million was awarded to CRMC for the Rhode Island River Ecosystem Restoration project in FY2010 to construct six fish passages. The FY2012 budget includes a balance forward and an increase in grant funding for a total project cost of \$3.5 million, an increase of \$2.0 million over the FY2012 Budget as Enacted. The agency reports spending 70.7 percent of the total ARRA funding, as of January 30, 2012. The agency has until January 31, 2013, to spend the remaining \$1.0 million.

### COASTAL RESOURCES MANAGEMENT COUNCIL

<b>Coastal Resources Management Council</b>	<b>General Revenue</b>
FY2012 Enacted	\$2,236,814
<i>Target and Other Adjustments</i>	(7,973)
Staff Attorney 0.5 FTE	35,892
Contract Services	36,000
<b>FY2013 Governor</b>	<b>\$2,300,733</b>

**Staff Attorney 0.5 FTE****\$35,892**

According to Council staff, the National Oceanic Atmospheric Administration (NOAA) is requiring that an attorney be made available to the staff of the CRMC on a daily basis, due to the results of a program evaluation conducted by NOAA. The Department asserts that failure to comply could result in funding sanctions.

The 0.5 FTE Staff Attorney would be available in the office five days per week and will focus initially in the Right of Way area to improve public access. The work performed by the Staff Attorney will be in addition to that performed by the current contract attorney. The position will be funded with equal portions of general revenue and federal funds. The \$35,892 represents the general revenue portion of the \$71,784 total salaries and benefits costs.

**Contract Services****\$36,000**

The Governor recommends an increase in contract services to transfer right-of-way and litigation work costs from federal funding to general revenue. An equal amount of federal funds will then be available to provide the federal share of the Staff Attorney position discussed above.

**SELECTED CAPITAL PROJECTS**

The Governor recommends a total of \$7.1 million in capital projects, between FY2012 and FY2017, of which \$1.8 million is RICAP funds, \$1.3 million is federal funds, \$2.2 million is federal American Recovery and Reinvestment Act (ARRA), \$1.6 million is restricted receipts and \$300,000 is other funds. The primary projects include:

- \$1.6 million in restricted receipts collected under the Uniform Oil Spill Prevention and Response Act (OSPAR) for Coastal and Estuary Habitat Restoration projects
- \$2.2 million in (ARRA) funds (\$3.5 million total funding) for the construction of six high priority fish passage projects, including four fish ladders/eel passages and two dam removals
- \$2.4 million in RICAP, federal and other funds for the South Coast Restoration Project

*(For details of the Governor's complete capital proposal, see the Capital Budget Analysis.)*

## Department of Transportation

Expenditures by Program	FY2011	FY2012	FY2012	Change from		FY2013	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$4.8	\$12.5	\$10.8	(\$1.7)	-13.6%	\$11.9	(\$0.6)	-5.1%
Infrastructure-Engineering	292.9	368.5	389.0	20.5	5.6%	433.6	65.1	17.7%
Infrastructure-Maintenance	47.1	44.8	39.5	(5.2)	-11.7%	44.8	0.1	0.1%
Management and Budget	0.4	1.2	1.5	0.3	28.4%	1.9	0.8	64.7%
<b>Total</b>	<b>\$345.2</b>	<b>\$427.0</b>	<b>\$440.9</b>	<b>\$13.9</b>	<b>3.2%</b>	<b>\$492.3</b>	<b>\$65.3</b>	<b>15.3%</b>
<b>Expenditures by Source</b>								
Federal Funds	\$171.5	\$303.0	\$327.1	\$24.1	7.9%	\$353.5	\$50.5	16.7%
Federal Funds (ARRA)	58.5	7.0	11.4	4.4	62.5%	8.9	1.9	26.7%
Restricted Receipts	0.2	1.0	1.0	(0.0)	-0.1%	1.0	(0.0)	-0.1%
Operating Transfers from Other Funds	2.5	3.3	3.3	0.1	2.5%	5.0	1.7	53.3%
Other Funds	112.5	112.7	98.1	(14.7)	-13.0%	123.9	11.2	9.9%
<b>Total</b>	<b>\$345.2</b>	<b>\$427.0</b>	<b>\$440.9</b>	<b>\$13.9</b>	<b>3.2%</b>	<b>\$492.3</b>	<b>\$65.3</b>	<b>15.3%</b>
Authorized FTE Levels	772.6	772.6	772.6	-	0.0%	772.6	-	0.0%

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

The Department of Transportation (DOT) is responsible for over 3,300 “lane miles” (1,100 miles) of highway and 1,153 bridges in Rhode Island. The Department inspects all Rhode Island bridges greater than 20 feet (751 bridges). DOT provides services ranging from snow removal to pothole repair and from installation and maintenance of modern traffic signalization to design of highway and bridge construction. The Department also develops projects in the areas of transit, paratransit, rail, water, bicycle, and pedestrian transportation, along with air quality planning and coordination.

Prior to FY1994, funding for the DOT was provided through general revenue, restricted receipts and federal funds. In FY1994, the State established an Intermodal Surface Transportation Fund (ISTF) to finance all DOT personnel, operating, and ongoing repair and renovation expenditures for DOT facilities. In addition, the fund includes highway debt service, Rhode Island Public Transit Authority (RIPTA) operating funds, and funds dedicated to elderly transportation.

### MAJOR ISSUES AND TRENDS FOR FY2013

The Governor recommends total funding from all sources of \$440.9 million for the revised FY2012 budget, an increase of \$13.9 million over the FY2012 Budget as Enacted. This increase includes \$24.1 million more in Federal Highway Administration (FHA) funds and \$4.4 million more in American Recovery and Reinvestment Act of 2009 (ARRA) funds than expected. This is offset by other funds decrease of \$14.7 million due primarily to the inclusion of \$14.6 million in land sales associated with the I-195 relocation project that will not materialize this fiscal year.

The Governor’s FY2013 budget proposal includes total funding of \$492.3 million, an increase of \$65.3 million over the FY2012 Budget as Enacted, including a federal funds increase of \$50.5 million (16.7 percent) and other funds increase of \$11.2 million (9.9 percent). Changes in federal funds are due primarily to increases in federal Highway Projects Funds. Other funds increase is due primarily to a \$5.9 million increase in land sales and \$4.1 million in GARVEE residual earnings. (See specific program adjustments below).

**Sustainable Transportation Funding**

The Governor recommends several initiatives to provide additional resources for transportation funding including:

- Increased funding of \$13.6 million by accelerating the fee increase for vehicle registrations and operation license fees which were enacted in the FY2012 budget. These fees were proposed to be phased-in over three years beginning in FY2014. The Governor recommends the fees be implemented at the full amount beginning January 1, 2013, and that initially these fees be used to address short-term operations and highway maintenance needs, rather than as a match to federal funds to alleviate the need to issue General Obligation bonds, for which they were originally intended
- Restructure the Department's debt, saving \$10.9 million in FY2013
- Decrease debt service expenses by shifting the Department's debt service costs to general revenue funds under the Department of Administration budget. This shift will occur annually, beginning in FY2014, in \$10.0 million increments until all transportation debt service costs are being charged to the Department of Administration
- A shift of debt service in FY2012 from the Department to general revenue (\$2.0 million) and Build America Bonds (\$2.0 million)

The FY2012 Budget as Enacted included Article 22, which created the Rhode Island Highway Maintenance Trust Fund within the General Fund. The article increased driver's license fees and registration fees for all vehicles phased-in over a 3-year period, beginning in FY2014, and deposits the revenues from the increases into the Trust Fund. Two-year registrations and driver's licenses are each increased by \$30 (\$10 per year for three years), while one-year registrations are increased by \$15 (\$5 per year for three years).

In addition to the fee increases, RICAP funding is used to supplement the revenue generated by the new fees so that bond borrowing to match federal highway funding would be eliminated by FY2016. At the time of enactment, it was estimated that one more bond issuance of \$19.0 million would be required in 2014.

<b>Source</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>
Increase Two-Year Registrations by \$30	-	-	\$3.9	\$7.8	\$11.7	\$11.7	\$11.7
Increase One-Year Registrations by \$15	-	-	1.6	3.2	4.8	4.8	4.8
Increase License Fees by \$30	-	-	1.5	3.0	4.5	4.5	4.5
RICAP	-	-	20.0	20.0	20.0	20.0	20.0
<b>Total Additional Revenue</b>	-	-	<b>\$27.0</b>	<b>\$34.0</b>	<b>\$41.0</b>	<b>\$41.0</b>	<b>\$41.0</b>
Balance Required From Bonds	40.0	40.0	13.0	6.0	-	-	-
<b>Total Balance Remaining</b>	-	-	-	-	<b>\$1.0</b>	<b>\$1.0</b>	<b>\$1.0</b>

Article 25 of the Governor's FY2013 Budget accelerates implementation of the enacted surcharges. The Article requires the full fees beginning January 1, 2013. As indicated in the following table, all surcharge revenues collected would be deposited in the Department of Transportation's Intermodal Surface Transportation Fund (ISTF) for operating expenditures in FY2013. Beginning in FY2014, a three-year shift of the surcharge revenues from the ISTF to the Rhode Island Highway Maintenance Trust Fund would occur.



<b>Intermodal Surface Transportation Fund</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
Increase Biennial Registration Fees by \$30 (1/1/2013)	\$8.9	\$9.0	\$4.5	\$0.0	\$0.0
Increase Annual Registration Fees by \$15 (1/1/2013)	1.8	1.9	0.9	0.0	0.0
Increase Driver License Fees by \$30 (1/1/2013)	2.9	3.0	1.5	0.0	0.0
<b>Intermodal Surface Transportation Fund</b>	<b>\$13.6</b>	<b>\$13.9</b>	<b>\$6.9</b>	<b>\$0.0</b>	<b>\$0.0</b>

<b>RI Highway Maintenance Trust Fund</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
Phase-In \$30 Increase in Biennial Registration Fees		\$4.5	\$9.0	\$13.5	\$13.5
Phase-In \$15 Increase in Annual Registration Fees		0.9	1.9	2.8	2.8
Phase-In Increase in Driver License Fees		1.5	3.0	4.5	4.5
<b>RI Highway Maintenance Trust Fund</b>		<b>\$6.9</b>	<b>\$13.9</b>	<b>\$20.8</b>	<b>\$20.8</b>

\$ in Millions

The Governor's FY2013 budget also proposes to decrease the debt service payment on federal matching highway bond funds by refinancing the existing debt, saving \$10.9 million in FY2013. In addition, the Governor moves debt service payments to general revenue funding in the Department of Administration (DOA), in \$10.0 million increments, beginning in FY2014, until all debt service payments for DOT are paid by DOA. These payments are estimated to increase, reaching a high of \$45.4 million in FY2021, before phasing out as the payments on the matching general obligation bonds extinguishes.

<b>Fiscal Year</b>	<b>Outstanding Debt Service</b>	<b>Build America</b>			<b>General Revenue</b>	<b>Net Gas Tax Funded Debt Service</b>
		<b>Bonds Reimbursement</b>	<b>Projected Debt Service</b>	<b>Projected Restructuring</b>		
2013	\$54,099,467	(\$2,015,980)	\$1,166,667	(\$10,932,201)	\$0	\$42,317,953
2014	46,094,601	(2,015,980)	4,433,197	(6,468,780)	(10,000,000)	32,043,038
2015	49,665,584	(2,015,980)	4,914,652	(4,143,035)	(20,000,000)	28,421,221
2016	45,323,248	(2,015,980)	4,914,652	2,048,000	(30,000,000)	20,269,920
2017	45,018,879	(2,015,980)	4,914,652	1,998,000	(40,000,000)	9,915,551
2018	36,477,586	(2,015,980)	4,914,652	3,733,000	(43,109,258)	-
2019	35,481,854	(2,015,980)	4,914,652	3,733,750	(42,114,276)	-
2020	31,530,761	(2,015,980)	4,914,652	3,737,500	(38,166,934)	-
2021	38,791,408	(2,015,980)	4,914,652	3,733,750	(45,423,830)	-
2022	34,843,577	(1,868,570)	4,914,652	3,737,500	(41,627,159)	-
2023	34,054,401	(1,710,900)	4,914,652	3,738,000	(40,996,153)	-
2024	29,257,633	(1,544,080)	4,914,652	-	(32,628,205)	-
2025	26,127,608	(1,367,622)	4,914,652	-	(29,674,638)	-
2026	25,967,088	(1,179,140)	4,914,652	-	(29,702,600)	-
2027	22,417,309	(958,514)	4,914,652	-	(26,373,447)	-
2028	20,614,654	(730,480)	4,914,652	-	(24,798,826)	-
2029	13,849,217	(494,898)	4,914,652	-	(18,268,971)	-
2030	13,600,741	(251,496)	4,914,652	-	(18,263,898)	-
2031	3,812,078	-	4,914,652	-	(8,726,730)	-
2032	3,809,970	-	4,914,652	-	(8,724,622)	-
2033	-	-	1,604,852	-	(1,604,852)	-
2034	-	-	481,456	-	(481,456)	-

Source: Department of Transportation

### Gas Tax Funding

A portion of the financing for the ISTF is currently provided by the State's 32.0 cent per gallon Motor Fuel (gas) tax. In FY2012 and FY2013, the gas tax is expected to generate \$4.2 million per penny in revenue, with DOT receiving 21.75 cents per gallon of gasoline sold (\$91.9 million). Proceeds from the general obligation bonds used to finance the State's match for annual FHWA formula funding are also deposited into the ISTF, as are federal funds for transportation purposes.

In addition, a one-cent surcharge is levied on every gallon of gasoline sold in Rhode Island to support the Underground Storage Tank (UST) Remediation Fund. Since January 2010 (FY2009 Supplemental Budget) the UST one-cent has been split, with half going to the UST Remediation Fund and the other half to the Rhode Island Public Transit Authority (RIPTA).

The following table shows the distribution of the gas tax in cents.

<b>Motor Fuel Tax Distribution: Cents/Gallon</b>					
	<b>General Revenue</b>	<b>DOT / Highway</b>	<b>RIPTA / Transit <sup>3</sup></b>	<b>UST Fund</b>	<b>Total</b>
FY2002	0.25	20.50	7.25	1.00	29.00
FY2003	2.25	20.50	7.25	1.00	31.00
FY2004 <sup>1</sup>	1.40	20.75	7.85	1.00	31.00
FY2005	2.00	20.75	7.25	1.00	31.00
FY2006	1.00	20.75	8.25	1.00	31.00
FY2007	1.00	20.75	8.25	1.00	31.00
FY2008	1.00	20.75	8.25	1.00	31.00
FY2009 <sup>2</sup>	1.00	20.75	8.75	0.50	31.00
FY2010	0.00	21.75	10.75	0.50	33.00
FY2011	0.00	21.75	10.75	0.50	33.00
FY2012	0.00	21.75	10.75	0.50	33.00
FY2013	0.00	21.75	10.75	0.50	33.00

<sup>1</sup> Distribution for May and June included 3.2 cents/gallon for general revenue; 6.25 cents/gallon for Transit

<sup>2</sup> Distribution for May and June included 3.2 cents/gallon for general revenue; 6.25 cents/gallon for

<sup>3</sup> Total includes UST fees

The following table shows the use of Gas Tax dollars, after distribution, in FY2011: for each category, percent of total is shown.

<b>Motor Fuel Tax Use (FY2011)</b>	<b>\$ in millions</b>	<b>Percent</b>
Transit Operations (RIPTA/DHS)	\$45.7	32.8%
G.O. Bond Debt Service (DOT)	33.6	24.1%
Personnel (DOT)	18.9	13.6%
Winter Maintenance (DOT)	17.9	12.8%
GARVEE Debt Service (DOT)	8.5	6.1%
Other Operations (DOT)	7.6	5.4%
Vehicle Maintenance (DOT)	5.1	3.7%
UST Fund	2.1	1.5%
<b>Total</b>	<b>\$139.3</b>	<b>100.0%</b>

### **Personnel**

The Governor recommends 772.6 FTE positions in both FY2012 and FY2013, consistent with the FY2012 Budget as Enacted. As of January 28, 2012, the Department had 707.6 filled FTE positions and 65.0 vacancies, a vacancy rate of 8.4 percent. Historically, DOT has not been close to its FTE position cap, leaving an average of 65.0 FTE positions unfilled in the past five years due to funding constraints.

### **Sakonnet River Bridge Transfer**

Article 20 of the Governor's FY2013 budget proposal would transfer the Sakonnet River Bridge and the Jamestown Verrazzano Bridge from the Department of Transportation (DOT) to the Rhode Island Turnpike and Bridge Authority (RITBA). The Article permits the Authority to consider establishing and

collecting tolls on the Sakonnet River Bridge. However, construction of the new bridge is being funded through the Federal Highway Administration (FHWA); and therefore, before the Authority could impose a toll, the State would need to undertake an Environmental Review Process acceptable to the FHWA.

If a toll is deemed appropriate for the Authority's operating and maintenance program, the first call on the toll revenue would be to operate and maintain the new Sakonnet River Bridge, with any remaining funds used to fund the 10-year RITBA Capital Improvement Plan for the Pell Bridge and the Mt. Hope Bridge, as well as the Jamestown Bridge. Any toll revenue remaining would be deposited into a newly-established East Bay Infrastructure Fund to support road and bridge projects in Newport and Bristol Counties (the East Bay). These projects would also be eligible for federal funds.

There would be no net impact on expenditures within the DOT. Transferring control of the Sakonnet River Bridge and the Jamestown Verrazzano Bridge to RITBA would enable DOT to begin addressing unmet infrastructure investments, such as those identified in the East Bay.

### CENTRAL MANAGEMENT

The Central Management Program includes Customer Service, Legal Services, the Real Estate section, and the Director's Office. The primary role of the Customer Service section is to provide clear, concise and timely information in response to public inquiries and in support of other offices within DOT. The Legal Services office works closely with the Office of the Attorney General in legal proceedings involving DOT and also provides support within DOT for program development, property management and acquisition, contracts, litigation, arbitration, and contracted outside legal services. The Real Estate section deals with acquisition, appraisal, negotiation, and relocation for property purchases (including easements and larger parcels) and property sales. The Director's Office includes the Legislative Liaison, Deputy Director, and other staff responsible for interacting with the public and making policy decisions.

Central Management	FY2011 Actual	FY2012 Enacted	FY2012 Governor	Change from Enacted		FY2013 Governor	Change from Enacted	
Federal Funds	\$4.1	\$11.4	\$9.5	(\$1.9)	-16.5%	\$10.5	(\$0.9)	-7.7%
Other Funds	0.8	1.1	1.3	0.2	15.6%	1.4	0.2	22.1%
<b>Total</b>	<b>\$4.8</b>	<b>\$12.5</b>	<b>\$10.8</b>	<b>(\$1.7)</b>	<b>-13.6%</b>	<b>\$11.9</b>	<b>(\$0.6)</b>	<b>-5.1%</b>
Authorized FTE Levels	31.6	31.6	31.6	-	-	31.6	-	-

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

Federal funds within Central Management decrease by \$878,917 in FY2013, reflecting decreases in several National Highway Safety Administration grants.

### INFRASTRUCTURE - ENGINEERING

The Infrastructure Engineering program is responsible for the planning, engineering, design, and permitting of all DOT projects. The Transportation Development division assigns projects to a manager, who remains with the project from inception to construction. Some managers may have several projects, depending on the scope. The Design section is made up of three separate specializations: road, bridge, and traffic. Traffic research is also provided through several database and electronic information systems for data collection. The Environmental program works to strengthen environmental efforts and bring the Department into full environmental compliance. The Materials unit conducts sampling and quality assurance testing. The Research and Technology section evaluates new technologies, provides research for national, regional, and local programs, and provides training in new technology. The Construction section administers and inspects all construction projects. The Infrastructure Engineering program also includes the intermodal planning, health and safety, and traffic management function of the Department.

	FY2011 Actual	FY2012 Enacted	FY2012 Governor	Change from Enacted		FY2013 Governor	Change from Enacted	
<b>Infrastructure Engineering</b>								
Federal Funds	\$225.9	\$298.6	\$328.9	\$30.3	10.2%	\$351.8	\$53.2	17.8%
Restricted Receipts	\$0.2	1.0	1.0	(0.0)	-0.2%	1.0	(0.0)	-0.2%
Other Funds	66.7	68.9	60.0	(9.0)	-13.0%	80.8	11.9	17.2%
<b>Total</b>	<b>\$292.9</b>	<b>\$368.5</b>	<b>\$389.9</b>	<b>\$21.4</b>	<b>5.8%</b>	<b>\$433.6</b>	<b>\$65.1</b>	<b>17.7%</b>
Authorized FTE Levels	488.0	488.0	488.0	-	-	488.0	-	-

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

Federal funding for the Infrastructure Engineering program for FY2012 increases by \$30.3 million over the FY2012 Budget as Enacted due primarily to \$17.7 million more in federal Highway Project funds and an additional \$12.4 million Federal Transit Capital funds. Other funds decrease in the FY2012 Revised proposal by \$9.0 million due primarily to \$14.6 million in overestimated land sales, offset by \$3.0 million in GARVEE residual earnings.

Federal funds for the Infrastructure Engineering program for FY2013 increase by \$53.2 million over the FY2012 Budget as Enacted due primarily to \$68.8 million more in federal Highway Project funds offset by a decrease of \$12.4 million Federal Transit Capital funds and a decrease of \$3.7 million in federal ARRA funds. An increase of \$5.0 million in grants from the Federal Railroad Administration for projects at the Providence and Kingston Stations is offset by a decrease in the GARVEE/Motor Fuel Clearing Account. Other funds increase by \$11.9 million due in part to a \$5.9 million increase in land sales and \$4.1 million in GARVEE residual earnings.

#### **Land Sales – I-195**

In the spring of 2010, DOT and EDC came to the General Assembly seeking \$40.0 million in general obligation bonds to allow EDC to purchase the land made available by the relocation of the I-WAY (I-195). In total, approximately 28.7 acres are available for development. DOT had originally allocated \$40.0 million from land sales as part of the federally-required project financing plan for the I-WAY relocation. As the project is nearing completion, DOT notes that the land must be sold to meet project finance obligations and Federal Highway Works Administration (FHWA) requirements, but with the downturn in the economy, sale prices would be significantly lower than initial estimates. Therefore, sale of the land to EDC would solve the project-based cash flow problem, reduce or remove the need to act immediately in selling the parcels (without full appraisals or marketing studies) and eliminate FHWA red-tape. This alternative was recommended in a September 2009 report on the I-195 Surplus Land, as prepared by consultants for EDC, DOT, and the City of Providence.

In FY2010, DOT received two bids on major projects significantly below their anticipated cost: \$20.0 million less for the Pawtucket River Bridge (Bridge 550), which was originally estimated at \$60.0 million, and \$19.0 million less for the demolition of I-195, which was originally estimated at \$39.7 million. As a result of the lower than expected bids, \$39.0 million in Transportation Improvement Program (TIP) funding may be reallocated to other projects, including the completion of the I-WAY, mitigating the urgency of the land sales.

There has been discussion surrounding the sale of the land at the state and local level. The City of Providence has hired a consultant to design zoning regulations aimed at easing the redevelopment of land, particularly in the Knowledge District. Johnson and Wales University, Brown University, and the University of Rhode Island have all expressed interest in several parcels of the I-195 land.

In October 2011, the legislature created a 14-member I-195 Redevelopment District Commission charged with the task of allocating the land made available by the relocation of I-195. The Commission is borrowing \$250,000 from the R.I. Economic Development Corporation to begin planning and engineering work on the former Jewelry District highway lands. The money will be repaid this spring

with the proceeds from a bond sale, through the Economic Development Corporation, allowing the 195 Commission to purchase the highway lands from the Department of Transportation. The bond offering will be for \$42.0 million, of which \$40.0 million goes to the Department of Transportation. The balance will be used for bond issuance costs and a bond reserve to repay the bonds.

*The Governor's FY2013 Budget recommendation includes revenue from land sales of \$20.5 million in FY2013, \$17.3 million in FY2014, \$1.9 million in FY2015, and \$326,241 in FY2016.*

### **Transportation Improvement Program**

The Highway Improvement Program (HIP) represents those Highway and Intermodal projects, which use federal funds, administered by the Federal Highway Works Administration (FHWA) and Highway transportation infrastructure projects funded by the state (Gas Tax and Bonds). The HIP helps to implement DOT's Capital Program as identified in the State's Transportation Improvement Program (TIP), a program monitored and adopted by the State Planning Council. In 2008, the TIP became a four-year plan: previously, the FHWA had required state TIPs to be approved in two-year increments. The current TIP (2009-2012) emphasizes maintaining Rhode Island's existing transportation infrastructure. The State Planning Council will approve a new four-year TIP in July 2012.

The State spends an average of \$275.0 million in capital funds on the TIP, including \$40.0 million in general obligation bond funds, \$35.0 million in federal funding allocated to specific projects, and \$200.0 million in federal matching funds for a wide range of projects. The inclusion of ARRA funding added a total of \$137.1 million over the four years of the TIP. The following chart shows the TIP by category, as approved by the State Planning Council and amended for ARRA funds, from FY2009 through FY2012.

The Major Projects category is explained in greater detail in the following section. Projects such as the Pawtucket River Bridge (Bridge 550), which have been weight restricted and have generated media interest, are included in the Bridge program of the TIP. The Pawtucket River Bridge is funded at \$85.5 million in the approved TIP.

<b>Project Category</b>	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>	<b>Total</b>
Major Projects	\$91.4	\$98.3	\$71.9	\$64.7	\$326.2
Bridge	56.1	101.5	67.1	65.3	289.9
Pavement Management	64.5	23.6	49.5	28.4	166.1
Traffic Safety	28.8	17.3	30.0	30.0	106.1
Interstate	24.8	6.1	15.5	31.5	77.9
Administrative	20.8	22.7	11.1	11.1	65.7
Highway	22.5	14.7	12.9	14.6	64.6
Bicycle/Pedestrian/CMAQ	10.4	7.1	15.6	11.7	44.8
Enhancement/Planning/Study	12.7	9.5	11.0	10.8	44.0
Rail - Transit	14.7	23.8	6.2	8.9	53.6
<b>Total</b>	<b>\$346.6</b>	<b>\$324.7</b>	<b>\$290.7</b>	<b>\$277.0</b>	<b>\$1,238.9</b>

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

### **Major Projects**

**Pawtucket River Bridge:** In 2008, the Department was forced to place a weight and axle limit on the Pawtucket River Bridge (Bridge 550) on Route 95 in Pawtucket. Vehicles are restricted to a maximum of 18 tons (36,000 pounds) and no more than two axles per unit. These restrictions have resulted in an estimated \$2.2 million in additional revenue annually through fines levied on violators. The restrictions have also diverted truck traffic to Pawtucket city streets and alternate routes, while increasing the cost of intrastate and interstate shipping for some companies.

In 2009, the TIP was amended to include an estimate of \$55.0 million to reconstruct Bridge 550, but in August of 2010, when bids were opened, costs for the project were reduced by \$18.0 million. Portions of the bridge are expected to open to traffic by late spring 2012. This section of the bridge will temporarily carry traffic for I-95 North, and will allow RIDOT to lift the 18-ton weight limit for northbound truck traffic. By the end of 2012, RIDOT anticipates shifting all traffic to the new structures and eliminating the current 18-ton weight restriction for northbound and southbound traffic on I-95. The entire project is scheduled to conclude in mid-2013.

**Providence Viaduct:** DOT was unsuccessful in securing a Transportation Discretionary Grant through ARRA - a Transportation Investment Generating Economic Recovery (TIGER) grant, to be used for the Providence Viaduct Project, the long elevated structure that carries Route 95 through downtown Providence, across the railroad tracks, and alongside the Providence Place Mall. The I-95 Viaduct is deteriorating at a faster rate than originally anticipated and now requires bi-monthly inspections as a condition of remaining open to traffic. The project will consist of replacing the current structure, which was built in 1964, at an estimated cost of \$80.0 million, with anticipated completion within three years. This project is now included in the TIP for design in 2011 and 2012, with future inclusion in the next TIP at \$20.0 million per year for four years.

*Analyst's Note: The Director of the U.S. Department of Transportation visited the State on March 1, 2012, inspected the Viaduct, and advised the Department to reapply for TIGER grant funding for this project.*

Within the Major Projects Category, there are five projects that are funded through a financing mechanism known as GARVEE (Grant Anticipation Revenue Vehicle). The five projects and their funding status are explained in more detail in the following section.

In 2004, the DOT obtained permission to use the federally-endorsed financing method known as a GARVEE, which allows States to borrow against future federal funds in order to construct major projects quickly to avoid increased costs and further deterioration. In Article 36 of the FY2004 Budget as Enacted, the General Assembly passed a Public Corporation Debt Management Joint Resolution to authorize the issuance of bonds to complete the following five (5) major transportation infrastructure projects.

Project	Total Cost	GARVEE Funding	Other Funding	GARVEE funding projected through	
					FY2012
Route 195 Relocation (the I-Way)	\$623.6	\$386.8	\$236.8		\$381.5
Phase II, Route 403	197.8	114.5	83.2		113.0
New Sakonnet River Bridge	231.3	142.4	88.9		130.3
New Washington Bridge	69.6	69.6	0.0		47.6
Freight Rail Improvement Project (FRIP)	241.8	47.6	194.2		46.6
<b>Total</b>	<b>\$1,364.1</b>	<b>\$760.9</b>	<b>\$603.1</b>		<b>\$719.0</b>

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

**I-195 Relocation:** The Department includes \$360.2 million in GARVEE bond funding through FY2013 to complete this project, which involves relocating a 1.6 mile stretch of Interstate 195 (I-195) and a 0.8 mile segment of Interstate 95 (I-95). The project has relocated the highway spans to the south of the Hurricane Barrier, and will create more than 20 acres of developable land along the Providence waterfront. This project has entered its final phases (Phases 8-12), which include landscaping, surface road relocation, demolition of old portions of the highway, construction of a pedestrian bridge and park amenities, and two additional ramps. To date, \$355.0 has been expended through FY2012, and \$5.2 million in GARVEE funds, along with \$20.5 million in land sale revenue is requested in FY2013. Construction is expected to be completed in 2013.

**Quonset Access Road – Route 403:** The Department includes \$110.4 million in GARVEE bond funding through FY2013 to complete this project, which involves constructing a new freeway segment from

Route 4 in East Greenwich to the Quonset Industrial Park. The freeway segment is 4.5 miles long and has four lanes. Stage I of the project was funded by Federal Highway allocations and focused on construction in and adjacent to the roadways of Quonset and West Davisville, while Phase II, which is funded through GARVEE and Motor Fuel bonds, connects Phase I with Route 4 in East Greenwich. To date, all \$110.4 million in GARVEE funding has been used.

**Sakonnet River Bridge:** The Department includes \$120.8 million in GARVEE bond funding through FY2012 to construct this project, which will replace the existing Sakonnet River Bridge, built in 1956. The Sakonnet River Bridge has had weight restrictions placed on truck and trailer traffic, and has deteriorated rapidly across the center span. A new bridge is under construction adjacent to the existing structure. To date, \$115.0 million in GARVEE funding has been used. The Governor's FY2013 recommendation includes \$9.6 million in GARVEE funds for FY2013. These funds are requested to be transferred to this project from funds remaining from the Washington Bridge project. The below the waterline portion of the project has been completed, and the bridge is scheduled for completion in FY2013.

*Analyst's Note: The Governor's budget proposal will transfer ownership of the Sakonnet River Bridge to the Turnpike and Bridge Authority. See further discussion under Article 20.*

**Washington Bridge Repairs:** The Department includes \$69.6 million in GARVEE bond funding through FY2016 for the completion of this project, which involves the construction of a new eastbound span, to replace the existing span, which was constructed in 1928.. The westbound span was reconstructed in 1970. To date, \$47.6 million in GARVEE funding has been used. Additional construction will occur in conjunction with the I-195 relocation through FY2016.

**Freight Rail Improvement Project (Third Track):** The Department includes \$39.1 million in GARVEE bond funding through FY2013 for the rehabilitation or construction of over 22 miles of track, between Central Falls and West Davisville, in order to allow for an expanded role of freight rail in commercial and industrial development in Rhode Island. The total cost of the project is \$241.8 million. To date, \$38.2 million in GARVEE funding has been used. The remaining work includes environmental remediation along several sections of track, programmed at \$1.1 million in FY2013.

*Article 7 of the Governor's FY2013 Budget amends the original GARVEE approval to allow \$9.6 million of the GARVEE bond authorization approved for the Washington Bridge project to be applied to the Sakonnet River Bridge project. The total GARVEE borrowing would remain unchanged, but \$9.6 million would shift between projects.*

**American Recovery and Reinvestment Act (ARRA)  
Funding**

ARRA funding provided Rhode Island with \$137.1 million in highway project funding through the Highway Infrastructure Improvement (HII) fund, administered by the Federal Highway Works Administration (FHWA).

Initially, 54 projects were funded. By April 2, 2010, all of the original 54 projects were either active or out to bid. Because the projects already awarded were bid below cost, the Department was able to dedicate the savings of \$12.4 million in ARRA funds to twelve additional projects from the approved Transportation Improvement Program (TIP).

Project Category	Funding
Resurfacing	\$62.0
Bridge Rehabilitation	13.1
Signing Improvements	10.9
Bridge Preventative Maintenance	9.4
Sidewalk Improvements	6.6
Interstate	6.0
Highway Reconstruction	5.3
Traffic Signal Improvements	5.0
Highway Striping	4.7
Pavement Management	4.1
Enhancements	3.8
Environmental Preventative Maintenance	2.9
Drainage Improvements	1.7
Guardrail Repairs	1.2
Traffic Monitoring/Required Reporting	1.1
Traffic Monitoring/Congestion Relief	0.5
Traffic Safety Program	0.2
<b>Total</b>	<b>\$138.5</b>

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

As of March 1, 2012, all 66 projects are either under construction or at substantial completion. The FHWA has established a much less restrictive deadline for use of ARRA funds than other federal cabinet agencies, so DOT expects to complete the last project funded through ARRA dollars in the spring of 2013, and the Governor includes \$2.9 million in ARRA funding in FY2013.

*Analyst's Note: The table indicates programming of \$138.5 million instead of the \$137.1 million awarded, but FHWA practice is to overprogram certain categories in anticipation of projects that may not be completed on time.*

## INFRASTRUCTURE - MAINTENANCE

The Maintenance program has the fewest component units, but provides routine maintenance for all State roads and bridges. The Maintenance program oversees and administers a heavy equipment fleet for road repairs, winter maintenance, bridge inspections, and other activities. The program also resolves drainage problems, provides permits for work within State right-of-ways, coordinates and schedules paving and crack-sealing, works with local communities to advance joint projects, and maintains all highway lighting and signage.

Infrastructure Maintenance	FY2011 Actual	FY2012 Enacted	FY2012 Governor	Change from Enacted	FY2013 Enacted	Change from Enacted
Other Funds	\$47.1	\$44.8	\$39.5	(\$5.2) -11.7%	\$44.8	\$0.1 0.1%
<b>Total</b>	<b>47.1</b>	<b>\$44.8</b>	<b>\$39.5</b>	<b>(\$5.2) -11.7%</b>	<b>\$44.8</b>	<b>\$0.1 0.1%</b>

Authorized FTE Levels	218.0	218.0	-	-	218.0	-	-
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*\$ in millions. Totals may vary due to rounding.*

A decrease in other funds within the Infrastructure Maintenance program in the Governor's FY2012 Revised Budget is due primarily from lower than anticipated winter maintenance and vehicle maintenance costs during the 2011/2012 winter season.

### Winter Maintenance

The State of Rhode Island spent 12.8 percent of Motor Fuel Tax proceeds, or \$17.9 million, on Winter Maintenance in FY2011. Over the winters between FY2005 and FY2011 the average cost of maintaining the State's 1,300 miles of roads was \$11.2 million.

	Hours	Avg. Cost per Hour	Costs	5 Yr. Rolling Average Costs
FY2005	486	\$38,121	\$18,526,827	\$13,585,365
FY2006	233	36,911	8,600,217	12,605,409
FY2007	212	18,705	3,965,452	11,938,499
FY2008	290	27,142	7,871,314	10,672,762
FY2009	354	40,462	14,323,698	10,657,502
FY2010	374	31,818	11,900,000	9,332,136
FY2011	421	42,518	17,900,000	11,192,093

To date, FY2005 represented the highest winter maintenance cost, at \$18.5 million, with more than 486 hours of State employee and contractor time spent clearing the roads.

The 2011/2012 winter season has been relative mild; only 20.4 inches of snow have fallen. Eleven storm events have been recorded and 162 hours have been spent treating and clearing the roads. This is in comparison to 421 hours and 21 storms during the 2010/2011 winter season. As of February 29, 2012, the State has spent \$4.7 million on winter maintenance costs.



Winter Maintenance expenditures are \$8.2 million less than the \$12.9 million included in the FY2012 Budget as Enacted and \$3.4 million less than the \$8.0 million for Winter Maintenance included in the Governor's FY2012 Revised Budget. For FY2013 the Governor includes \$11.7 million.

There are three types of costs involved in the treatment of roads for every storm: State costs, including truck maintenance and labor; vendor costs (plow contractors); and materials costs. The table below shows the costs, by storm, for each of the three categories, followed by an explanation of the categories and costs.

FY2012 Winter Maintenance Costs					
Storm #	End Date	State Cost	Vendor Cost	Material Cost	Total Cost
1	10/27/2011	\$39,680	\$880	\$31,168	\$71,728
2	10/30/2011	196,195	228,530	323,718	748,444
3	1/10/2012	3,200	456	23,424	27,080
4	1/17/2012	62,987	36,231	220,144	319,362
5	1/20/2012	85,417	261,540	474,962	821,919
6	1/21/2012	96,285	468,732	835,845	1,400,862
7	1/31/2012	30,697	-	-	30,697
8	2/11/2012	35,575	42,469	89,788	167,832
9	2/18/2012	22,537	1,450	-	23,986
10	2/24/2012	20,038	9,127	94,837	124,002
11	2/29/2012	160,953	249,590	524,954	935,497
<b>Total</b>		<b>\$753,564</b>	<b>\$1,299,005</b>	<b>\$2,618,840</b>	<b>\$4,671,409</b>

Source: Department of Transportation

### State Cost

Included in this category are the maintenance of equipment, DOT staff hours spent performing winter maintenance operations, and overtime. There are 100 state vehicles dedicated to winter maintenance. All vehicles are available for usage; however 25 of these trucks have outlived their useful life and have incurred major repairs within the last two years. After each storm, the State inspects the winter maintenance vehicles for damage.

*Analyst's Note: In 2005, DOT began a cooperative agreement with RIPTA to repair some of its vehicles instead of contracting with private mechanics. RIPTA currently services approximately 68 DOT vehicles, and DOT hopes to have RIPTA begin to service all of the winter maintenance vehicles, if Federal Transit Administration regulations will allow RIPTA to increase use of its garage bays in support of DOT. The Governor has recommended RICAP funding of \$1.5 million in FY2017 and \$3.5 million in FY2018 to convert the former RIPTA maintenance facility on Elmwood Avenue to a cooperative maintenance facility for DOT heavy fleet vehicles and RIPTA buses.*

### Vendor Cost

Private contractors are hired to keep up with the treatment of 1,100 miles of state road. While the State has the ability to call up to 500 contractors, a typical storm event will result in a call to approximately 300 vendors. There is no set rate for all vendors: sample rates include \$38/hour for small trucks; \$71/hour for the largest trucks; \$115/hour for front end loaders, with additional fees paid based on accessories, plow side and types of material spreaders. In addition, an 18.0 percent adjustment is applied to these rates in FY2012 to cover fuel costs. Beginning in FY2012, the Department is offering a 20.0 percent Green Equipment Incentive for trucks with a gross vehicle weight greater than 16,000 pounds equipped with an operating closed loop spreader control system. This would allow the vendor to make more efficient use of salt and sand to reduce overall winter operating costs of the Department.

**Material Cost**

Salt and sand costs are dependent on contract and market prices. The current mean cost for salt, is \$54.05 per ton, including delivery. Sand is very inexpensive, by comparison, costing approximately \$13.50 per ton. In FY2012, DOT began using a new technology to produce brine, a salt solution to pre-treat the roads, and treat during storms where temperatures stay above 23 degrees Fahrenheit. The brine solution will cost \$16 to \$20 per ton, a savings of \$50 per ton for a portion of materials costs.

**MANAGEMENT AND BUDGET**

The Management and Budget program is made up of three divisions: Administrative Services, Financial Management and Fleet Operations. The Administrative Services division provides contract administration, education, minority advancement, conformance review for federal laws and regulations, and programming, administration, and coordination with the University of Rhode Island's Transportation Center. The Financial Management division oversees the Department's budget, including federal, state, capital and other funds. The Fleet Operations division maintains the Department's communications systems and vehicles in the DOT fleet, from passenger vehicles to heavy equipment.

<b>Management and Budget</b>	<b>FY2011 Actual</b>	<b>FY2012 Enacted</b>	<b>FY2012 Governor</b>	<b>Change from Enacted</b>		<b>FY2013 Governor</b>	<b>Change from Enacted</b>	
Other Funds	\$0.4	\$1.2	\$1.5	\$0.3	28.4%	\$1.9	\$0.8	64.7%
<b>Total</b>	<b>\$0.4</b>	<b>\$1.2</b>	<b>\$1.5</b>	<b>\$0.3</b>	<b>28.4%</b>	<b>\$1.9</b>	<b>\$0.8</b>	<b>64.7%</b>
Authorized FTE Levels	35.0	35.0	35.0	-	-	35.0	-	-

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

The Management and Budget program is funded through gas tax proceeds, without federal funding. The reduction of \$760,962 in FY2013 is due primarily from a reduction the federal indirect cost allocation to Infrastructure Engineering.

**CAPITAL PROJECTS**

As previously noted, capital projects are an integral part of the DOT budget. In addition to the projects included in the Transportation Improvement Program (TIP), the following projects are also part of the DOT capital program.

- **Fixed Guideway (Commuter Rail):** \$37.8 million in FY2012 and \$13.8 million in FY2013
- **Pawtucket-Central Falls Train Station Study:** \$250,000 in FY2012 and \$600,000 in FY2013
- **Salt Storage Facilities:** \$1.6 million in FY2012 and \$2.0 million in FY2013
- **East Providence Facility Relocation:** \$313,103 to complete the project in FY2012
- **Maintenance Facility Improvements:** \$932,112 in FY2012 and \$400,000 in FY2013
- **Maintenance – Capital Equipment Replacement:** \$5.5 million in FY2013 and \$5.0 million in FY2014 to begin a vehicle replacement program
- **Cherry Hill/Lincoln Facility:** \$538,154 in FY2012 and \$777,050 in FY2012 to complete the project
- **Portsmouth Facility:** \$1.1 million in FY2011 and \$2.2 million in FY2012; and
- **Maintenance Facilities Fire Alarms:** \$200,000 in FY2012 and \$325,000 in FY2013

*(For details of the Governor's complete capital proposal, see the Capital Budget Analysis.)*

## Rhode Island Turnpike and Bridge Authority

10-Year Renewal and Replacement Plan	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	2018-2021	Total
Newport Bridge Projects	\$48.0	\$25.5	\$37.7	\$18.0	\$17.9	\$13.5	\$32.6	\$193.2
Mt. Hope Bridge Projects	8.1	8.9	4.9	4.5	8.6	8.9	5.8	49.7
<b>Total</b>	<b>\$72.2</b>	<b>\$52.1</b>	<b>\$52.5</b>	<b>\$31.6</b>	<b>\$43.7</b>	<b>\$40.2</b>	<b>\$50.0</b>	<b>\$342.2</b>

The Rhode Island Turnpike and Bridge Authority was created in 1954 by the Rhode Island General Assembly as a body corporate and politic, with powers to construct, acquire, maintain and operate bridge projects as defined by law. It currently owns two bridges: the Mt. Hope Bridge, which connects Bristol and Portsmouth, and the Newport/Pell Bridge, which connects Newport and Jamestown. The Authority staff (52.0 FTE positions) is responsible for maintaining both bridges, and has been working to develop a comprehensive and equitable plan to establish a revenue stream that will address the infrastructure needs of both bridges.

### ***Transfer of the Sakonnet River Bridge and the Jamestown Verrazzano Bridge***

Article 20 of the Governor's FY2013 budget proposal would transfer the Sakonnet River Bridge and the Jamestown Verrazzano Bridge from the Department of Transportation (DOT) to the Rhode Island Turnpike and Bridge Authority (RITBA). The Article permits the Authority to consider establishing and collecting tolls on the Sakonnet River Bridge. The Article establishes an East Bay Infrastructure Fund to support road and bridge projects in Newport and Bristol Counties (the East Bay). These projects would also be eligible for federal funds. Language is also included to ensure that RITBA has the appropriate authority to have these bridges under its purview.

There would be no net impact on expenditures within DOT. Transferring control of the Sakonnet River Bridge and the Jamestown Verrazzano Bridge to RITBA would enable DOT to begin addressing unmet infrastructure investments, such as those identified in the East Bay.

The Authority recently adopted a 10-year Renewal and Replacement plan, outlining 28 capital projects for the Newport/Pell Bridge and 15 projects for the Mt. Hope Bridge, at an estimated cost of \$342.2 million. Revenue collected at the current toll rate, on the Newport Bridge only, will be insufficient to meet the Authority's capital needs. The following table, provided by the Authority, outlines recent tolling options discussed with bridges currently under its purview.

#### **Tolling Alternatives - Current Bridges**

	Pell w/o Mt. Hope Tolls	Pell with Mt. Hope tolls	Mt. Hope rates necessary to cover costs
Passenger Cars - Resident/Discounted E-Z Pass	\$1.00	\$0.90	\$0.52
Passenger Cars - Non-Resident E-Z Pass	5.00	4.00	2.50
Passenger Cars - Video License Plate Toll	-	-	3.25
Trucks - Per Axle E-Z Pass	2.75	2.75	1.25
Trucks - Per Axle Video License Plate Toll	-	-	1.63
<b>FY2013 Toll Revenue</b>	<b>22.1</b>	<b>19.2</b>	<b>4.0</b>
FY2013 Video Toll Late Payment Fee Revenue	-	-	0.5
<b>FY2013 Total Toll and Fee Revenue</b>	<b>22.1</b>	<b>19.2</b>	<b>4.5*</b>

\*(12,000 crossing per day at an average toll of \$.90 + fees + transponder sales)

\$ in millions

Source: RI Turnpike and Bridge Authority

The Rhode Island Turnpike and Bridge Authority will need to examine a range of options to ensure that all bridges under its purview are appropriately operated and maintained. The Authority will need to assess the tolling options available to ensure adequate resources are generated to support its long-term capital improvement and maintenance program for all the bridges under its authority. Preliminary studies have shown that the annual costs to operate and maintain the Sakonnet Bridge could total approximately \$7.0 million. Options will be reviewed as to the impact different tolling strategies would have on the overall costs to users and the need to operate and maintain the bridges.

*Analyst’s Note: At its February 8, 2012, meeting the Board voted to adopt a resolution instituting a toll increase on the Newport/Pell Bridge effective July 1, 2012. The resolution provides that if the state creates an alternative and sufficient source of revenue before the effective date of July 1, 2012, which would allow the Authority to maintain and operate the Newport Pell and the Mount Hope Bridges, the new toll rates would not be implemented, and the existing toll structure would be maintained.*

Costs for All-Electronic Tolling (AET) on the Mt. Hope Bridge include \$2.3 million in construction costs and \$1.3 million to fund annual toll collection operations (finding and billing customers, E-Z Pass service fees, utilities and maintenance of equipment/communications system).

Costs for All-Electronic Tolling on Mt. Hope	
Capital Cost to Build	\$2.3 million
Annual Cost of Toll Collection*	\$1.3 million

- \* Video toll collection costs (finding & billing customers)
- \* E-Z Pass service fees
- \* Utilities
- \* Maintenance of Equipment/Communications System

***Operating Budget***

The Newport Bridge toll schedule is based upon the financial obligations of the Authority. Toll rates are set at a level sufficient to fund ongoing operations, debt service (including reserves), capital improvements, and regular maintenance of the Authority’s capital assets. Toll revenue has been decreasing despite an increase in the number of vehicles crossing the Newport Bridge. This is due to an increased use of Rhode Island Resident E-Z Pass transponders, where travelers pay \$0.83 per bridge crossing versus \$4.00 per crossing for a cash customer.

Revenue	FY2010 Actual	FY2011 Actual	FY 2012 Enacted	FY2013 Proposed
Tolls	\$13,500,555	\$18,900,000	\$18,942,000	\$18,100,000
Interest Income	800,000	800,125	800,125	700,000
Miscellaneous	12,000	12,000	12,000	10,000
<b>Total Revenue</b>	<b>\$14,312,555</b>	<b>\$19,712,125</b>	<b>\$19,754,125</b>	<b>\$18,810,000</b>
<b>Expenses</b>				
Operating Expenses	5,756,882	6,421,828	6,334,869	6,677,161
Bond Interest	1,089,446	3,275,204	3,275,204	3,171,861
<b>Total Expenses</b>	<b>\$6,846,328</b>	<b>\$9,697,032</b>	<b>\$9,610,073</b>	<b>\$9,849,022</b>
<b>Debt Service and Reserves</b>				
Bond Principal Account	2,180,000	2,370,000	2,475,000	2,475,000
Renewal and Replacement Fund <sup>(1)</sup>	4,433,723	6,500,000	7,552,436	6,099,935
<b>Total Debt Service and Reserves</b>	<b>\$6,613,723</b>	<b>\$8,870,000</b>	<b>\$10,027,436</b>	<b>\$8,574,935</b>
<b>Total Expenses, Debt Service and Reserves</b>	<b>\$13,460,051</b>	<b>\$18,567,032</b>	<b>\$19,637,509</b>	<b>\$18,423,957</b>
<b>Change in Net Assets</b>	<b>\$852,504</b>	<b>\$1,145,093</b>	<b>\$116,616</b>	<b>\$386,043</b>

Source: RI Turnpike and Bridge Authority

<sup>(1)</sup> The Renewal and Replacement Fund is used for capital improvements included in the ten-year plan approved by the Board of Trustees and certain maintenance costs of the Authority's two bridges and related buildings and grounds. Amounts in this fund are pledged to bondholders.

### Capital Plan

During FY2011, the Authority's Board of Directors approved an updated 10-year Renewal and Replacement Plan. Under the plan, the Board has approved \$193.2 million in projects related to the Newport Bridge, and \$49.7 million in projects for the Mt. Hope Bridge. The Newport Bridge toll schedule is based upon the financial obligations of the Authority. Since 1998, upkeep of the Mt. Hope Bridge has been paid by Pell Bridge tolls. The 2010 General Assembly authorized RITBA to issue \$68.1 million in revenue bonds, secured by toll and other revenues, to provide funds for the renovation, renewal, repair, rehabilitation retrofitting, upgrading and improvement of the Pell Bridge and the Mt. Hope Bridge.

**Jacob Toll Study:** In FY2011, RITBA engaged Jacobs Engineering Group to conduct an analysis of various toll schedules and toll options for the Newport-Pell Bridge and the Mount Hope Bridge, in an attempt to achieve a revenue stream to fund the current ten-year program. In order to determine the Authority's needs, Jacobs first identified the sources and uses of funds over the next ten years at current toll rates. Sources include toll revenues, bonds, transponder sales, and current cash reserves. The funds are used to pay for capital costs, operations and maintenance costs and debt service.

#### 10-Year Capital Plan

Uses of funds		Sources of Funds	
Capital - Pell	\$193.2	Current Tolls - Pell	\$185.3
Debt Service - Pell	80.5	Bonds - Pell	127.9
Operations & Maintenance - Pell	74.8	Bonds - Mt. Hope	31.4
Capital - Mt. Hope	49.7	Cash Reserves	20.6
Debt Service - Mt. Hope	14.2	Transponder Sales	5.2
Operations & Maintenance -Mt. Hope	21.6	NEEDS	63.6
<b>Total</b>	<b>\$434.0</b>	<b>Total</b>	<b>\$434.0</b>

\$ in millions.

### Bridges

- Sakonnet River Bridge:** The Department of Transportation has included a total of \$120.9 million in Grant Anticipation Revenue Vehicle (GARVEE) bond funding, \$17.9 million in motor fuel bonds, and \$91.5 million in other highway funds to replace the existing Sakonnet River Bridge. The Sakonnet River Bridge, which connects the towns of Tiverton and Portsmouth, was built in 1956, has weight restrictions placed on truck and trailer traffic, and has deteriorated rapidly across the center span. A new bridge is under construction adjacent to the existing structure, and is scheduled for completion in 2012. An option proposed by the Governor's Blue Ribbon Panel was the transfer of the Sakonnet River Bridge to the RITBA. Per the Governor's proposed Article 7 of the FY2013 appropriations bill, the Governor proposes to shift \$9.6 million in GARVEE financing from the Washington Bridge project, which is currently below cost, to the Sakonnet Bridge project, which is currently running above projections.
- The construction of the new bridge is being funded through the Federal Highway Administration (FHWA); and therefore, before the Authority could impose a toll, the State would need to undertake an Environmental Review Process acceptable to the FHWA. Upon completion of this process, a toll agreement, which will require the net toll revenues to be used for Title 23 Transportation purposes, would need to be executed between the State, FHWA and RITBA. If a toll is deemed appropriate for the Authority's operating and maintenance program, the first call on the toll revenue would be to operate and maintain the new Sakonnet River Bridge, with any remaining funds used to fund the 10-year RITBA Capital Improvement Plan for the Pell Bridge and the Mt. Hope Bridge, as well as the Jamestown Bridge. There is also discussion as to how the proposed East Bay Infrastructure Fund (EBI) for road and bridge projects in Newport and Bristol Counties (the East Bay) would be funded. These projects are also eligible for federal funds.

**Newport Pell Bridge:** Completed in 1969, at a cost of \$54.7 million, the bridge spans Narragansett Bay, connecting the Town of Jamestown and the City of Newport. Annual revenue from tolls and transponder sales was \$17.9 million in FY2010 and \$18.7 million in FY2011. Tolls were \$2.00/car for cash tolls until September 2009, when it was raised to \$4.00/car. Tokens were available at \$1.00 per token until early 1998; afterwards, they were only sold in bulk [11 trips cost \$10 when token roll purchased (\$0.91); 60 trips cost \$50 when purchased in bulk (\$0.83)]. The E-Z pass (transponder) was introduced in December 2008, and tokens were discontinued soon after. Residents with Rhode Island issued E-Z Pass transponders pay a reduced rate of \$0.83. Non-RI E-Z Pass customers pay the cash rate of \$4.00.

Vehicle	Method of Payment	July 1, 2012	
		Current Rate	Rate
2 axles - under 7,000 lbs.	RI Resident E-Z Pass	\$0.83	\$1.00
2 axles - under 7,000 lbs.	Cash Rate	4.00	5.00
2 axles - under 7,000 lbs.	RI Resident E-Z Pass, 30 day Unlimited Plan	40.00	48.00
2 axles - under 7,000 lbs.	RI Resident E-Z Pass, 6 Trip Plan	5.46	6.00
2 axles - under 7,000 lbs.	Undiscounted E-Z Pass	4.00	5.00
Trucks - Per Axle Rate	Cash or E-Z Pass	2.00	2.75

- Mt. Hope Bridge:** Built as a private toll bridge in 1929, connecting the towns of Bristol and Portsmouth, the Bridge was acquired by the State in 1955. RITBA took ownership of the bridge in 1964. Tolling ended in May 1998; however for the entire 34 years (1955–1998), tolls were \$0.30 for passenger cars and \$0.10 for token users. It should be noted that RITBA is currently allowed to reinstate tolls at the Mt. Hope Bridge, but at rates no higher than the former \$0.10 and \$0.30 tolls.
- Jamestown Verrazzano Bridge:** The Jamestown Verrazzano Bridge spans the West Passage of Narragansett Bay and links the towns of North Kingstown with the Town of Jamestown. The bridge

has four travel lanes separated by a concrete Jersey barrier. The bridge was completed in 1992 and was built alongside the town lane bridge that had served the same route since 1940. The original Jamestown Bridge was demolished in April 2006.

■





## Rhode Island Public Transit Authority

Revenues by Source	FY2011 Actual	FY2012 Enacted	FY2012 Revised	Change from Enacted		FY2013 Board*	Change from Enacted	
Motor Fuel Tax	\$41.0	\$41.8	\$41.5	(0.3)	-0.8%	\$41.2	(\$0.6)	-1.5%
Passenger Revenue	22.1	22.2	22.2	(0.0)	-0.1%	23.3	2.2	9.8%
Special Revenue	0.9	0.9	0.9	0.0	0.8%	1.0	-	0.0%
Other Revenue	11.9	11.7	11.7	(0.0)	-0.1%	11.8	0.6	5.0%
Federal Funds	24.4	20.6	21.6	1.0	5.0%	19.5	(4.9)	-23.8%
DHS - RIDE	\$0.9	\$0.9	\$0.9	(0.0)	-4.6%	\$0.8	-	0.0%
Prior Year Carry Forward			\$1.3	1.3				
<b>Total</b>	<b>\$101.2</b>	<b>\$98.1</b>	<b>\$100.0</b>	<b>\$1.9</b>	<b>1.9%</b>	<b>\$97.6</b>	<b>(\$2.7)</b>	<b>-2.8%</b>
<b>Expenditures by Category</b>								
Salaries and Wages	\$44.5	\$44.8	\$44.6	(\$0.2)	-0.5%	\$45.8	\$2.4	5.6%
Employee Benefits	22.3	23.7	23.9	0.2	0.7%	24.8	0.9	3.9%
Special Services	2.4	1.6	0.7	(0.9)	-41.1%	2.3	0.0	0.7%
Operating Costs	29.4	32.3	34.3	2.0	6.7%	34.7	5.4	18.3%
Deficit Carry-forward	1.5	-	-	-	0.0%	-	(1.5)	-100.0%
<b>Total</b>	<b>\$100.0</b>	<b>\$102.4</b>	<b>\$103.4</b>	<b>\$0.4</b>	<b>0.4%</b>	<b>\$107.6</b>	<b>\$7.2</b>	<b>7.2%</b>
Prior Year Carry Forward	\$1.5							
Surplus/(Deficit)	\$1.3	(\$4.3)	(\$3.4)			(\$10.0)		
FTE Levels	821.0	844.0	820.0	(24.0)	-2.8%	850.0	6.0	0.7%

\$ 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, the purposes of RIPTA include:

- 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

### MAJOR ISSUES AND TRENDS FOR FY2013

The most significant fiscal challenges facing RIPTA revolve around the need to align its expenditures with a stable revenue stream. The Authority is reviewing its fixed-route and paratransit services, subsidized fares for certain ridership groups, investments in new technologies to enhance revenue and develop accurate information regarding ridership, and demand for increased service.

Beyond FY2013, RIPTA can expect its financial situation to worsen as gas tax revenue, RIPTA's main source of income, declines due to vehicles becoming more fuel efficient and as consumption of fuel decreases due to an increase in price.

Currently, 41.4 percent of RIPTA's revenue (\$41.5 million in FY2012) comes from gas tax proceeds. This is expected to increase to 42.2 percent in FY2013, due mainly to a decrease in funds, not an increase in gas tax revenue.

The following table shows the distribution of the gas tax in cents.

## Motor Fuel Tax Distribution: Cents/Gallon

	General				UST Fund	Total
	Revenue	DOT / Highway	RIPTA / Transit <sup>3</sup>			
FY2002	0.25	20.50	7.25		1.00	29.00
FY2003	2.25	20.50	7.25		1.00	31.00
FY2004 <sup>1</sup>	1.40	20.75	7.85		1.00	31.00
FY2005	2.00	20.75	7.25		1.00	31.00
FY2006	1.00	20.75	8.25		1.00	31.00
FY2007	1.00	20.75	8.25		1.00	31.00
FY2008	1.00	20.75	8.25		1.00	31.00
FY2009 <sup>2</sup>	1.00	20.75	8.75		0.50	31.00
FY2010	0.00	21.75	10.75		0.50	33.00
FY2011	0.00	21.75	10.75		0.50	33.00
FY2012	0.00	21.75	10.75		0.50	33.00
FY2013 Est.	0.00	21.75	10.75		0.50	33.00

<sup>1</sup> Distribution for May and June included 3.2 cents/gallon for general revenue; 6.25 cents/gallon for Transit

<sup>2</sup> One-half cent/gallon of the UST fee is deducted to RIPTA

<sup>3</sup> Includes one cent for the RIde program, allocated to DEA (through FY2009) or DHS (FY2010 forward) and transferred back to RIPTA

Diesel fuel costs have fluctuated dramatically over the past five years. The table below shows the New England and the national average price of ultra-low sulfur diesel fuel from 2007 through 2011. RIPTA's cost for fuel is similar to the national average.

## Ultra Low Sulfur Diesel Fuel Prices, 2007-2011

Year	Average	Average
	New England Price	National Price
2007	\$3.02	\$2.94
2008	4.02	3.81
2009	2.63	2.47
2010	3.09	2.99
2011	3.98	3.84
<b>5 Year Average</b>	<b>\$3.35</b>	<b>\$3.21</b>

Source: U.S. Energy Information Administration

Increases in fuel prices have a significant impact on the RIPTA operating budget: The FY2013 budget is based on \$3.50 per gallon, consistent with FY2012. There is limited storage for diesel fuel in Rhode Island, and lock-in prices with fuel supply companies typically reflect prices \$0.10 to \$0.15 per gallon above current market prices. These factors combine to make fuel costs a difficult variable to forecast in the budget process. The price of diesel fuel as of February 27, 2012, was \$4.22 per gallon, up \$0.06 over the past week, and \$0.32 over the same time last year. To date, the average price of diesel fuel in FY2012 is \$4.02/gallon.

**Ongoing Budget Deficits**

In the FY2009 Supplemental Budget, the General Assembly shifted one-half penny from the Underground Storage Tank (UST) fund to RIPTA; RIPTA's total allocation was increased to 7.75 cents per gallon (an additional \$0.01/gallon flows through RIPTA for DHS transit costs). Beginning July 1, 2009 (FY2010), Rhode Island increased the gas tax by two cents (\$0.02) to thirty-two cents (\$0.33) per gallon, with the additional \$0.02 allocated to RIPTA. Despite the commitment of additional funds, at its September Board meeting, RIPTA announced that it is facing a revised deficit of \$4.6 million for FY2012.

<b>Revenue</b>	<b>Enacted FY2012</b>	<b>Revised 9/1/2012</b>	<b>Change from Enacted</b>
Gas Tax	\$41.8	\$41.4	(\$0.4)
Passenger Revenue	22.2	22.2	-
Federal Funds	20.6	20.8	0.2
Other Revenue	13.5	13.3	(0.2)
<b>Total Revenues</b>	<b>\$98.1</b>	<b>\$97.7</b>	<b>(\$0.4)</b>
<b>Expenditures</b>			
Personnel	\$68.5	\$68.4	(\$0.1)
Operating Costs	32.3	32.3	-
Special Services	1.6	1.6	-
<b>Total Expenditures</b>	<b>\$102.4</b>	<b>\$102.3</b>	<b>(\$0.1)</b>
<b>Projected Deficit</b>	<b>(\$4.3)</b>	<b>(\$4.6)</b>	<b>(\$0.3)</b>

*\$ in millions.*

At that time, the Board of Directors presented a deficit reduction plan but it would still have left a deficit of \$1.9 million for FY2012. The plan included \$2.7 million in savings and adjustments:

- \$93,000 from operations (closing the maintenance facility on Sunday)
- \$500,000 from service adjustments (reducing route frequency)
- \$360,000 from rule-contract changes (allowing vacation buyback to reduce overtime and increasing the use of part-time personnel)
- \$450,000 from personnel reductions (approximately 20 employees through attrition and layoffs)
- A projected FY2011 surplus of \$1.3 million

At a meeting on December 19, 2011, it was announced that the authority would lay off 33 workers, effective February 1, 2012, in an attempt to close the remaining \$1.9 million deficit. On January 13, 2012, 22 layoff notices were issued. Net savings from this action are estimated at \$950,000 on an annual basis.

The FY2013 budget presented by the Governor includes a deficit of \$10.0 million, primarily from:

- A decrease of \$300,000 in the gas tax subsidy
- A decrease of \$2.1 million in federal subsidies, based on less preventative maintenance based on anticipated reduction of expenses eligible for reimbursement
- A binding arbitration award (December 2010) for the workers of the Amalgamated Transit Union (ATU), totaling \$7.5 million over three years. By law, RIPTA is required to use binding arbitration to settle contract disputes. In FY2013, the cost of the award will be \$1.3 million

	<b>RIPTA Binding Arbitration Award</b>	
	<b>Actual</b>	<b>Compound Total</b>
FY2010	-	-
FY2011	1.2	1.2
FY2012	1.3	2.5
FY2013	1.3	3.8
<b>Total</b>		<b>\$7.5</b>

*\$ in millions.*

- Debt service increase from \$1.1 million to \$1.9 million

- Diesel fuel is budgeted at the FY2012 rate of \$3.50 per gallon
- Health insurance employer cost rate increase of 8.5 percent from the State Budget Office
- No Other Post-Employment Benefits (OPEB) contribution beyond the current pay-as-you go payments. A payment of \$6.3 million is needed for the annual required contribution to the State Trust

*Analyst's Note: The FY2013 budget does not reflect the union layoffs/reclassifications savings due to the nature and time required based on the collective bargaining agreement bumping rules/process.*

**Ridership**

In FY2011, RIPTA's total ridership was 17.6 million passengers, a decline of 2.5 percent from FY2010, while ridership for the RIDE program increased by 4.2 percent. The following table shows ridership, by category, for RIPTA for FY2009 through FY2011, a net decline of 2.3 percent.

<b>RIPTA Ridership</b>					
	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>	<b>Change (Passengers)</b>	<b>% Change</b>
Fixed Route (including trolley & flex)	17,999,868	18,043,352	17,596,194	(447,158)	-2.5%
RIDE (ADA & Seniors)	590,870	616,875	641,534	24,659	4.2%
<b>Total</b>	<b>18,590,738</b>	<b>18,660,227</b>	<b>18,237,728</b>	<b>(422,499)</b>	<b>-2.3%</b>

Human services transportation categories (RIDE and Flex) have experienced growth, a trend which is also visible in the use of wheelchair vans and private ambulance companies through the Department of Human Services (DHS). In 2010, RIPTA assisted DHS in a study that identified \$61.8 million in annual expenditures on human services transportation in Rhode Island and found that providers of services to the developmentally disabled were using RIDE services for trips other than those for non-emergency medical transportation. In response, the FY2012 Budget as Enacted included a 75.0 percent reduction in funding for developmental disabilities (DD) transportation services which amounted to \$4.2 million in all funds (\$2.0 million general revenue).

The budget for the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) includes authorization for transportation to and from community activities in the daily rates it pays providers. RIPTA reports that DD providers are choosing instead to register clients under the Americans with Disabilities Act (ADA) and transfer the cost to RIDE. As of January 2012, RIDE has transported an additional 80,000 ADA trips this fiscal year at a cost of about \$30 per trip (\$2.4 million). Most of the additional trips are the DD transfers. According to RIPTA, this policy change has not saved the state money, just transferred the cost to another agency.

**Personnel**

In the FY2012 Budget as Enacted, RIPTA had 844.0 authorized FTE positions, including 26.0 non-union (management) FTE positions and 818.0 union positions. As of January 2012, 24.0 of those FTE positions were vacant; the majority is within the maintenance and transportation departments.

<b>RIPTA Personnel</b>					
	<b>FY2011 Enacted</b>	<b>FY2011 Actual</b>	<b>FY2012 Enacted</b>	<b>FY2012 Actual</b>	<b>FY2013 Projected</b>
Management	26.0	24.0	26.0	25.0	25.0
Non-Management	819.0	797.0	818.0	795.0	825.0
<b>Total</b>	<b>845.0</b>	<b>821.0</b>	<b>844.0</b>	<b>820.0</b>	<b>850.0</b>
Vacancies	-	24.0	-	24.0	-

In FY2012, the initial budget submission retained two management positions. However, there will be no new management positions hired in FY2012. The FY2013 increase of 6.0 FTE positions are in the bus operator ranks. On January 13, 2012, 22 layoff notices were issued. The decrease in staff as a result of the proposed lay-offs is not reflected in the actual personnel numbers, and RIPTA reports that a majority of the employees that were issued notices will be able to fill vacant bus driver positions.

## STUDY COMMISSIONS

Over the course of the past several years, the mission and focus of RIPTA have been under review, both by the General Assembly and by staff at the agency, municipal, and State level. In 2011, the Senate Commission on Sustainable Transportation reported that based on information presented by RIPTA, in order to attract new riders, meet demand, and achieve the visions outlined in RIPTA's strategic plan, an additional \$44.0 million would be required in the next five years.

In 2006, the Senate and House formed the Special Legislative Commission to Study Transit Service in the State of Rhode Island (Commission). The Commission concluded that the transit system that Rhode Island is attempting to maintain is not going to be enough to meet future needs due to factors such as rising energy costs, traffic congestion, shifts in demographic trends, renewal of urban design, and extension of commuter rail service in the state.

In 2008, the Governor established the Blue Ribbon Panel on Transportation Funding (BRP), a 12-member panel developed to investigate the funding needs of transportation and transit in Rhode Island. The BRP issued its final report in December 2008, concluding that providing alternate modes of transportation was a critical component of the State's future transportation needs.

## CAPITAL PROJECTS

There are ten projects funded through RIPTA's capital program. Major projects include:

**Bus Purchases:** In FY2011, RIPTA took delivery of 53 forty-foot hybrid buses, 10 hybrid trolleys, and 2 clean diesel thirty-five foot buses. During FY2012, RIPTA will replace four Flex vehicles, and during FY2013, RIPTA plans to replace the fleet of buses purchased in 2000 (30 buses). This fleet replacement schedule will allow RIPTA to reduce costs from breakdowns, repairs, and towing and will ensure the safety of the vehicles in operation. The buses being replaced were originally purchased between 1999 and 2002 and have outlived their useful lifespan. Of the \$15.7 million allocated to bus purchases in FY2013, the Federal Transit Administration will provide \$11.0 million and \$4.7 million will be provided through State bond funds.

**Intelligent Transportation Systems (ITS) Implementation:** The Governor includes \$10.8 million, including \$1.9 million from the RIPTA Revolving Loan Fund and \$8.9 million in Federal Transit Authority (FTA) funding, to implement ITS by the end of FY2013. The project will provide GPS technology and real-time route monitoring to allow for improved customer service and efficiencies in scheduling.

**Paratransit Vehicles:** RIPTA maintains a fleet of 125 vehicles for the paratransit program, RId. FTA guidelines specify that paratransit vehicles should not be used for more than an average life of five years. RIPTA will replace 20 vehicles in FY2012 and 15 vehicles in FY2013.

The FTA pays 80.0 percent of each vehicle replacement cost and RIPTA pays a 20.0 percent local match. In FY2013, the FTA will fund \$1.1 million in paratransit vehicle replacements, while RIPTA will fund \$281,138 from its internal revolving loan fund.

**Providence Core Community Connector:** The Governor recommends \$2.1 million in FY2013, as part of an \$8.2 million project to study the feasibility of an urban circulator system (streetcar) connecting the

Universities and the Knowledge District of Providence. Along with the streetcar option, other modes of transit will be studied. The City of Providence is contributing the \$420,000 local match in FY2013, while RIPTA will provide the \$1.7 million necessary in FTA funding. The goal is to provide a comprehensive study that meets FTA criteria for future capital investment grant funding. The recommended project includes only the assessment and application phases. Final recommendation for the Core Community Connector will be determined when funding sources are identified.

*(For details of the Governor's complete capital proposal, see the Capital Budget Analysis.)*



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## SPECIAL REPORTS

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## Articles

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### ***Article 1: Relating to Making Appropriations in Support of FY2013***

This article makes appropriations for general revenues, federal, restricted, and other funds, and authorizes FTE levels for each agency and department. Within this article, the Governor also continues the requirement that Rhode Island Housing provide resources in support of the Neighborhood Opportunities Program: an amount is not designated.

### ***Article 2: Relating to Borrowing in Anticipation of Receipts from Taxes***

This article allows the State to borrow a maximum of \$300.0 million in anticipation of tax revenues during FY2013. This form of borrowing with commercial paper is referred to as Tax Anticipation Notes, or TANs. The state Constitution requires that “any money borrowed in anticipation of such receipts shall be repaid within the fiscal year of the state in which such borrowings take place.” Therefore, funds borrowed through a TANs issuance must be repaid by June 30, 2013.

### ***Article 3: Relating to the Rhode Island Public Telecommunications Authority***

This article ends appropriations for the support and maintenance of the Rhode Island Public Telecommunications Authority effective January 1, 2013. The Governor recommends \$425,286 in general revenue financing of the Authority for the first six months of FY2013, after which funding would cease. Eliminating state support does not mean the full elimination of the Authority since other sources of funding, such as the Corporation for Public Broadcasting, provide about 80.0 percent of the Authority’s total funding.

### ***Article 4: Relating to Government Organization***

This article makes the following changes to the organization of state government:

- Transfers all functions of the Rhode Island Higher Education Assistance Authority (RIHEAA) to the Board of Governors for Higher Education and the Office of Higher Education (OHE) thereby shifting 39.6 FTE positions to OHE.
- Creates the Office of Management and Budget within the Department of Administration, assuming the functions of the current Budget Office, overseeing the performance management program, and creating a new federal grants management unit (including ARRA-funds tracking currently undertaken by the Governor’s Office of Economic Recovery and Reinvestment). This article results in the addition of 11.0 FTE positions to OMB, offset by a reduction of 12.0 FTE positions through the elimination of the Bureau of Audits. The new OMB will also assume the internal auditing function of the Bureau of Audits.
- Increases the use of performance management within state agencies.
- Transfers the Low Income Heating Assistance Program and the Weatherization Assistance Program along with 8.0 FTE positions from the Office of Energy Resources (OER) to the Department of Human Services (DHS). This reorganization also results in the transfer of \$19.2 million in federal funds from OER to DHS.
- Expands the authority of the Office of Energy Resources (OER) to include all state and federal renewable energy programs, including the transfer of the Renewable Energy Program and Renewable Energy Development Fund from the Economic Development Corporation and renewable energy programs from the Department of Environmental Management to OER.

- Reverses the transfer of dispatch functions from the Department of Environmental Management to the Department of Public Safety.

**Article 5: Relating to Capital Development Program**

This article submits a total of \$201.4 million in capital development referenda to Rhode Island voters for their approval. Proposed as five questions on the November 2012 ballot, the following projects are included:

<b>Governor's Proposed November 2012 Bond Referenda</b>		
Question 1	Higher Education	\$109.9
	<i>Nursing Education Facility</i>	65.2
	<i>RIC Capital Improvements</i>	44.7
Question 2	Transportation	21.5
	<i>Highway Improvement Program</i>	20.0
	<i>RIPTA Bus Purchase/Rehabilitation</i>	1.5
Question 3	Clean Water and Drinking Water Infrastructure	20.0
Question 4	Open Space and Recreational Development	25.0
Question 5	Affordable Housing Development	25.0
<b>Total</b>		<b>\$201.4</b>
<i>\$ in millions</i>		

**Article 6: Relating to Bond Premiums**

This article requires premiums and accrued interest from the sale of capital development bonds or notes to become part of the Rhode Island Capital Fund (RICAP), instead of general revenue, unless directed by federal law or regulation to be used for another purpose. This article corrects an omission in the 2006 public laws.

**Article 7: Relating to Debt Management Act Joint Resolutions (Kushners)**

This article serves as a joint resolution required for the issuance of the following debt:

- **Information Technology Improvements:** authorizes \$56.5 million in total project costs, including financing costs, for the implementation of additional modules of the statewide financial system (\$11.4 million); for an integrated tax system (\$24.8 million); and for improvements to the technology infrastructure of local education agencies (\$19.8 million).

*Analyst's Note: The article as written does not identify the funding vehicle for this project; however, other information indicates the debt will be issued in Certificates of Participation (COPs).*

- **Rhode Island Airport Corporation Revenue Bonds:** authorizes \$174.0 million in debt for various improvements including, but not limited to, a de-icer management system, runway and taxiway improvements, noise mitigation and land acquisition, and facility developments.
- **Quonset Development Corporation Revenue Bonds:** authorizes \$7.5 million in debt for various capital projects including, but not limited to, harbor, pier, port, channel, dredging and other costs related to the Davisville Piers Improvements project at the Quonset Business Park.
- **Resource Recovery Corporation Revenue Bonds:** authorizes \$40.0 million in bonds to fund the design and construction of a leachate pretreatment facility to comply with projected changes in discharge standards for the disposal of wastewater into a public sewer.
- **Grant Anticipation Revenue Vehicle (GARVEE) Shift:** reallocates \$9.6 million in GARVEE bonds from the Washington Bridge project to the Sakonnet River Bridge project.

**Article 8: Relating to Information Technology Investment Fund**

This article deletes the language from the enabling statute for the Information Technology Fund referencing the account as a revolving fund.

**Article 9: Relating to Department of Health Fees**

This article restructures various statutory licensing fees assessed by the Department of Health, including consolidating fees into one schedule, amending fees on the basis of Department of Labor and Training (DLT) and other national employment earnings statistics, and creating a new \$50.00 fee for Letters of License Verification. This article is estimated to increase revenues by \$305,275 in FY2013 and primarily in odd numbered years, as some fees are renewed bi-annually. For FY2014, revenues are anticipated to increase by \$2.8 million through statutory changes to the fee structure.

*Analyst's Note: The Governor's proposal includes a total of \$1.5 million in additional revenue due to the restructuring of various licensing fees in DOH, including both statutory and regulatory licensing fees. The proposed increase of \$305,275 is attributable to changes in statutory licensing fees and \$1.2 million in revenue is attributable to changes in regulatory licensing fees.*

**Article 10: Relating to Making Revised Appropriations in Support of FY2012**

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 FY2012. The Governor's budget recommends \$30.2 million in additional general revenue expenditures above the FY2012 Budget as Enacted. The increases are largely in the General Government, Human Services and Public Safety areas, and largely reflect year-to-date spending patterns in the first quarter report. The sole revenue enhancement in FY2012 is the proposed transfer of \$6.0 million in issued bond premiums from the RICAP fund to general revenues.

**Article 11: Relating to State Retirement Contributions**

This article repeals the mandatory supplemental employer retirement contribution to the State Retirement System for state employees and teachers. State law requires that in any fiscal year following FY2012 that the actuarially-determined state employer contribution rate is lower than the prior year, the Governor shall include an appropriation to the retirement fund in an amount equivalent to 20.0 percent of the projected reduced employer contributions. The appropriation is applied to the actuarial accrued liability for state employees and teachers, thereby increasing the assets of the State Retirement System and lowering the employer contribution rates in future years. The article repeals this requirement allowing the potential savings to be used for other purposes. The estimated value of the supplemental contribution is \$3.2 million in FY2013, of which \$2.6 million is general revenue.

**Article 12: Relating to Education Aid**

This article provides a new standardized budget process for school committees and superintendents based on the Uniform Chart of Accounts (UCOA), amends the telephone relay service surcharge to include wireless phone lines and reduces the surcharge rate from \$0.26 to \$0.15 per line per month. The additional funds would be deposited into the Rhode Island Telecommunications Education Access Fund (E-Rate) restricted receipt account to ensure that internet connectivity for qualified schools is funded. This amendment is expected to generate \$762,239 in increased revenue for the E-Rate program and \$84,693 in indirect cost recovery charges to the general fund.

The Governor proposes the following changes in education aid:

- Reduces the minimum school housing share ratio to 35.0 percent from the 40.0 percent enacted by the General Assembly in 2011 (\$438,274 in estimated savings in FY2013).

- Redefines the cost-sharing agreement between the State and the City of Central Falls through the Central Falls Stabilization Fund.
- Eliminates state funding to districts for the administration of school breakfast programs (saving \$270,000 in general revenue).
- Reduces FY2013 general revenue appropriations to districts by the amount of the supplemental award under the federal Education Jobs Fund program (saving \$472,593 in general revenue).
- Eliminates state funding for the non-public textbook reimbursement fund (saving \$240,000 in general revenue).
- Eliminates \$342,318 in general revenue paid in tuition to the Perkins School. Two students currently attend the Perkins School, with one expected to age out of the program in 2012, the other has one more year.
- Allocates \$500,000 to the high-cost special education categorical fund.
- Calculates the reimbursement of School Housing Aid for charter schools based on a three-year average of the rates of the communities where the students reside, instead of the 30.0 percent in current law (no fiscal impact in FY2013).

***Article 13: Relating to Public Officers and Employees***

This article adds language allowing the Department of Administration to adjust the salaries of directors of state executive departments in an amount comparable to adjustments made for classified employees through collective bargaining agreements. In addition, this article eliminates the legal requirement that the Department of Administration conduct an annual public hearing to determine salaries paid to directors.

***Article 14: Related to Restricted Receipt Accounts***

This article creates two new restricted receipt accounts, the “Early Childhood Grant Program Account” in the Department of Elementary and Secondary Education and the “Defined Contribution Plan – Administration” account in the Office of the General Treasurer, and exempts these accounts from the 10.0 percent indirect cost recovery provision. The article also adds the following to the list of accounts exempt from the indirect cost recovery:

- Municipal Police Training Academy Fees Account
- Office of Management and Budget
- Information Technology Investment Fund
- RI National Guard Counterdrug Program

***Article 15: Relating to Uncompensated Care***

This article establishes the authority for the Disproportionate Share Hospital (DSH) program for federal fiscal year 2013 (state fiscal year 2014) with the aggregate payment limit set at \$126.2 million.

***Article 16: Relating to Police and Fire Relief Benefits***

This article constrains future expenditures from the policemen’s and firefighter’s relief funds by limiting future appropriations to the amount provided in the FY2012 Budget as Enacted and by amending language that sets the statutory benefit amount as the cap. The article allows the Department of Labor and Training to establish asset and eligibility rules and regulations to further reduce benefit payments and

to ensure that benefits are paid to those most in need of assistance. The article creates a five-member police and fire relief fund review panel.

***Article 17: Relating to Medical Assistance – Dental Benefits***

This article amends current legislation to authorize the Executive Office of Health and Human Services to eliminate dental services for Medicaid-eligible adults age twenty-one and older. Elimination of this optional benefit is projected to save \$2.7 million in general revenue in FY2013.

***Article 18: Relating to Office of Health and Human Services***

This article makes technical modifications to various sections of Chapter 42-7.2, entitled “Office of Health and Human Services”, to remove all statutory and regulatory references to the Department of Human Services as the overseer and administrator of the Medical Assistance program and replace them with the Executive Office of Health and Human Services. The article replaces references to the “Department of Mental Health, Retardation and Hospitals” with “Department of Behavioral Healthcare, Developmental Disabilities and Hospitals” and removes references to the Department of Elderly Affairs.

***Article 19: Relating to Rhode Island Veterans’ Home***

This article contains a resolution to give “careful consideration” to the recommendation, made by the Special House Commission to “Undertake a Comprehensive Study of the RI Veterans’ Home in Bristol and Develop a Master Plan for the Overall Future Direction of the Facility”, and that the Governor and General Assembly consider a bond issue for the construction of a new veterans’ home and associated assisted living residence on the property of the existing facility in Bristol.

***Article 20: Relating to East Bay Bridge System***

This article allows for the transfer of the Sakonnet River Bridge and the Jamestown Verrazzano Bridge to the Rhode Island Turnpike and Bridge Authority (RITBA). The proposal also allows for the establishment and collection of tolls on the Sakonnet River Bridge. The article establishes the East Bay Infrastructure Fund, to be used for road and bridge projects in Newport and Bristol Counties (the East Bay). These projects are also eligible for federal funds. Language is also included to ensure that RITBA has the appropriate authority to have these bridges under its purview.

***Article 21: Relating to Abused and Neglected Children***

This article permits the Department of Children, Youth, and Families (DCYF) and the Family Court oversight of legal cases in which abuse or neglect of a child has been indicated, but a determination has been made that the child or children can remain in the home with the assistance of community-based services and supports. Changes were made in the FY2012 Budget that terminated the authority of DCYF and the Court in such cases. This article seeks to reverse those changes. This article has no fiscal impact.

***Article 22: Relating to Department of Corrections***

This article allows the Department of Corrections to negotiate changes to collective bargaining agreements that would amend the way overtime hours are calculated. The Governor’s proposal includes three months of savings (\$325,000 in general revenue) based on an assumption that an agreement can be reached allowing additional hours to be counted as regular time on a monthly basis, saving on overtime expenses. The time calculation is similar to that used for other public safety entities. Additionally, the article eliminates a statutory provision requiring that the collective bargaining agreements for employees at the Department of Corrections supersede state laws.

**Article 23: Relating to Compensation of Board Members**

This article eliminates compensation to members of the Board of Elections, the Personnel Appeal Board within the Department of Administration, and the Labor Relations Board within the Department of Labor and Training, saving \$189,172 in salary and benefit costs for FY2013.

**Article 24: Relating to Taxation and Revenues**

This article makes a number of changes to various revenues:

- Implements the annually-enacted Hospital License Fee for FY2013, to be assessed at 5.43 percent of net patient services revenue. The Governor includes \$143.8 million from the proposal.
- Expands the definition of hotels subject to the State's lodging tax to include Bed and Breakfast establishments and vacation properties rented for more than 15 days per year. The State is estimated to receive \$252,398 in additional revenue, and municipalities would receive \$540,852.
- Re-establishes the "Project Status" sales tax exemption program at the RI Economic Development Corporation. Project Status was eliminated as part of the FY2012 Budget. Future projects would be designated as "Rhode Island Sales Tax Exemption for Jobs Credit (RISE for Jobs Credit)" participants. The revised program would cap each project term at five years, require participating companies to offer health insurance benefits to employees, and specify that retail projects, including retail banking projects, would not be eligible for the program. The proposal estimates a \$1.0 million revenue loss in FY2013.
- Offers a tax amnesty program for a 75-day period from September 1 through November 15, 2012. Under the program, civil and criminal penalties for non-compliance would be forgiven and interest owed would be reduced by 25.0 percent. The Governor assumes \$10.9 million in additional revenue collections from the amnesty period.
- Expands the Sales and Use tax definition to include the revised definition of hotels subject to the lodging tax and eliminates the sales tax exemption for clothing or footwear that costs more than \$175.00 per article. The Governor assumes \$1.7 million in additional sales tax collections from the expanded hotel tax, and \$11.5 million in net additional sales tax collections from the application to clothing. The application of the tax to clothing and footwear is estimated to raise \$13.3 million. However, the \$175 threshold violates Rhode Island's voluntary participation in the Streamlined Sales and Use Tax Agreement, resulting in an estimated \$1.8 million revenue loss.
- Increases the meals and beverage tax from 1.0 percent to 3.0 percent, with the additional amount remitted to the State. The Governor includes \$39.5 million in additional state revenue collections from expansion of the meals and beverage tax.
- Adds definitions for services proposed to be subject to the Sales and Use Tax, including taxicabs and other road transportation services; moving, storage and freight services; non-veterinary pet services; and car washes. The additional services account for \$16.6 million of the \$28.1 million in proposed additional sales taxes.
- Increases the Cigarette Tax from \$3.46 to \$3.50 per pack, clarifies the definition of little cigars to subject certain products to the Cigarette Tax, and increases the maximum Cigar Tax from \$0.50 to \$1.00 per cigar. The Governor includes \$4.3 million in additional revenues from the increases.
- Modifies the Motion Picture Production Tax Credit to include pre- and post-production (excluding marketing) work and documentary productions; reduces the minimum total production budget eligibility requirement from \$300,000 to \$100,000; shifts credit review and approval authority from the Rhode Island Film and Television Office to the Division of Taxation; and establishes a sunset

date for the program of July 1, 2019, after which additional certifications would not be granted. No revenue change is associated with the amendments.

- Expands the definition of bottled beverages subject to the beverage containers tax to include all non-alcoholic drinks except milk. An estimated additional \$186,075 in revenue collections are projected in FY2013.

***Article 25: Relating to Division of Motor Vehicles***

This article allows the Division of Motor Vehicles to assess a \$100 fee for each re-inspection that may be required of school buses that fail an initial inspection. The inspection fee is estimated to generate \$58,650 in FY2013.

The article accelerates the \$30 motor vehicle registration and vehicle operator license surcharges that were enacted in the FY2012 Budget to be phased-in over a three-year period. The article requires the full fees beginning January 1, 2013. In FY2013 all surcharge revenues collected would be deposited in the Department of Transportation's Intermodal Surface Transportation Fund (ISTF). Beginning in FY2014, a three-year shift of the surcharge revenues from the ISTF to the Rhode Island Highway Maintenance Trust Fund would occur. The Governor includes \$13.6 million in additional restricted receipt revenues to be used for operations in FY2013.

***Article 26: Relating to Municipalities***

This article requires the state to reimburse municipalities for 50.0 percent of the cost for an annual actuarial valuation required by the "Retirement Security Act for Locally Administered Pension Fund" which is due to the State by April 1, 2012, at an estimated total cost of \$234,000. This is a one-time payment, and the State will not reimburse communities for these costs going forward. This article also clarifies that a portion of Distressed Community Relief Fund (\$784,458) is to be distributed equally among the distressed communities.

***Article 27: Relating to Historic Preservation Tax Credit Trust Fund***

This article amends the Historic Preservation Tax Credit restricted receipt account from the general fund to a new Historic Preservation Tax Credit Trust Fund. The shift is required to comply with revised Government Accounting Standards Board guidelines, and has no fiscal impact.

***Article 28: Central Falls***

This article codifies restrictions on the use of an anticipated \$2.6 million appropriation from the State to the City of Central Falls as part of a settlement agreement between the City Receiver, the Department of Revenue, and retirees from the City of Central Falls. Funds would be disbursed over a five-year period to municipal retirees who sustained significant pension reductions as a result of actions by the City Receiver to improve the financial condition of the City.

This article extends the term allowed under state statute for collective bargaining agreements for firefighters, municipal police, certified school teachers, and municipal employees, from 3 years to 5 years in cases where a receiver has been appointed under RIGL 45-9 (Fiscal Stability of Cities and Towns).

This article recognizes that the City of Central Falls is responsible for payment to the State of expenses and costs incurred carrying out the responsibilities of the receivership, and that these expenses will be reimbursed to the State no later than June 30, 2021. As of September 15, 2011, these expenses totaled \$1.2 million.

**Article 29: Relating to Municipal Police Training Academy**

This article allows the Director of the Department of Public Safety to establish a fee structure to charge Municipal Police Training Academy participants in order to fully finance the costs of the Academy. Currently the Academy is financed with State funds. The fees would be established through rules and regulations; however, the revenue assumptions are based on a \$4,000 per-participant fee estimate. The Academy trains all police officers in the state, with the exception of the State Police and the Providence Police Department. Jurisdictions sending recruits to the Academy would pay the fees. An estimated \$352,000 in annual restricted receipts revenues are projected based on the proposal. Article 14 of the proposal would exempt the account from the 10.0 percent indirect cost recovery surcharge.

**Article 30: Relating to Environmental Management**

This article repeals the Pollutant Discharge Fee Program (saving \$100,000 in general revenue) and the Water Well Drilling Licensure Program (saving \$100,000). This article also requires the Department of Environmental Management to establish and monitor well drilling regulations, the state building code to apply to wells that belong to a building, and individuals who register as a contractor to be qualified in one or more drilling disciplines.

**Article 31: Relating to Medicaid Reform Act of 2008**

This article establishes the legal authority for the Executive Office of Health and Human Services (OHHS) to undertake the following programmatic reforms in FY2013 within the Medicaid Global Consumer Choice Compact Waiver:

- **Elimination of Adult Dental Services:** OHHS proposes to eliminate the optional dental benefit coverage for Medicaid beneficiaries aged twenty-one or older while preserving coverage for emergency and palliative dental services when medically necessary. (*Category II change*)
- **Nursing Home Rate Reduction:** OHHS proposes to reduce nursing home per-diem reimbursement rates that would otherwise be in effect for FY2013 by no greater than 1.8 percent, effective July 1, 2012. This article also allows for the reinstatement of the reduction for FY2012. (*Category II change*)

*Analyst's Note: The article states that the rate reduction will be no greater than 1.8 percent, however, the actual reduction is 1.76 percent.*

- **Medicaid Managed Care Plan Refinements – New Components:** OHHS proposes to address obesity by establishing a targeted benefit package that would include nutritional education and exercise to reduce the frequency of bariatric surgical procedures and other costs associated with obesity. (*Category II change*)

**Article 32: Relating to Medical Assistance Recoveries**

This article empowers OHHS to intercept any medical assistance payments from personal injury or workers' compensation insurers in excess of \$3,000 paid to individuals who have received medical assistance services in excess of \$500. It also provides for automatic liens on a recipient's estate when the estate has not been admitted to probate. The policies in this article are expected to generate general revenue savings of \$545,000.

**Article 33: Relating to Holidays**

This article removes Election Day as a state employee paid holiday. Under the current collective bargaining agreement, whenever a paid holiday is removed by legislative action and a new holiday is not substituted, an additional personal day must be provided to the employees. Enacting this article will



reduce the holiday pay for state employees in 24/7 operations such as Correction Officers, State Police, employees at E-911, etc. The projected savings is \$763,326 in FY2013 of which \$590,000 is general revenues.

***Article 34: Effective Date***

This article provides that the Act would take effect on July 1, 2011, except as otherwise provided therein.

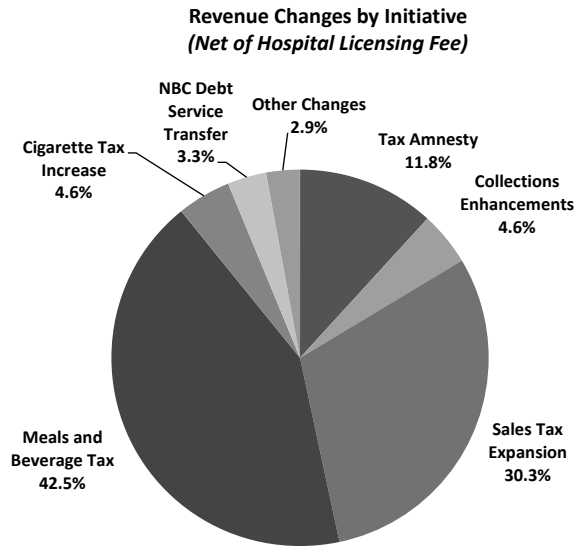


## Revenue

The Governor proposes \$236.7 million in general revenue enhancements for FY2013. Net of \$143.8 million for the annually-enacted hospital license fee, general revenues are proposed to grow by \$92.9 million, or 2.8 percent above the November 2011 revenue estimates. Approximately \$14.0 million (15.1 percent) of the changes are one-time revenue enhancements. For FY2012, the Governor includes \$6.0 million in additional revenues from the transfer of bond premiums.

The Governor’s proposal is estimated to raise \$149.0 million in additional non-general revenue collections for the State, and \$852,488 for municipalities, in FY2013.

Impacts of the specific tax and revenue proposals can be found with the following descriptions of the changes. A summary of the distributional impact of the proposed sales tax expansions and the meal and beverage tax increase are included at the end of this analysis.



### FY2013 GENERAL REVENUE ADJUSTMENTS

The Governor’s budget proposal contains the following revenue initiatives impacting general revenue receipts.

Tax Proposal	State Revenue	Local Revenue
Hospital License Fee	\$143,763,554	
Meals and Beverage Tax	39,522,786	
Sales Tax on Selected Services	16,620,478	
<i>Taxicabs and Other Transportation</i>	3,286,187	
<i>Moving, Storage, Warehousing and Freight</i>	10,809,724	
<i>Non-Veterinary Pet Services</i>	1,259,006	
<i>Car Washes</i>	1,265,561	
Net Sales Tax on Clothing over \$175	11,495,259	
<i>Sales Tax on Clothing over \$175</i>	13,334,361	
<i>Loss of SSUTA Voluntary Payments</i>	(1,839,102)	
Tax Amnesty Program	10,942,272	311,636
Tobacco Taxes	4,278,945	
<i>Cigarette Tax and related Sales Tax</i>	1,761,289	
<i>Little Cigars</i>	2,097,490	
<i>Cigar Tax</i>	420,166	
Taxation Collections Enhancements	4,265,050	
Narragansett Bay Commission Transfer	3,073,000	
Hotel Tax and related Sales Tax	1,935,049	540,852
Health Fees	1,512,462	
RISE for Jobs Tax Credit	(1,004,423)	
Litter Control Fee (Bottled Beverages)	186,075	
Environmental Management Fees	(75,779)	
Indirect Cost Recoveries on RITEAF	84,693	
School Bus Reinspection Fee	58,650	
<b>Total</b>	<b>\$236,658,071</b>	<b>\$852,488</b>

**Hospital License Fee**

**\$143.8 million**

Like many states, Rhode Island levies a licensing fee on hospitals which is used, in part, to help fund the state share of the Medicaid Disproportionate Share Hospital (DSH) payments. Article 24 assesses a licensing fee on all hospitals equal to 5.43 percent of net patient revenue in the fiscal year ending on or after January 1, 2010. The fee is expected to raise \$143.8 million in revenue, an increase of \$2.0 million (1.4 percent) from FY2012.

Hospital License Fee		
Year	Rate	\$ millions
FY2004	4.000%	\$62.4
FY2005	3.140%	58.6
FY2006	3.560%	70.8
FY2007	3.560%	78.0
FY2008	4.780%	111.4
FY2009	4.780%	111.4
FY2010	5.237%	128.8
FY2011	5.465%	141.8
FY2012	5.465%	141.8
FY2013	5.430%	143.8

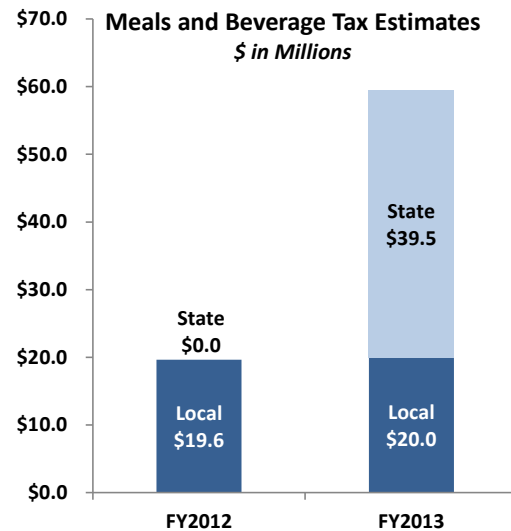
**Meals and Beverage Tax**

**\$39.5 million**

Beginning August 1, 2003, the State began collecting a 1.0 percent meals and beverage tax, in addition to the 7.0 percent sales tax. Meals are defined as any prepared food that is offered for sale and ready for immediate consumption. Beverages include both alcoholic and non-alcoholic drinks.

The meals and beverage tax is generally collected and submitted to the Division of Taxation by eating and/or drinking establishments on a monthly basis; however some small retailers (under \$200 in monthly sales tax collections) may submit quarterly. The Division of Taxation collects the taxes and distributes the collections, at least quarterly, to the city or town in which the meals and beverages were delivered.

Article 24 increases the meals and beverage tax rate from 1.0 percent to 3.0 percent, with the additional amount remitted to the State. The Governor includes \$39.5 million in additional state revenue collections from expansion of the meals and beverage tax. A summary of the distributional impact of the meal and beverage tax increase is included after the discussion of sales tax changes



State	Meals and Beverage Tax Rates		
	State	Local	Total
Connecticut	6.25	0.10	6.35
Maine	7.00	0.00	7.00
Massachusetts	6.25	0.75	7.00
New Hampshire	9.00	0.00	9.00
Rhode Island: Current	7.00	1.00	8.00
<b>Rhode Island: Proposed</b>	<b>9.00</b>	<b>1.00</b>	<b>10.00</b>
Vermont <sup>1</sup>	9.00	1.00	10.00

<sup>1</sup>Tax rate on alcoholic beverages served in restaurants is 10.00 percent plus a 1.00 percent local option.

**Sales Tax Base Expansion to Services**

**\$16.6 million**

Rhode Island levies a sales and use tax equivalent to 7.0 percent of the retail sales price of certain goods. The sales tax is charged by retailers at the point of purchase, and retailers are required to remit sales tax receipts to the Division of Taxation. Rhode Island currently exempts nearly all services and sales of food, clothing, and prescription medications from the sales and use tax.

The proposal adds definitions for services proposed to be subject to the sales and use tax. The additional services account for \$16.6 million (59.1 percent) of the \$28.1 million in proposed additional sales taxes. A summary of the distributional impact of the sales tax expansions is included at the end of this analysis.

**Proposed Taxation of Certain Services: Comparison**

	RI (Proposed)	MA	CT
<b>Sales Tax Rate</b>	7.00%	6.25%	6.35%
Taxicabs and Other Transportation	All	Exempt	Taxes Limosine Service (with driver). Others exempt
Moving, Storage, Warehousing and Freight	All	Exempt	Tax Automotive, Household Goods, and Mini-Storage. Others exempt
Non-Veterinary Pet Services	All	Exempt	Tax Pet Grooming. Others exempt
Car Washes	All	Exempt	All

Source: Department of Revenue, Office of Revenue Analysis

The expansion includes the following North American Industry Classification System (NAICS) Code definitions:

**Taxicabs and other road transportation services:** The proposal includes an estimated \$3.3 million from the expansion of the sales tax to the following services.

- **485310 Taxi Service:** This industry comprises establishments primarily engaged in providing passenger transportation by automobile or van, not operated over regular routes and on regular schedules. Establishments of taxicab owner/operators, taxicab fleet operators, or taxicab organizations are included in this industry.
- **485320 Limousine Service:** This industry comprises establishments primarily engaged in providing an array of specialty and luxury passenger transportation services via limousine or luxury sedans generally on a reserved basis. These establishments do not operate over regular routes and on regular schedules.
- **485510 Charter Bus Industry:** This industry comprises establishments primarily engaged in providing buses for charter. These establishments provide bus services to meet customers road transportation needs and generally do not operate over fixed routes and on regular schedules.
- **485999 All Other Transit and Ground Passenger Transportation:** This industry comprises establishments primarily engaged in providing ground passenger transportation (except urban transit

systems; interurban and rural bus transportation, taxi and/or limousine services (except shuttle services), school and employee bus transportation, charter bus services, and special needs transportation). Establishments primarily engaged in operating shuttle services and vanpools are included in this industry. Shuttle services establishments generally provide travel on regular routes and on regular schedules between hotels, airports, or other destination points.

**Moving, storage, warehousing, and freight services:** The proposal includes an estimated \$10.8 million from the expansion of the sales tax to the following services.

- **484110 General Freight Trucking, Local:** This industry comprises establishments primarily engaged in providing local general freight trucking. General freight establishments handle a wide variety of commodities, generally palletized and transported in a container or van trailer. Local general freight trucking establishments usually provide trucking within a metropolitan area which may cross state lines. Generally the trips are same-day return.
- **484210 Used Household and Office Goods Moving:** This industry comprises establishments primarily engaged in providing local or long-distance trucking of used household, used institutional, or used commercial furniture and equipment. Incidental packing and storage activities are often provided by these establishments.
- **493110 General Warehousing and Storage:** This industry comprises establishments primarily engaged in operating merchandise warehousing and storage facilities. These establishments generally handle goods in containers, such as boxes, barrels, and/or drums, using equipment, such as forklifts, pallets, and racks. They are not specialized in handling bulk products of any particular type, size, or quantity of goods or products.
- **493120 Refrigerated Warehousing and Storage:** This industry comprises establishments primarily engaged in operating refrigerated warehousing and storage facilities. Establishments primarily engaged in the storage of furs for the trade are included in this industry. The services provided by these establishments include blast freezing, tempering, and modified atmosphere storage services.
- **493130 Farm Product Warehousing and Storage:** This industry comprises establishments primarily engaged in operating bulk farm product warehousing and storage facilities (except refrigerated). Grain elevators primarily engaged in storage are included in this industry.
- **493190 Other Warehousing and Storage:** This industry comprises establishments primarily engaged in operating warehousing and storage facilities (except general merchandise, refrigerated, and farm product warehousing and storage).
- **531130 Lessors of Mini-Warehouses and Self-Storage Units:** This industry comprises establishments primarily engaged in renting or leasing space for self-storage. These establishments provide secure space (i.e., rooms, compartments, lockers, containers, or outdoor space) where clients can store and retrieve their goods.

**Non-veterinary pet services:** The proposal includes an estimated \$1.3 million from the expansion of the sales tax to the following services.

- **812910 Pet Care (except Veterinary) Services:** This industry comprises establishments primarily engaged in providing pet care services (except veterinary), such as boarding, grooming, sitting, and training pets.

**Car washes:** The proposal includes an estimated \$1.3 million from the expansion of the sales tax to the following services.

- **811192 Car Washes:** This U.S. industry comprises establishments primarily engaged in cleaning, washing, and/or waxing automotive vehicles, such as passenger cars, trucks, and vans, and trailers.

**Sales Tax on Clothing over \$175**

**\$11.5 million**

Article 24 eliminates the sales tax exemption for clothing or footwear that costs more than \$175 per article. The Governor assumes \$11.5 million in net additional revenue collections: including \$13.3 million in additional sales tax collections from the application to clothing that costs more than \$175 per article, partially offset by \$1.8 million in revenue reductions from lost voluntary payments under the Streamlined Sales and Use Tax Agreement.

Currently Massachusetts assesses a 6.25 percent sales tax for individual articles of clothing sold for \$175 or more, and Connecticut removed its \$50 threshold in 2011 and now assesses its 6.35 percent tax on all clothing.

State	Applies to	Tax Rate
RI (Current)	No Sales Tax on clothing	7.00%
RI (Proposed)	Sales Tax on clothing articles sold for \$175 or more	7.00%
MA	Sales Tax on clothing articles sold for \$175 or more	6.25%
CT	Sales Tax applied to all clothing- no threshold	6.35%

**Streamlined Sales and Use Tax Agreement:** Rhode Island became a voluntary member state of the Streamlined Sales and Use Tax Agreement (SSUTA) on January 1, 2007. The stated purpose of the Agreement is to “simplify and modernize sales and use tax administration in the member states in order to substantially reduce the burden of tax compliance.” The long-term goal of the Streamlined Sales Tax Governing Board is to have a national system that allows for simple and equitable taxation of sales from brick and mortar locations, catalog, and e-commerce sales.

Section 308 of the SSUTA outlines the sales tax rate requirements under the Agreement. Specifically, “No member state shall have multiple state sales and use tax rates on items of personal property or services, except that a member state may impose a single additional rate, which may be zero, on food and food ingredients and drugs as defined by state law pursuant to the Agreement.”

The proposed \$175 tax threshold for clothing violates Rhode Island’s voluntary participation in the Streamlined Sales and Use Tax Agreement, resulting in an estimated \$1.8 million revenue loss from voluntary vendor participation. The Governor’s proposal includes language revoking the tax on clothing should Congress enact a law requiring remote sellers to collect and submit sales taxes to states.

**Distributional Impacts of Sales Tax and Meals and Beverage Tax Proposals**

*Informational*

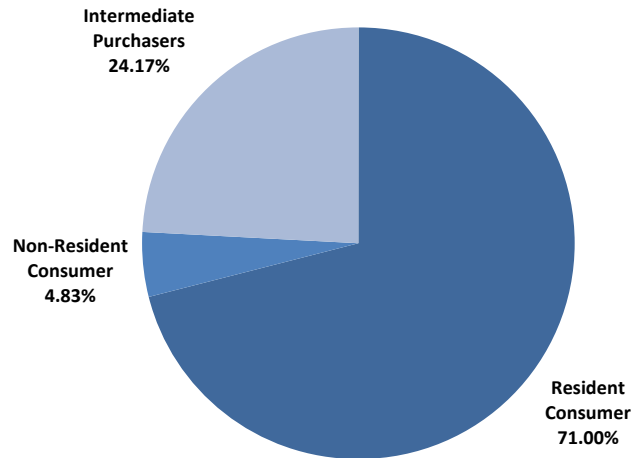
The Governor proposes a number of Sales Tax changes as part of the FY2013 Budget. The proposals would impact Rhode Island consumers to varying degrees. The Department of Revenue’s Office of Revenue Analysis (ORA) calculated distributional impacts of the Governor’s proposed Sales Tax changes. Of note, the data includes all of the proposed Sales Tax and Meals and Beverage Tax changes, and reflects Rhode Island resident consumers.

Based on data provided by the ORA, resident consumers are estimated to comprise 71.0 percent of the proposed additional tax collections, while non-residents make up 4.8 percent. The remaining 24.2 percent is estimated to come from intermediate purchasers, primarily businesses.

As shown in the table on the following page, the average annual tax increase on resident households ranges from a low of \$29.84 for the lowest income households, to \$346.28 at incomes above \$200,000. The bulk of additional revenues come from consumers with adjusted gross incomes between \$50,000 and \$200,000.

**Sales and Meals and Beverage Tax Change Impacts**

*Source: Department of Revenue, Office of Revenue Analysis*



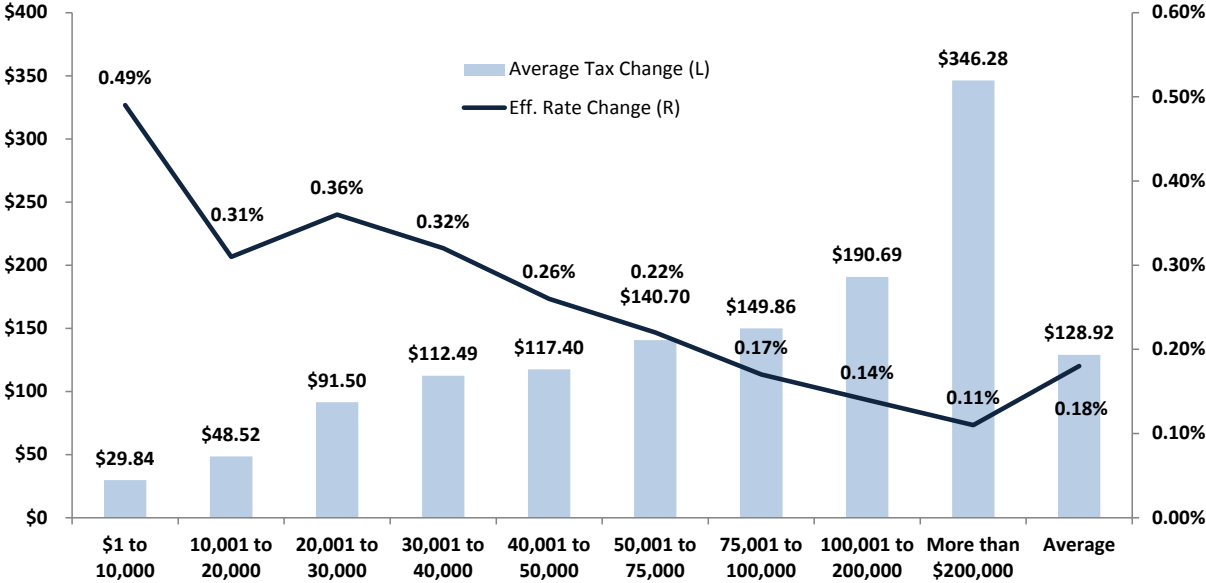
**Average Effective Sales Tax Rate Changes- Resident Consumers**

AGI Range	# Taxable Households	Eff. Rate Current Law	Eff. Rate Gov.	Eff. Rate Change	Average Tax Change	Allocation of Change
\$1 to 10,000	31,502	5.83%	6.32%	0.49%	\$29.84	1.91%
10,001 to 20,000	40,189	3.88%	4.19%	0.31%	48.52	3.95%
20,001 to 30,000	42,513	3.90%	4.26%	0.36%	91.50	7.88%
30,001 to 40,000	42,136	3.01%	3.33%	0.32%	112.49	9.61%
40,001 to 50,000	33,730	2.84%	3.10%	0.26%	117.40	8.03%
50,001 to 75,000	78,109	2.35%	2.57%	0.22%	140.70	22.27%
75,001 to 100,000	41,705	1.75%	1.92%	0.17%	149.86	12.67%
100,001 to 200,000	55,272	1.33%	1.47%	0.14%	190.69	21.36%
More than \$200,000	17,558	1.02%	1.13%	0.11%	346.28	12.32%
<b>Totals</b>	<b>382,714</b>	<b>1.88%</b>	<b>2.06%</b>	<b>0.18%</b>	<b>\$128.92</b>	<b>100.00%</b>

Based on data provided by the Office of Revenue Analysis, the statewide average tax change for resident consumer households would be an increase of \$128.92. The current effective tax rate for Sales and Meals and Beverage Taxes is 1.88 percent of household adjusted gross income, and this would increase to 2.06 percent, an 18-basis point increase. The proposed changes are regressive in nature in that (shown below) there are higher effective rate changes for lower income households.



**Sales Tax Change Distributional Impacts by Adjusted Gross Income Resident Consumers**



**Tax Amnesty Program**

**\$10.9 million**

The Governor proposes a tax amnesty program for a 75-day period from September 1 through November 15, 2012. Under the program, civil and criminal penalties for non-compliance with state tax laws would be forgiven, and interest owed would be reduced by 25.0 percent. The Governor estimates \$10.9 million in additional one-time revenue collections from the amnesty period. The estimated revenue gains are projected in the following tax categories:

**Tax Amnesty**

<u>Revenue Source</u>	<u>Estimated Collections</u>
Personal Income Tax	\$3,012,820
Business Taxes	383,273
Sales and Use Tax	4,422,830
Inheritance and Gift Tax	248,959
Fines and Penalties: Interest	2,827,042
Hotel Tax	47,348
<b>Total</b>	<b>\$10,942,272</b>

The State last held a tax amnesty period between September 1, 2006, and November 15, 2006, and collected \$9.8 million. When calculating the estimated FY2013 revenue impact, collection rates from the 2006 amnesty period were applied against accounts receivable as of June 30, 2011.

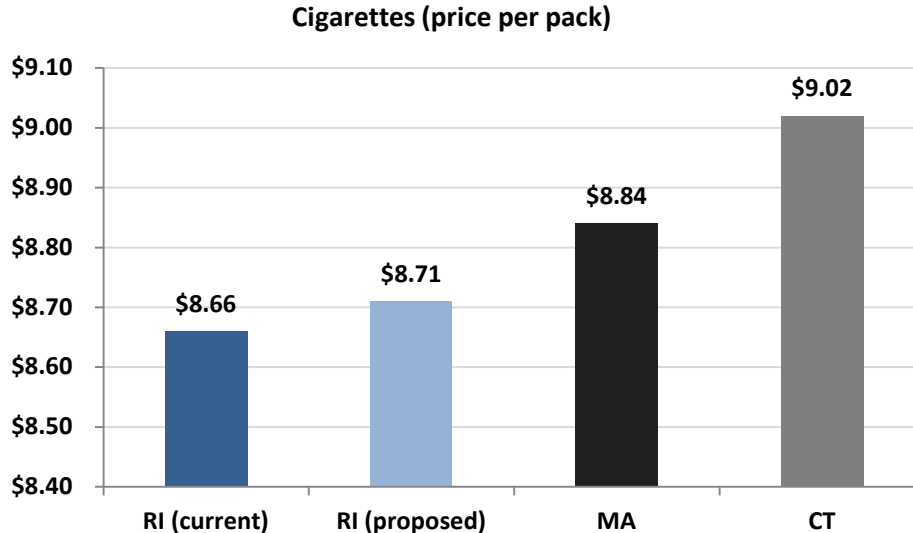
In addition to state tax collections, the amnesty period is estimated to generate \$311,636 for local governments. This includes \$56,366 in outstanding hotel taxes, \$180,391 in outstanding meals and beverage taxes, and \$74,878 in interest. The Governor’s budget recommendation includes \$300,000 to administer the amnesty program, including \$150,000 for advertising, \$75,000 for postage and printing costs, and \$75,000 for temporary employees.

**Tobacco Taxes****\$4.3 million**

The Governor increases the cigarette tax from \$3.46 to \$3.50 per pack, clarifies the definition of little cigars to subject certain products to the cigarette tax, and increases the maximum cigar tax from \$0.50 to \$1.00 per cigar. The Governor includes \$4.3 million in additional revenues from the increases.

**Cigarette Tax:** Rhode Island taxes cigarettes at \$3.46 per pack of twenty, or the equivalent of \$0.173 per cigarette effective April 10, 2009. Dealers and distributors are required to purchase cigarette stamps which are then affixed to packages of cigarettes and provide proof of payment. Stamp rolls are discounted for bulk purchases as a means of compensating dealers for the costs associated with affixing the tax stamps. When tax increases occur, existing stocks of cigarettes that remain unsold in stores may be assessed a floor stock tax. The floor stock tax is the difference between the taxes paid for existing stock and the new tax rate.

The Governor proposes to increase the cigarette tax from \$3.46 to \$3.50 per pack, a 1.2 percent increase. Inclusive of state cigarette taxes, wholesale and retail minimum markup provisions, and sales taxes, Rhode Island's proposed final average sale price for a pack of cigarettes would remain less than both Massachusetts and Connecticut.



The Governor's proposal includes \$1.8 million in anticipated additional revenues from the cigarette tax increase. According to Budget Office documents, this includes \$1.7 million from the cigarette tax, and \$127,052 for additional sales taxes collected on the increased cost base. The estimates do not include any reductions based on price elasticity as the increase is relatively small (1.2 percent) and Rhode Island would retain a price advantage in relation the neighboring states.

**Little Cigars:** The Governor proposes to clarify the law that allows certain little cigars to be taxed at the "other tobacco products" rate of 80.0 percent of the wholesale cost, rather than at the cigarette or cigar tax rates. Article 24 adjusts the weight threshold for the definition of little cigars that are taxed at the cigarette tax rate to include those that weigh not more than 4.0 pounds per 1,000 cigars. The current weight threshold is 3.0 pounds per 1,000 cigars. The changes are estimated to increase cigarette tax collections by \$2.1 million in FY2013.

*Analyst's Note: No new revenue was included for additional sales taxes that would be collected from the increased price of little cigars. Assuming 7.0 percent sales tax collections on the estimated \$2.1 million yields \$146,824 in potential additional revenues.*

**Cigar Tax:** The State assesses a tax equivalent to 80.0 percent of the wholesale cost of tobacco products other than cigarettes, including cigars, chewing tobacco and pipe tobacco. The tax on cigars is capped at \$0.50 per cigar. The article increases the maximum tax per cigar from \$0.50 to \$1.00, so any individual cigar with a wholesale price greater than \$1.25 would be subject to the maximum cigar tax. The Governor's proposal includes \$420,166 in additional tax collections from the change.

*Analyst's Note: No new revenue was included for additional sales taxes that would be collected from the increased cigar tax. Assuming 7.0 percent sales tax collections on the estimated \$420,166 yields \$29,412 in potential additional revenues.*

### **Taxation Collection Enhancements**

**\$4.3 million**

The Governor proposes \$4.3 million due to revenue collection enhancement activities at the Division of Taxation. These include an additional 4.0 FTE positions in Taxation for the Tobacco Enforcement Task Force, which is estimated to raise \$2.9 million, and reallocating 2.0 FTE Revenue Agents from the Tax Preparations section to the Audit Unit, generating an estimated \$1.3 million. The revenue figures assume an August 1, 2012, start-date.

**Tobacco Enforcement Task Force:** The Governor proposes to add 4.0 FTE Tax Investigator positions to the Tobacco Enforcement Task Force, at a cost of \$68,842 in salaries and benefits for each position. The additional \$275,368 in costs are offset by an estimated \$2.9 million in additional revenue collections.

Cigarette tax evasion is estimated to cost the State multi-millions annually: one trafficking operation identified in 2011 was estimated to have cost the state \$5.7 million in lost revenue. The main forms of tax evasion are cigarette stamp counterfeiting, cross-border smuggling, and unstamped products. The Division has explored alternative methods to improve tax compliance, and has determined that enhanced field enforcement is the most cost-effective means of enhancing collections.

In addition to the personnel, the Division will implement a Tobacco Tax Tip hotline to allow concerned citizens to make anonymous reports of potential tax violations. The added field enforcement and hotline are estimated to raise \$2.9 million in additional revenue, and also assist with state compliance with the tobacco Master Settlement Agreement under which the State agreed to diligently enforce tobacco tax laws.

**Reallocation of Tax Preparation Staff to Audit Unit:** The Governor eliminates tax preparation services at the Division of Taxation and reallocates 2.0 FTE Revenue Agents to the Office Audit section of the Division. In 2011 the Division of Taxation provided state tax form preparation services at no cost to 5,973 taxpayers. The Governor's proposal notes that two groups, the American Association for Retired Persons, and the Internal Revenue Service's Volunteer Income Tax Assistance Program, would continue to offer free tax preparation services.

The Revenue Agents would shift to the Office Audit section to enhance compliance and revenue collection. The average Revenue Agent collected \$1.3 million in FY2011. The Governor's proposal assumes a six-month training and ramp-up period for the Agents, and includes half of the annual estimated additional revenue collection amount in FY2013.

### **Narragansett Bay Commission Transfer**

**\$3.1 million**

Article 1 includes language transferring \$3.1 million from the Narragansett Bay Commission (NBC) to the State Controller by June 30, 2013. The one-time transfer from NBC will be used for debt service costs on general obligation bonds issued on behalf of the NBC.

**Hotel Tax and related Sales Tax****\$1.9 million**

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 for transient use (rented for 30 days or less).

The tax is collected by the hotel and remitted to the Division of Taxation on a monthly basis, and is in addition to all other taxes and fees currently imposed. An additional 1.0 percent tax was added in FY2005 and is fully allocated to the city or town in which the hotel is located. The Division of Taxation collects the tax and is responsible for the distribution, except for the City of Newport, which is authorized to collect and disburse tax receipts for hotels located within the City. The effective breakdown of tax receipts distribution, inclusive of the 1.0 percent local portion, is as follows:

**Hotel Tax - Effective Distribution of 6.0%**

Distribution	Where Collected			
	Warwick	Providence	Statewide Region	Other Regions
Regional Tourism Districts	25.8%	0.0%	0.0%	39.2%
Providence/Warwick Convention & Visitors Bureau	19.2%	19.2%	5.8%	5.8%
Providence Convention Authority	0.0%	25.8%	0.0%	0.0%
Cities and Towns	37.5%	37.5%	37.5%	37.5%
State (General Revenue)	17.5%	17.5%	56.7%	17.5%
<b>Totals</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Article 24 expands the definition of hotels subject to the State's lodging tax to include Bed and Breakfast establishments with fewer than 3 boarding rooms and vacation properties rented for 15 or more days per year. The State is estimated to receive \$252,398 in additional revenue, and municipalities would receive \$540,852 from the hotel tax changes. Additionally, the expansion of the hotel tax base would result in additional sales and use tax collections, as it is levied on the final price. Sales and use tax collections are estimated to increase by \$1.7 million from the proposal.

*Analyst's Note: On February 28, 2012, the Office of Revenue Analysis revised its revenue estimate for the proposed changes to the lodging tax based on additional information about rental properties on Block Island and in Narragansett. The estimated State revenues increase from \$1.9 million to \$3.5 million. The additional revenues are not accounted for in the Governor's budget proposal.*

**Department of Health Fees****\$1.5 million**

The Governor proposes \$1.5 million in additional FY2013 revenue collections by increasing fees charged by the Department of Health. The additional revenue includes \$305,275 from statutory fee changes, and an additional \$1.2 million from regulatory changes.

**Health Fee Restructuring - All Changes**

	FY2013	FY2014	FY2015	FY2016	FY2017
Statutory	\$305,275	\$2,837,817	\$305,275	\$2,837,817	\$305,275
Regulatory	1,207,187	1,578,315	1,207,187	1,578,315	1,207,187
<b>Total</b>	<b>\$1,512,462</b>	<b>\$4,416,132</b>	<b>\$1,512,462</b>	<b>\$4,416,132</b>	<b>\$1,512,462</b>

Source: Office of Revenue Analysis

**Statutory Fees:** Article 9 restructures various statutory licensing fees assessed by the Department of Health (DOH), including consolidating fees into one schedule, amending fees on the basis of Department of Labor and Training and other national employment earnings statistics, and creating a new fee of

\$50.00 for Letters of License Verification. The Governor includes \$305,275 in additional revenues in FY2013 and in odd-numbered years as some fees are only renewed bi-annually. Collections would increase to \$2.8 million in even-numbered fiscal years.

The table summarizes the Governor's proposed changes by professional category. Each category includes a number of individual professions with different licensure or renewal fees. The bulk of the additional revenues in FY2013 are attributable to the fee increases for nurses and physicians.

#### Department of Health Fee Restructuring

Professional Category	Impact	Renewal Period
Acupuncture	2,520	Even
Athletic Trainer	(380)	Odd
Chemical Dependency	29,775	Even
Chiropractic	12,440	Annual
Cosmetology/Barbering	(85,020)	Varies
Dental	15,800	Even
Dietitian/Nutritionist	(35,475)	Odd
Electrology	(2,696)	Annual
Embalming/Funeral Directing	(19,960)	Annual
Emergency Medical Services	-	Varies
Hearing Aid Dealers/Interpreters for the Deaf	(4,720)	Annual
Marriage & Fam. Ther./Mental	(26,700)	Even
Massage	16,590	Annual
Nursing	402,255	1/2 each year
Nursing Assistant	(41,350)	Varies
Nursing Home Administrator	-	Even
Occupational Therapy	2,150	Even
Optician	(80)	Even
Optometrist (all types)	29,560	Annual
Physical Therapy	(4,220)	Even
Physician	254,895	Varies
Physician Assistant	1,760	Odd
Podiatric Medicine	2,520	Even
Prosthetist/Orthotist	(1,680)	Odd
Psychology	(940)	Even
Respiratory Care	(36,900)	Odd
Sanitarian	(100)	Annual
Social Work	(218,500)	Odd
Speech Language Path./Audio	4,430	Even
Veterinary Medicine	9,300	Even
<b>Total</b>	<b>\$305,275</b>	

In modifying the current fee schedule, DOH consulted data from the Department of Labor and Training (DLT) to determine the average wages and salaries for each profession requiring state licensure. To determine the change in fee, DOH calculated the number of work hours necessary for each profession to pay the restructured fee. According to DLT data, each restructured fee is no less than one-half hour of pay and no greater than six hours of pay.

The revenue estimates were determined by DOH on the basis of the number of licenses for each profession issued in 2010 and 2011. Both newly issued licenses and renewals were included within the Department's totals and the two-year average was used to perform the revenue calculation.

*Analyst’s Note: The additional revenue generated by a new fee of \$50.00 for a Letter of License Verification was not included in the revenue estimate of \$305,275. According to DOH testimony before the Senate Finance Committee on February 8, 2012, an average of 5,700 verifications are requested per year. This would generate an additional \$275,000 to \$300,000 per year.*

**RISE for Jobs Tax Credit**

**(\$1.0 million)**

Article 24 re-establishes the “Project Status” sales tax exemption program at the RI Economic Development Corporation (EDC). Project Status was eliminated as part of the FY2012 Budget. As proposed, future projects would be designated as “Rhode Island Sales Tax Exemption (RISE) for Jobs Credit” participants. The revised program would cap each project term at five years, require participating companies to offer health insurance benefits to employees, and specify that retail projects, including retail banking projects, would not be eligible for the program. The proposal estimates a \$1.0 million revenue loss in FY2013, and sunsets for projects not approved by July 1, 2022.

**Project Status:** Prior to passage of the FY2012 Budget, EDC was authorized to convey sales tax exemptions for certain materials by designating a development “project status”. To qualify, a firm’s wages must exceed the state median annual wage by at least 5.0 percent for full-time employees. Certain construction, reconstruction, and rehabilitation materials could qualify for the exemption. Qualifying companies pay the sales tax when purchasing items, and then applied to the Division of Taxation for reimbursement. Reimbursements could not exceed the amount of personal income taxes received within three years of project completion from new, non-construction jobs that are created from the project. The exemption could be applied against sales and use taxes.

The General Assembly amended the project status law in 2009. Prior to 2009, the General Assembly had to approve project status through passage of a joint resolution. The amended law allowed the EDC to enact a resolution, which became effective after 30 days if no specific legislative action was taken to negate the resolution. Additionally, the law was amended to require the Department of Labor and Training to annually certify that the number of jobs and salary and benefit requirements were met. Finally, the General Assembly added language that stipulated if a qualifying company was unable to continue a project or meet its obligations; the company was liable to pay the State for all sales taxes and interest owed.

Fiscal Year	# Projects	Sales Tax Reimbursements
FY2005	8	\$3,847,667
FY2006	6	806,435
FY2007	8	3,053,414
FY2008	10	6,515,878
FY2009	7	2,310,465
FY2010	4	6,347,720
FY2011	5	5,163,211
FY2012 YTD	6	952,469
<b>Totals</b>	<b>54</b>	<b>\$28,997,259</b>

*Source: RI Division of Taxation*

Of note, eligible project status firms could claim sales tax reimbursements in more than one fiscal year, so the count of projects does not reflect the number of projects that received the designation, but instead the number of claimants on an annual basis.

**Litter Control Fee (Bottled Beverages)**

**\$186,075**

Current law defines bottled beverages as “carbonated soft drinks, soda water, mineral water, bottled water, and beer and other malt beverages”. Beverages, such as fruit beverages, juices, sports drinks, and ready-to-drink coffee or tea are not defined as bottled beverages. Article 24 expands the definition of bottled beverages subject to the beverage containers tax to include all non-alcoholic drinks except milk.

The State levies a \$0.04 fee on each case of beverage containers sold by a beverage wholesaler to a beverage retailer or consumer within the State. The Department of Revenue used Beverage World

industry data to calculate an estimated additional \$186,075 in revenue collections for FY2013. The stated purpose of the tax is to provide funding for the state litter reduction and recycling program.

**Department of Environmental Management Fees** **(\$75,779)**

The Governor proposes to repeal the Pollutant Discharge Fee Program and the Water Well Drilling Licensure Program at the Department of Environmental Management (DEM). Article 30 requires the Rhode Island Building Standards Committee to establish and monitor well drilling regulations, and the State Building Code to include regulations for drinking water wells, and contractors installing a drinking water well or a well pump to be registered with the Rhode Island Contractors Registration Board. The proposal results in a net general revenue savings of \$124,521 by eliminating the monitoring and fee system for the Rhode Island Pollutant Discharge Elimination System (RIPDES) and the Water Well Drilling Licensure Program. DEM is estimated to save \$100,000 from the elimination of each program, partially offset by \$75,479 in lost revenue.

**Pollution Discharge Fee Program** **(\$65,687)**

The Governor eliminates the monitoring and fee system for the Rhode Island Pollutant Discharge Elimination System (RIPDES). The purpose of the monitoring and user fee program is to assess the impact of point source dischargers of wastewater pollutants into surface waters. This program has been operational since 1983 and DEM has found that only a small number of priority pollutants are discharged through the monitored sources. DEM staff believe that through the implementation of industrial pretreatment programs, advances in wastewater treatment and other factors, the discharge of toxic pollutants from wastewater treatment facilities has been abated and effectively controlled. In FY2013, the Governor assumes \$100,000 in general revenue expenditure savings offset by \$65,687 in lost revenues through the elimination of this program.

**Well Drilling Program** **(\$9,792)**

The Governor eliminates the Rhode Island Well Drilling Board and the Water Well Drilling Licensure Program within DEM. The purpose of the program is to establish minimum standards for the design, construction, installation and location of groundwater wells to protect the public from groundwater contamination and ensure wells are installed by qualified contractors. Programs pertaining to the regulation of well drilling involve multiple state agencies and DEM believes there is an opportunity to streamline the programs. In FY2013, the Governor assumes \$100,000 in general revenue expenditure savings offset by \$9,792 in lost revenues.

The Rhode Island Building Standards Committee will be required to promulgate and maintain regulations establishing the minimum standards for wells as part of the state plumbing code, in consultation with the Division of Statewide Planning and the DEM. Any variation from the minimum distance to a wastewater disposal system or well will require the approval of DEM.

Furthermore, the State Building Code must include regulations for wells connected to a building and, effective January 1, 2013, any person installing a drinking water well or a drinking water well pump must be registered with the Rhode Island Contractors Registration Board.

*Analyst's Note: Article 30 appears to transfer the responsibility for promulgating and maintaining the well drilling regulations to the Rhode Island Building Standards Committee. It is unclear what agency will enforce well closure procedures, respond to complaints about poor well construction, and maintain the list of where individual wells have been installed.*

**Indirect Cost Recoveries on RITEAF****\$84,693**

The Governor amends the Rhode Island Telecommunications Education Access Fund (telephone relay service) surcharge to include wireless and cellular devices, instead of only wirelines, and reduces the surcharge rate from \$0.26 to \$0.15 per line, per month. This surcharge is in addition to the E-911 surcharge on both wireline and wireless phone lines that 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 telephone relay surcharge is deposited into a restricted receipt account used to fund a basic level of internet connectivity to qualified public schools (kindergarten through grade 12) and libraries. This restricted receipt account is subject to the 10.0 percent indirect cost recovery fee. Currently, the State provides matching funds of approximately \$1.5 million, including \$350,000 in general revenue, to leverage \$3.0 million in federal E-Rate dollars. In addition to changing the surcharge fee structure, the Governor recommends eliminating the \$350,000 in general revenue, since the funds will no longer be necessary to meet the match needs of the E-Rate program.

The proposal is estimated to increase revenues by \$846,932, with \$84,693 in indirect cost recovery surcharges deposited as general revenues, and \$762,239 in additional restricted receipts.

**School Bus Re-inspection Fee****\$58,650**

The Division of Motor Vehicles (DMV) inspects approximately 1,700 school buses two times per year. Each bus is subject to a visual inspection and a physical inspection, each at no cost to the bus owners. DMV data indicates a 46.0 percent failure rate for inspections.

The Governor proposes a \$100 re-inspection fee for all failed school bus inspections. The DMV projects that the implementation of a re-inspection fee will result in increased initial inspection compliance, and bases the revenue estimate on an assumed 34.5 percent failure rate. Based on these assumptions, the DMV will assess the fee for 587 school bus violations in FY2013, increasing general revenue collections by \$58,650.

*Analyst's Note: Article 25 does not indicate who would pay the fee: the bus owner, operator or school district. Presumably responsibility for the fee would become a subject of future school bus contracts and could result in increased costs to school districts.*

**Motion Picture Production Tax Credit****(Informational)**

The State offers a tax credit for motion picture production companies, equivalent to 25.0 percent of qualified production costs attributable to expenditures from activity within the State. The 2008 General Assembly capped the total annual credit issuance allocation at \$15.0 million in a given year, and productions must meet a minimum \$300,000 production budget threshold to qualify. The credits are transferable, and unused portions may be carried forward for up to three years.

The Governor modifies the Motion Picture Production Tax Credit to include pre- and post-production (excluding marketing) work and documentary productions; reduces the minimum total production budget eligibility requirement from \$300,000 to \$100,000; shifts credit review and approval authority from the Rhode Island Film and Television Office to the Division of Taxation; and establishes a sunset date for the program of July 1, 2019, after which additional certifications would not be granted. No revenue change is associated with the amendments.



**OTHER SOURCES (NON-GENERAL REVENUE)**

The Governor recommends \$14.9 million in non-general revenue enhancements for FY2013 including restricted receipts and funds from other sources.

**Motor Vehicle Surcharge Proposal (other funds)****\$13.6 million**

In the FY2012 Budget as Enacted, the General Assembly created the Rhode Island Highway Maintenance Trust Fund within the General Fund. The budget article added driver's license and registration surcharges for all vehicles, phased-in over a 3-year period beginning in FY2014, with revenues from the surcharges to be deposited into the Trust Fund. With the surcharges, two-year registrations and driver's licenses will increase by \$30 (\$10 per year for three years), while one-year registrations will increase by \$15 (\$5 per year for three years).

The Governor accelerates implementation of the enacted surcharges. Article 25 requires the full fees beginning January 1, 2013. As indicated in the following table, in FY2013, all surcharge revenues collected would be deposited in the Department of Transportation's Intermodal Surface Transportation Fund (ISTF) for operating expenditures rather than the Rhode Island Highway Maintenance Trust Fund. Beginning in FY2014, a three-year shift of the surcharge revenues from the ISTF to the Rhode Island Highway Maintenance Trust Fund would occur.

<b>Intermodal Surface Transportation Fund</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
Increase Biennial Registration Fees by \$30 (1/1/2013)	\$8.9	\$9.0	\$4.5	\$0.0	\$0.0
Increase Annual Registration Fees by \$15 (1/1/2013)	1.8	1.9	0.9	0.0	0.0
Increase Driver License Fees by \$30 (1/1/2013)	2.9	3.0	1.5	0.0	0.0
<b>Intermodal Surface Transportation Fund</b>	<b>\$13.6</b>	<b>\$13.9</b>	<b>\$6.9</b>	<b>\$0.0</b>	<b>\$0.0</b>

<b>RI Highway Maintenance Trust Fund</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
Phase-In \$30 Increase in Biennial Registration Fees		\$4.5	\$9.0	\$13.5	\$13.5
Phase-In \$15 Increase in Annual Registration Fees		0.9	1.9	2.8	2.8
Phase-In Increase in Driver License Fees		1.5	3.0	4.5	4.5
<b>RI Highway Maintenance Trust Fund</b>		<b>\$6.9</b>	<b>\$13.9</b>	<b>\$20.8</b>	<b>\$20.8</b>

*\$ in Millions*

**Rhode Island Telecommunications Education Access Fund Surcharge (restricted receipts) \$762,239**

The Governor amends the Rhode Island Telecommunications Education Access Fund (telephone relay service) surcharge to include wireless and cellular devices, instead of only wirelines, and reduces the surcharge rate from \$0.26 to \$0.15 per line, per month. The proposal would generate an additional \$762,239 in restricted receipt revenues. Further details on the proposal can be found under the "Indirect Cost Recoveries on RITEAF" analysis above.

**Hotel Tax (Local Pass-Through Funding)****\$540,852**

Article 24 expands the definition of hotels subject to the State's lodging tax to include Bed and Breakfast establishments with fewer than 3 boarding rooms and vacation properties rented for 15 or more days per year. Under the proposal, municipalities would receive \$540,852 from the Hotel Tax changes. Further details on the proposal can be found under the "Hotel Tax and related Sales Tax" analysis above.

**Health Chemical Dependency License Fee Shift (restricted receipts)****(\$29,775)**

The Governor proposes to shift receipts from issuing Chemical Dependency Professionals licenses from restricted receipts to general revenues. There is no net fiscal impact from the change. The general revenue adjustment appears under the Department of Health fee increases item. This description reflects the loss of restricted receipt revenues from the shift.

**FY2012 GENERAL REVENUE ADJUSTMENTS**

***Bond Premium Transfer***

Article 1 of the Governor's budget includes language transferring \$12.6 million of bond premiums received from the sale of the 2011 Series A general obligation bonds from deposit into the Rhode Island Capital Plan in FY2012. The Governor proposes to deposit \$6.0 million of the premium receipts into the State's general fund, and to use the remaining \$6.6 million in receipts for the Technology Investment Fund.

*Analyst's Note: Since the Governor intends the transfer of the bond premium receipts to occur within the FY2012 Budget, Section 15 in Article 1 of the FY2013 budget authorizing the bond premium transfer likely belongs in Article 10 authorizing the supplemental budget.*

## Performance Management

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In April of 2011, the Governor began a statewide Performance Management Initiative with the State Budget Office and the Department of Administration. The stated goal of the Initiative is to assess the State's efforts towards producing services and programs that best meet the needs of its citizens. In recent years, other states (including Massachusetts) have undertaken similar initiatives to improve the methods used to evaluate state government and the programs and services it provides. The Governor's Performance Management Initiative seeks to accomplish the following:

- Identify the programs and services currently provided by the State
- Determine how well State program and services are delivered by individual agencies
- Match the level of services and programs provided with the Governor's objectives
- Where necessary, realign program and service delivery in order to achieve savings for the State

### BACKGROUND

Beginning in FY1997, RIGL 35-3-24.1 requires that the Governor submit performance data and objectives to the General Assembly as part of the budget submission. Under the new Initiative, Departments are required to electronically submit data to the Performance Management Core Team (State Budget Office, the Governor's Policy Office, and the Department of Administration) each month using the Performance Management Template, which will then be submitted to the General Assembly annually.

*Analyst's Note: The Initiative appears to have improved internal review and data collection from the former performance management system. However, despite collaboration between the Performance Management Core Team and individual departments to develop new measures and review existing measures, the metrics used to evaluate performance at the program level do not appear to have changed significantly.*

### FY2013 BUDGET

The Performance Management Initiative is intended to provide a lens for analyzing the budget and determining which areas can be targeted for reduction, and if there are duplicative or unnecessary programs/services that can be eliminated. A number of the Governor's recommendations in the FY2013 Budget are the preliminary results of this on-going initiative.

As a result of the Governor's Performance Management Initiative, the Governor recommends eliminating, reducing, and/or reorganizing several departments. This includes consolidating the State's renewable energy programs, creating a new Office of Management and Budget, and merging the Rhode Island Higher Education Assistance Authority (RIHEAA) and the Office of Higher Education (OHE). These consolidations and/or eliminations seek to increase state government efficiencies and, more generally, to improve the State's efforts in service and program delivery.

*Analyst's Note: It remains unclear which specific metrics were identified that led to the proposed reorganizations.*

### PERFORMANCE METRICS

A key component of this initiative is data analysis associated with each individual performance metric at the program level. Individual departments met with the State Budget Office in order to develop and review each performance metric. A performance measure or metric is defined by the Governor's Office as, "a quantifiable expression of the amount, cost, or result of activities that indicate how well, and at

what level, services are provided.” The data associated with each metric can then be used to set performance targets as well as ensure that programs are complying with state and federal regulations.

The data related to each metric is collected and submitted electronically each month to the Performance Management Team. Following the submission of data, meetings with departments and the Performance Management Core Team are conducted to review the progress towards meeting goals and identifying areas for improvement.

The data collected and submitted to the Performance Management Team is divided into statewide measures, department-wide measures, operational measures, and by programs and/or initiatives. Statewide measures include FTE count, overtime expended/earned, and budget status (percent of general revenue, federal, and restricted receipts funds expended). Department-wide measures will vary by department and target policy areas that relate to each department’s mission. Operational measures target performance within specific programs. The measurement section relating to projects and/or initiatives tracks the completion or implementation of projects and initiatives undertaken by each program.

### ***Types of Performance Metrics***

The metrics used by each department vary depending upon the mission and the services or programs provided by that department. Generally, there are four types of performance measures, including:

**Input/Workload:** The number of requests for a product/service or the number/quality of the information/raw materials needed to do the work

**Process:** The time required to perform a task or the percentage of times a task is completed correctly without any error or rework

**Output:** The number of services delivered or things produced

**Outcome:** The result or condition that is intended to improve as a result of the work being done (i.e. public health, customer satisfaction, and crime rate)

For example, the Department of Health includes at least one measure in its monthly progress report regarding the activity (volume of work done by Department), the quality (a measure of the extent to which the Department accomplishes what it is charged to do), and outcomes (public health measures of the health outcome of the population) attained by the Department. The data regarding each measure is provided at the program level.

To measure the performance of progress related to food protection, the Department quantifies activity as the number of inspections performed at food establishments, measures quality as the percent of inspections in food establishments that resulted in food disposals, and determines outcomes as the incidence of foodborne illness in Rhode Island.

### ***Performance Targets***

Performance targets provide an indication as to what the value of each performance measure should be in the future, both in the near and long term (i.e. 10.0 percent of inspections in food establishments result in food disposal). Once data regarding the performance of each department has been collected and analyzed, performance targets can then be established. The Governor’s Policy Office indicates that the targets “should be a reflection of customer needs, strategic intent, resource allocation, and management resolve.”

The targets set the standards of achievement for each department from the baseline, or the initial value of each performance measure at the start of the Initiative.

*Analyst’s Note: The Governor’s budget does not indicate if or how unmet performance targets will correspond to future budgetary decision-making.*

# Reorganizations and Reporting Requirements

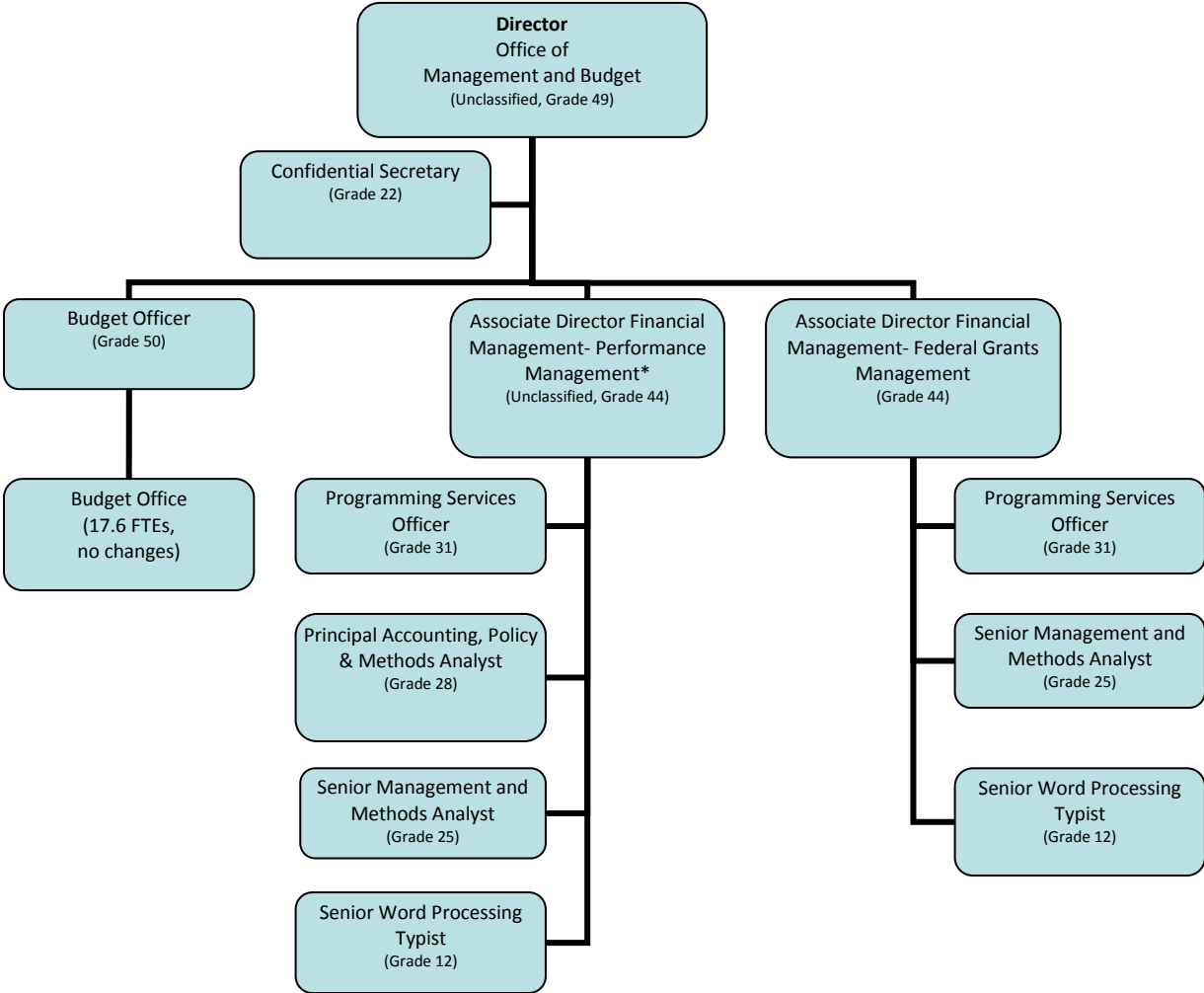
The Governor’s FY2013 proposed budget includes a number of changes to the organization of state government. Many of these changes are included in Article 4 of the Appropriations Act. The intent of the organizations is to increase efficiency, consolidate functions, and streamline operations. The changes are as follows, grouped according to functional area.

### General Government

**Office of Management and Budget:** The Governor creates an Office of Management and Budget (OMB), absorbing the Budget Office and Bureau of Audits, within the Department of Administration, and incorporating the tracking of American Reinvestment and Recovery Act (ARRA) funds currently undertaken by the Governor’s Office of Economic Recovery and Reinvestment. In addition to the responsibilities formerly charged to the Budget Office, the OMB will also be responsible for a Performance Management Unit and Federal Grants Management Unit.

The proposed reorganization results in a net general revenue savings of \$707,382 in FY2013. Eliminating the Bureau of Audits is projected to generate \$1.5 million in general revenue savings, offset by \$1.2 million in additional expenditures (\$760,055 in general revenues) for personnel by creating the OMB.

Office of Management and Budget – Proposed Organizational Chart



This reorganization results in a net decrease of 8.0 FTE positions with the addition of 11.0 new FTE positions in OMB, offset by eliminating 12.0 FTE positions in the Bureau of Audits and 7.0 FTE positions in the Governor’s Office of Economic Recovery and Reinvestment that are related to the proposed new OMB functions. Despite the absorption of the internal auditing functions of the Bureau of Audits and the Office of Economic Recovery and Reinvestment into the OMB, it is not a straight transfer of staff from these offices to the OMB. Of the additional 11.0 FTE positions, 2.0 are the new Director of OMB and an administrative position, 5.0 FTE positions are allocated to the Performance Management Unit, and 4.0 FTE positions are for the Federal Grants Management Unit.

<b>Department</b>	<b>FTE Change</b>
Office of Management and Budget (new)	11.0
<i>Executive Director/Admin</i>	2.0
<i>Performance Management Staff</i>	5.0
<i>Federal Grants Management Staff</i>	4.0
Office of Economic Recovery and Reinvestment	(7.0)
Bureau of Audits	(12.0)
<b>Total Change</b>	<b>(8.0)</b>

In FY2012, the State began a performance management initiative requiring all agencies to engage in an extensive review of its programs. The proposed Performance Management Unit in the OMB will be responsible for future oversight of the performance management initiative beginning in FY2013. This program is intended to increase efficiencies and generate savings within State programs by determining the level of performance in each agency and by identifying areas in need of improvement.

In addition to the Performance Management Unit, the Governor also creates the Federal Grants Management Unit within the OMB to improve the application process for and use of federal grants by the State.

### **Human Services**

**OHHS Reorganization:** The Governor shifts a total of \$813.9 million in Medicaid spending in FY2013 from the Department of Human Services (DHS) to the Executive Office of Health and Human Services (OHHS). The transfer of resources and programs includes \$14.0 million (\$1.4 million in general revenues) allocated for the procurement and enhancement of Medicaid Management Information Systems (MMIS). Administrative expenditures of the Health Care Quality, Financing, and Purchasing program will also transfer from DHS to OHHS, with the exception of administrative expenses associated with Medicaid eligibility determination. DHS will continue to be responsible for determining Medicaid eligibility.

All remaining Medicaid programs from DHS shift to OHHS to establish it as the “single state agency” for Medicaid administration in Rhode Island. A total of 5.0 FTE positions transfer to OHHS, including 4.0 FTE positions from the Department of Health and 1.0 FTE position from DHS.

The FY2012 Budget as Enacted shifted primarily administrative staff from DOH to OHHS as the first phase in the reassignment of the Medicaid program, the final phase of this transition is proposed in FY2013 with the extensive shift of appropriations for direct medical service benefits in addition to related operating and contract expenditures. This shift creates two new programs, Central Management and Medical Assistance within OHHS, with Central Management responsible for all administrative and operational activities related to Medicaid and other publically financed health care programs.

The Governor also includes an additional 5.0 FTE positions (\$150,179 in general revenues) to establish a Program Audit and Oversight Unit within Central Management in order to ensure compliance with state and federal standards by both providers and recipients of grant funds across all four OHHS departments (DCYF, Health, DHS, and BHDDH). No savings are assumed for this initiative in FY2013 however, it is

anticipated that federal funding will be available to offset general revenue expenditures for the Unit pending finalization and approval of an OHHS Cost Allocation Plan.

**Heating Assistance:** The Governor transfers all authority and most financial resources for the federal Low-Income Home Energy Assistance Program (LIHEAP) and the Weatherization Assistance Program (WAP) from the Office of Energy Resources (OER) to the Department of Human Services (DHS), including 9.0 FTE positions in accordance with current law passed by the 2011 Assembly, effective July 1, 2012.

For FY2013, the Governor transfers \$19.2 million in federal funds from OER to DHS. The change is part of a larger effort to centralize direct benefit social service programs at DHS. LIHEAP provides heating assistance to eligible low-income individuals and families and WAP provides home weatherization grants and heating system upgrades to eligible low-income individuals and families. The demand side management grant for heating assistance, a restricted receipt account, would remain at the Office of Energy Resources within the Department of Administration (\$6.5 million in FY2013).

### **Education**

**Rhode Island Higher Education Assistance Authority and Office of Higher Education:** The Governor transfers all functions and \$27.7 million in all funds of the Rhode Island Higher Education Assistance Authority (RIHEAA) to the Board of Governors for Higher Education and the Office of Higher Education (OHE) in FY2013. The consolidation of RIHEAA with OHE is estimated to achieve \$119,851 in general revenue savings.

The Governor seeks to consolidate all state higher education assistance programs by September 1, 2012, with the merger of RIHEAA and OHE. This merger will affect all state higher education assistance programs including the WaytoGo College and Career Portal, the CollegeBound*fund* savings plan, and the student grant, state scholarships, and guaranteed federal loan programs. In 2010, all partnerships between the federal government and quasi-public lending institutions were terminated, thereby eliminating RIHEAA's ability to provide guarantees for federal student loans. Eliminating this partnership is anticipated to significantly affect the volume of RIHEAA's duties and responsibilities. The Governor suggests that this merger will increase efficiencies for OHE and all state higher education assistance activity.

A total of 39.6 FTE positions will be transferred from RIHEAA to OHE, and eliminating 3.0 FTE positions in the consolidation. The Governor provides an additional 1.0 FTE position for one full-time Commissioner of Higher Education following the merger at a cost of \$200,000. Currently, the president of the Community College of Rhode Island (CCRI) is the Commissioner of OHE (0.4 FTE from OHE and 0.6 FTE from CCRI). Of the total \$27.7 million transferred in FY2013, \$8.8 million is attributable to the tuition fund transfer from RIHEAA to OHE. The Governor indicates an interest in using RIHEAA's operating reserve fund of \$20.0 million to establish a scholarship fund, but this has yet to be determined.

**Rhode Island Public Telecommunications Authority:** The Governor recommends general revenue financing of \$426,000 for the Rhode Island Public Telecommunications Authority in FY2013, a decrease of \$522,000 from the enacted budget. The Governor recommends financing for the Authority through December 2012, after which the State would no longer fund the Authority's operations (Article 3). The Governor recommends that the Authority partner with alternate institutions of community groups with the capacity to assume the Authority's operating expenses.

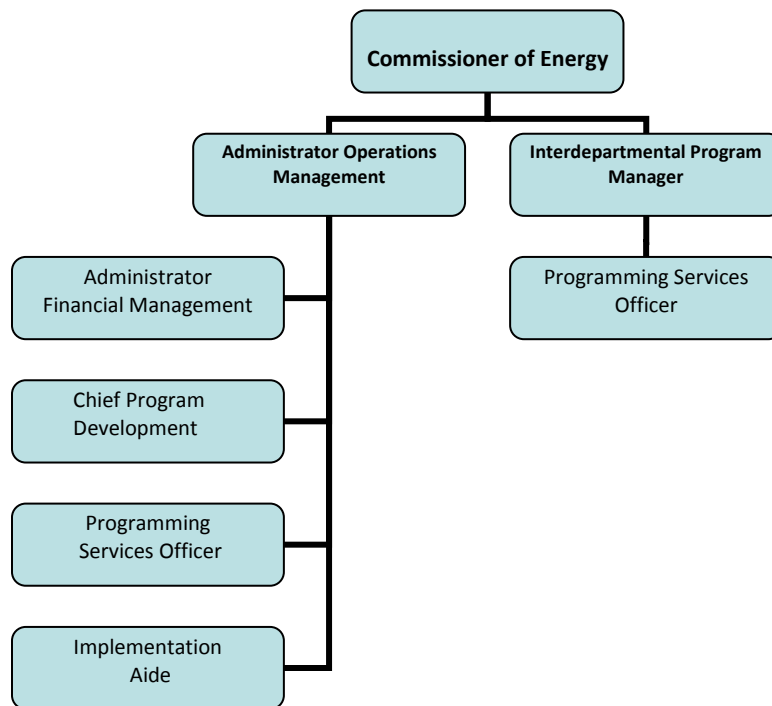
In recent years, the Authority has experienced a decline in fundraising as well as a decline in the Corporation for Public Broadcasting (CBP) Grant (federal funds). In FY2013, these funds have been requested to support personnel costs. Each publically-supported television station receives both a fixed and variable calculated by a formula that factors in the addition of non-federal funds, including state

support and any fundraising undertaken by the Authority in order to support its operations. The variable amount received from the federal government has declined in recent years due to smaller contributions from fundraising efforts and state funds.

**Environment**

**Office of Energy Resources Consolidation:** The Governor transfers oversight and administration of all state and federal renewable energy programs to the Office of Energy Resources (OER). This would affect programs within the Department of Environmental Management (DEM), Economic Development Corporation (EDC), and the Energy Efficiency and Resource Management Council (EERMC). The transfer to OER includes the Regional Greenhouse Gas Initiative from DEM and the Renewable Energy Program from EDC.

**Office of Energy Resources – Proposed Organizational Chart**



Currently, there are four areas of State energy administration located in four different departments. Under the Governor’s proposal, all would be consolidated under the single lens of the newly reinforced OER. OER is responsible for energy policy management for the State, and this responsibility would remain within OER. The changes that would occur within DEM, EDC, and EERMC are as follows:

- **Department of Environmental Management (DEM):** The Governor transfers DEM managed functions for the Regional Greenhouse Gas Initiative to OER. There are two components of the Regional Greenhouse Gas Initiative, one is managed by DEM and the other is managed by OER. Currently, DEM creates rules and regulations for the Initiative, in consultation with OER and the Public Utilities Commission, and OER manages the distribution of Initiative carbon dioxide emissions allowance auction proceeds. The Governor recommends that OER manage both components of the Initiative.

The Initiative is a cooperative effort among nine states – Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island and Vermont – to reduce greenhouse gas



emissions. The energy efficiency programs administered by the Initiative include home energy audits; Energy Star lighting and appliance rebates; high-efficiency heating; water heating and controls incentives; and energy efficiency educational programs. The programs target energy efficiency at both the household and business level.

- **Economic Development Corporation (EDC):** The Governor recommends transferring technical management of the Renewable Energy Fund in EDC to OER. The Fund provides grants, loans and other financing for renewable energy projects that produce electricity in a cleaner, more sustainable manner. Specifically, the Fund provides incentives for business, commercial and institutional projects; affordable housing developments; municipal renewable energy projects; and technical and feasibility studies.
- **Energy Efficiency and Resource Management Council (EERMC):** The Governor recommends the EERMC fall under OER oversight and administration, however, EERMS will remain a separate entity funded by a 2.0 percent systems benefit charge. Established in 2006 under the Comprehensive Energy Conservation, Efficiency, and Affordability Act, the EERMC evaluates and makes recommendations for energy plans and programs; provides stakeholder involvement in energy planning; monitors and evaluates the effectiveness of energy programs; and promotes public awareness of energy issues.

**Review of Environmental Management and Protection Programs:** The Governor directs the new OMB to review all environmental management and protection programs in state government agencies and departments and identify potential consolidations and areas for savings annually. The OMB is responsible for submitting a financial and performance report to the Governor, President of the Senate, Speaker of the House of Representatives, and the Secretary of State by March 1 of each year. The financial report is proposed to include the offices receipts, expenditures, and a detailed listing of consulting services utilized by the Office. The performance report is proposed to include accomplishments, areas in need of improvement, project investments, and the cost-effectiveness of renewable energy investments by the Office.

**Public Safety Dispatch:** The Governor's budget reverses the transfer of 6.0 FTE positions and associated resources from the Department of Environmental Management (DEM) to the Department of Public Safety (DPS) that was included as part of the FY2012 Budget. These 6.0 FTE positions provide 24/7 dispatch services for DEM at public parks for emergency situations involving pollution or wildlife and monitor remote cameras for port security. The intent of the consolidation was to save administrative costs through using one centralized location for 24/7 public safety dispatch and through eliminating 1.0 FTE position in the transfer.

The FY2012 Budget delayed the transfer until January 1, 2012, and to date, the transfer has not occurred. Since passage of the FY2012 Budget, further analysis by both departments has shown that the functions are not comparable and that the consolidation may not produce any savings.

### **Public Safety**

**Department of Corrections:** As part of the Executive branch performance budgeting initiative, the Department of Corrections requested and the Governor recommends a change in the organizational structure with the Department for FY2013. The Department currently has four programs: Institutional Corrections, Community Corrections, Central Management, and the Parole Board. For FY2013, the Institutional Corrections Program is divided between four new programs: Custody and Security, Institutional Support, Institutional-Based Rehabilitation and Population Management, and Healthcare Services.

**STUDIES AND REPORTS**

**Personnel System:** The Governor instructed the Department of Administration to undertake a complete analysis of the State's personnel system and to recommend alternatives to the State's current merit system. The Governor recommends \$300,000 in FY2012 for consulting services to conduct the study, which would be offset by \$819,438 in savings in FY2013 generated from the reduction of 10.0 FTE positions within the Department of Administration's Office of Classification and Examinations and 2.0 FTE positions in the Employee Services Unit. It is assumed that these reductions will impact the ability of the current Human Resources program to administer the existing merit system, Therefore, it is recommended that this study be completed immediately.

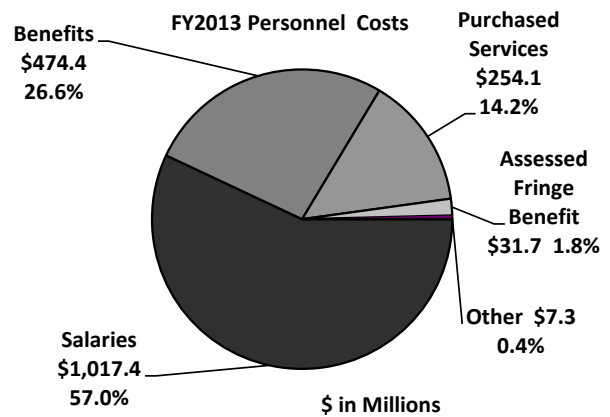
## Personnel

The Governor’s FY2013 Budget proposal includes a total of \$1,784.9 million for personnel expenditures, an increase of \$73.5 million compared to the FY2012 Budget as Enacted, and \$62,546 less than the Governor’s FY2012 Supplemental Budget recommendation. Salaries and benefits total \$1,530.8 million and comprise 85.8 percent of FY2013 personnel expenditures (52.9 percent of the salaries and benefits costs are supported by general revenue).

The FY2012 Supplemental Budget recommendation includes a total of \$1,785.1 million for personnel expenditures, an increase of \$73.7 million compared to the FY2012 Budget as Enacted. Salaries and benefits total \$1,517.1 million and comprise 85.0 percent of FY2012 personnel expenditures (52.9 percent of the salaries and benefits costs are supported by general revenue).

### PERSONNEL EXPENDITURE TRENDS

Expenditures in salaries in FY2013 total \$1,017.4 million, comprising 57.0 percent of total personnel costs, an increase of 3.8 percent from FY2012. The cost of benefits to state employees continues to grow, primarily driven by increases in employee health benefit costs. Retiree health benefits are approximately the same as appropriated in FY2012. Pension costs decrease 0.6 percent as compared to the FY2012 Budget as Enacted and decrease 3.3 percent as compared to the FY2012 Supplemental Budget recommendation. Total



benefit costs, which also include assessed fringed benefits and other benefits, amount to \$474.4 million and comprise 26.6 percent of total personnel costs. Benefits increase \$18.4 million (4.0 percent) from the FY2012 Budget as Enacted. Purchased services costs are \$254.1 million (14.2 percent) of the total personnel costs. Purchased services increase \$18.6 million (7.9 percent) from the FY2012 Budget as Enacted.

Personnel Expenses	FY2010	% of Total	FY2011	% of Total	FY2012 Enacted	% of Total	FY2012 Governor	% of Total	FY2013 Governor	% of Total
Salaries	\$924.5	60.5%	\$959.2	59.5%	\$980.9	57.3%	\$1,014.3	56.8%	\$1,017.4	57.0%
Benefits	381.7	25.0%	422.8	26.2%	456.0	26.6%	463.7	26.0%	474.4	26.6%
Purchased Services	187.3	12.3%	194.0	12.0%	235.5	13.8%	267.9	15.0%	254.1	14.2%
Assessed Fringe Benefit	28.6	1.9%	30.9	1.9%	33.3	1.9%	31.8	1.8%	31.7	1.8%
Other	5.8	0.4%	5.4	0.3%	5.6	0.3%	7.2	0.4%	7.3	0.4%
<b>Total</b>	<b>\$1,527.9</b>	<b>100.0%</b>	<b>\$1,612.3</b>	<b>100.0%</b>	<b>\$1,711.4</b>	<b>100.0%</b>	<b>\$1,784.9</b>	<b>100.0%</b>	<b>\$1,784.9</b>	<b>100.0%</b>

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

Personnel Expenses by Government Function			FY2012	FY2012	FY2013	% of Pers.	FY2013	FY2013
	FY2010	FY2011	Enacted	Governor	Governor	Budget	General Revenue	General Revenue %
General Government	\$215.9	\$230.9	\$237.7	\$245.8	\$232.2	13.0%	\$147.7	63.6%
Human Services	358.6	385.4	397.0	415.4	423.4	23.7%	202.2	47.8%
Education	495.8	519.0	547.0	572.6	584.6	32.8%	136.7	23.4%
Natural Resource	49.4	53.1	65.3	67.1	61.8	3.5%	30.0	48.5%
Public Safety	310.5	332.7	360.8	374.7	371.2	20.8%	338.9	91.3%
Transportation	97.7	91.2	103.5	109.3	111.7	6.3%	-	0.0%
<b>Total</b>	<b>\$1,527.9</b>	<b>\$1,612.3</b>	<b>\$1,711.4</b>	<b>\$1,784.9</b>	<b>\$1,784.9</b>	<b>100.0%</b>	<b>\$855.5</b>	<b>47.9%</b>

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

## FTE POSITIONS

The FY2012 Budget as Enacted authorized 14,942.2 FTE positions. At the start of the fiscal year, 13,718.6 FTE positions (91.8 percent of the authorized amount) were filled, leaving 1,223.6 FTE positions vacant. Over the last five fiscal years, the state vacancy rate has averaged 8.0 percent, or 1,218.9 FTE positions. Since the start of the fiscal year, the State has a net decrease of 12.1 FTE positions. Some of the filled FTE positions include those hired as part of the American Recovery and Reinvestment Act (ARRA). As of February 25, 2012, 13,699.4 FTE positions (91.6 percent of the authorized amount) were filled, leaving 1,255.3 FTE positions vacant.

FTEs						FY2012	FY2012	FY2013	FY13 to FY01
	FY2001	FY2008	FY2009	FY2010	FY2011	Enacted	Governor	Governor	Change
Authorized	15,756.3	15,987.3	14,474.9	14,863.0	14,849.6	14,954.7	14,934.0	14,837.7	-5.8%
Actual	15,586.6	14,475.5	13,477.2	13,641.0	13,728.2	13,699.4	13,699.4	N/A	N/A
% Filled	98.9%	90.5%	93.1%	91.8%	92.4%	91.6%	91.7%	N/A	N/A

\*FY2012 actual as of February 25, 2012

The following table illustrates the number of FTE positions by government function.

Government Function	FY2012	FY2012	Change to Enacted	FY2013	% of Total	FY13/FY12	FY13/FY12
	Enacted	Governor		Governor		Governor Change	Enacted Change
General Government	2,270.3	2,283.3	13.0	2,157.0	14.5%	(126.3)	(113.3)
Human Services	3,616.7	3,591.7	(25.0)	3,599.2	24.3%	7.5	(17.5)
Education	3,877.2	3,884.6	7.4	3,907.6	26.3%	23.0	30.4
Public Safety	3,189.2	3,185.6	(3.6)	3,188.6	21.5%	3.0	(0.6)
Natural Resources	440.0	440.0	-	436.5	2.9%	(3.5)	(3.5)
Transportation	772.6	772.6	-	772.6	5.2%	-	-
<b>Subtotal</b>	<b>14,166.0</b>	<b>14,157.8</b>	<b>(8.2)</b>	<b>14,061.5</b>	<b>94.8%</b>	<b>(96.3)</b>	<b>(104.5)</b>
Sponsored Research	776.2	776.2	-	776.2	5.2%	-	-
<b>Total FTE Positions</b>	<b>14,942.2</b>	<b>14,934.0</b>	<b>(8.2)</b>	<b>14,837.7</b>	<b>100.0%</b>	<b>(96.3)</b>	<b>(104.5)</b>

**FY2012:** The Governor's FY2012 Supplemental Budget proposes 14,934.0 FTE positions, a decrease of 8.2 FTE positions from the FY2012 Budget as Enacted. Major FTE changes include:

General Government increases by 13.0 FTE positions. The Governor includes 14.5 unbudgeted FTE positions for the Division of Motor Vehicles. The General Assembly did not include the Governor's recommended additional positions in the FY2012 Budget as Enacted, but instead allocated funding for a management study to increase efficiencies at the DMV. To date the study has not occurred. The increase is offset by a few minor FTE position adjustments.

Human Services decreases by 25.0 FTE positions. This includes an increase of 9.0 FTE positions in the Office of Health and Human Services reflecting a transfer of 4.0 senior executive positions from the Department of Health, a transfer of 1.0 Medical Care Specialist position from the Department of Human Services to further consolidate all healthcare policymaking into OHHS, and the addition of 4.0 federally-financed positions that are required for the administration of the Money Follows the Person Demonstration Grant. Also there is a 5.0 FTE position increase in Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH). These positions are new federally-funded positions in the BHDDH's substance abuse program. Offsetting the increases is the decrease of 35.0 clinical FTE positions in the Department of Human Services reflecting the Governor's proposal to delay the planned increase in the resident census at the Veterans' Home from FY2013 to FY2014 and the transfer of 4.0 senior executive positions from the Department of Health.

Education increases by 7.4 FTE positions. This represents a net increase of 13.0 limited-term FTE positions for the for the Race to the Top Early Learning Grant at the Department of Elementary and Secondary Education, offset by a decrease of 6.0 FTE school-based coordinator positions at Davies Career and Technical School that are now district employees supported by a federal grant. In addition there is an increase of a 0.4 FTE position for an Education Specialist in the Office of Higher Education.

*Analyst's Note: In accordance with Article 1 Section 11 of the FY2012 Budget as Enacted, the Governor, Senate President, and the Speaker of the House authorized a 12.5 FTE position cap increase for the Department of Elementary and Secondary Education from 156.4 FTE positions to 168.9 FTE positions. These positions are related to the Race to the Top Early Learning Grant and are included in the Governor's FY2012 Supplemental Budget recommendation.*

**FY2013:** The Governor's FY2013 Budget proposes 14,837.7 FTE positions. The major changes include:

General Government decreases by 126.3 FTE positions. The reduction includes:

- A reduction of 105.7 FTE positions in the Department of Labor and Training, reflecting lower federal funding received by the State for the Unemployment Insurance and Workforce Development programs.
- A decrease of 28.6 FTE positions in the Department of Administration, reflecting a reduction of 8.0 FTE positions from the transfer of the Low Income Heating and Energy Assistance Program (LIHEAP) and Weatherization Assistance Program (WAP) to the Department of Human Services, a reduction of 10.0 FTE positions in Human Resources, and a reduction of 12.0 FTE positions in the Bureau of Audits reflecting the creation of the Office of Management and Budget, offset by other minor adjustments within the Department.

Human Services increases by 7.5 FTE positions. This reflects the following:

- An increase of 5.0 FTE positions in the Office of Health and Human Services reflecting the implementation of a new centralized Program Audit and Oversight Unit. The 5.0 FTE positions will be added to Central Management at the end of the third quarter of FY2013. The new unit will review the programs and performance of major providers and grant recipients across all OHHS departments to develop a risk assessment plan to prioritize efforts, test compliance to state, federal and program standards for creating a unified financial reporting system, and to create a unified financial reporting system across departments.
- A net increase of 3.0 FTE positions in the Department of Children, Youth, and Families attributable to an increase of 9.4 FTE positions funded from the federal Race to the Top grant offset by a decrease of 6.4 FTE positions funded through general revenue. The 3.0 FTE positions provide for two additional social caseworkers and a human services business officer within the Child Welfare program.

- A net increase of 1.0 FTE position in the Department of Health attributable to a number of changes to several programs including a reduction of 8.5 FTE positions in the Health Laboratories program, an increase of 4.4 FTE positions in the Environmental and Health Services Regulation program, an increase of 0.9 FTE position in Public Health Information, an increase of 3.0 FTE positions in Community and Family Health and Equity, an increase of 1.4 FTE positions in the Central Management program, offset by a decrease of 0.2 FTE position in Infectious Disease and Epidemiology programs. The increases include 6.0 FTE positions within Environmental and Health Services Regulation for environmental health food inspectors in FY2013, with 3.0 FTE positions funded as of October 1, 2012 and 3.0 FTE positions funded as of April 1, 2013.
- A net decrease of 1.5 FTE positions in the Department of Human Services (DHS), reflecting:
  - The addition of 2.5 FTE positions for the administration of the Race to the Top – Early Learning Challenge grant.
  - A decrease of 22.0 FTE positions reflecting the end of the American Recovery and Reinvestment Act funded program.
  - The addition of 9.0 FTE clinical staff positions in anticipation of the Veterans’ Home census expansion.
  - The transfer of 9.0 FTE positions from the Low Income Heating and Energy Assistance Program (LIHEAP) and Weatherization Assistance Program (WAP).

Education increases by 23.0 FTE positions. This includes:

- Transferring 39.6 FTE positions from the Higher Education Assistance Authority (RIHEAA) to the Office of Higher Education and the eliminating 2.0 FTE positions, the RIHEAA Executive Director and Department Manager positions.
- The Office of Higher Education also includes an additional 0.6 FTE positions to restore the position of Commissioner to full-time, 1.0 FTE position for a new Associate Commissioner, and 0.4 FTE positions for an Education Specialist.
- The Governor also recommends an additional 24.0 FTE positions in Higher Education reflecting 14.0 FTE positions for new faculty at the University of Rhode Island, 8.0 FTE positions for new faculty at Rhode Island College, and 2.0 FTE staff for new positions at Rhode Island College. Lastly, there is a decrease of 1.0 FTE position with the Public Telecommunications Authority (Channel 36).

#### **ANALYSIS OF STATE PERSONNEL SYSTEM**

The Governor instructed the Director of the Department of Administration to undertake a comprehensive analysis of the State’s personnel system and before the close of the fiscal year, to recommend alternatives to what the Governor believes is a cumbersome and outdated system, and to provide opportunities to attract talented individuals to the State in light of the recent reforms impacting the state pension system and longevity benefits. The Governor recommends an appropriation of \$300,000 in the FY2012 Supplemental Budget to commence the analysis. To that end, the Department of Administration will issue a request for proposals to analyze the State’s personnel system, offer recommendations and propose legislative changes where necessary. The Governor recommends eliminating of the Office of Classification and Examination and 10.0 FTE positions under the Human Resources program at the Department of Administration resulting in general revenue savings of \$819,438 in FY2013.

#### **AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) POSITIONS**

As of February 28, 2012, there are 15.0 FTE positions funded through ARRA. The number of ARRA FTE positions peaked at 161.0 FTE positions from February 14, 2011, to March 14, 2011. As the federal

ARRA funding and funded projects terminated, these FTE positions decreased and will continue to decrease until all of the ARRA FTE positions are eliminated from state service.

It was originally planned that the last ARRA positions would be the 3.0 FTE positions in the Governor's Office. These positions were assigned to the Governor's Office from other state agencies and it was expected that those employees would return to their originating agencies. However, as proposed in the FY2013 Recommended Budget, the Governor proposes to move the ARRA administrative and oversight functions from the Governor's Office to the proposed Office of Management and Budget in the Department of Administration. The 3.0 FTE positions in the Governor's Office will be eliminated.

#### ARRA – Filled Positions

<b>Department</b>	<b>28-Feb</b>	<b>Share</b>
Health	5.0	33.3%
Administration	5.0	33.3%
Public Utilities Commission	2.0	13.3%
Governor's Office	3.0	20.0%
<b>Total</b>	<b>15.0</b>	<b>100.0%</b>

#### AVERAGE COST PER FTE

The projected average cost per FTE position is \$96,569 in FY2013, reflecting an increase of 2.7 percent over the FY2012 Budget as Enacted, and an increase of 33.5 percent since FY2005. The cost per FTE has grown by an average of 3.8 percent each year. During this period, salaries and wages increased by 3.8 percent, and benefits increased by 4.0 percent. The cost per FTE position decreased slightly in FY2010 as a result of enacted pension reforms and overall statewide reductions to personnel expenditures and decreased again in FY2013 in part due to pension reforms enacted in 2011.

	<i>Year to Year</i>	
<b>Projected Cost per FTE Position</b>	<b>% Change</b>	
FY2005	\$72,350	-
FY2006	77,293	6.8%
FY2007	81,945	6.0%
FY2008	85,777	4.7%
FY2009	91,967	7.2%
FY2010	86,243	-6.2%
FY2011	90,967	5.5%
FY2012 (Enacted)	94,031	3.4%
FY2013	96,569	2.7%

#### PURCHASED SERVICES

Purchased services expenditures are for contractors (non-state employees) who provide special expertise to the State or where the work is temporary or project-specific. There are ten categories of purchased services: three of the ten categories, Design and Engineering, Management and Consultant Services, and Training and Educational Services, comprise 70.9 percent of the total FY2013 purchased service expenditure recommendation in the Governor's FY2013 budget.

Purchased Services	FY2009	FY2010	FY2011	FY2012	FY2012	FY2013	FY09 to FY13
				Enacted	Governor	Governor	Change
Design & Engineering	\$30.7	\$49.0	\$39.3	\$49.2	\$50.1	\$47.1	53.4%
Management & Consultant Services	40.8	46.2	50.9	60.8	69.5	71.4	75.0%
Training & Educational Services	25.0	31.5	38.3	56.0	63.3	61.6	146.4%
Information Technology	15.4	12.6	14.0	17.0	22.7	17.5	13.6%
Medical Services	13.2	15.0	13.4	12.5	12.9	12.6	-4.5%
Other Contracts <sup>1</sup>	11.5	10.0	8.9	12.8	9.9	8.7	-24.3%
Clerical & Temporary Services	5.1	7.4	7.3	9.5	9.5	8.9	74.5%
Buildings & Grounds Maintenance	5.8	6.2	5.4	5.6	5.9	5.9	1.7%
Legal Services	4.4	4.3	6.4	5.2	6.8	5.4	22.7%
University & College Services	4.1	5.1	10.1	6.9	17.4	15.0	265.9%
<b>Total</b>	<b>\$156.0</b>	<b>\$187.3</b>	<b>\$194.0</b>	<b>\$235.5</b>	<b>\$268.0</b>	<b>\$254.1</b>	<b>62.9%</b>

\$ in Millions

<sup>1</sup> Includes interpreters, private security personnel, and appraisers.

In the FY2013 Budget, the Governor recommends a total appropriation of \$254.1 million for purchased service expenses, of which \$45.4 million (17.9 percent) is general revenue. The FY2013 Budget recommendation reflects an increase of \$18.6 million over the FY2012 Budget as Enacted. Approximately \$222.1 million (87.4 percent) of the appropriation will be appropriated to eight state departments.

#### Purchased Services

Department	FY2012 Enacted	FY2012 Governor	FY2013 Governor	FY2013 General Revenue
Elementary & Secondary Education	\$45.4	\$57.2	\$57.6	\$4.0
Office Health and Human Services	-	1.5	46.9	11.1
Transportation	37.1	37.7	37.2	-
Higher Education	18.5	20.9	28.8	2.8
Human Services	52.2	54.6	16.0	4.1
Environmental Management	14.9	14.9	13.0	0.5
Health	14.1	15.7	11.6	1.4
Corrections	10.5	11.7	11.0	10.0
All Other Agencies	42.8	53.8	32.0	11.4
<b>Total</b>	<b>\$235.5</b>	<b>\$268.0</b>	<b>\$254.1</b>	<b>\$45.4</b>

\$ in Millions

The majority of the variance of purchased service expenditures reflects the receipt of the federal Race to the Top funds in the Department of Elementary and Secondary Education. Under other agencies, the Department of Business Regulation experienced a decrease in the federal Exchange Planning Grant for FY2013, the Department of Labor and Training completed the information technology update in the Unemployment Insurance call center in FY2012, and the Department of Revenue requested \$398,450 less for purchased services related to the Central Falls receivership.

#### 2011 Pension Reform Impact

Section 23 of the RIRSA of 2011 stipulates that an assessment of 5.5 percent will be imposed on the cost of services provided for contract services on expenditures that are provided and are similar to the work done by regular state employees. This assessment is effective July 1, 2012. The Governor's FY2013 Budget does not include any additional funding for this assessment because the Budget Office could not determine which contracts would be impacted by the assessment.

*Analyst's Note: If the assessment is applied to the total purchased service expenditure of \$254.1 million, the yield would be \$14.0 million. However, it is likely that the majority of purchased services would not be subject to this assessment.*



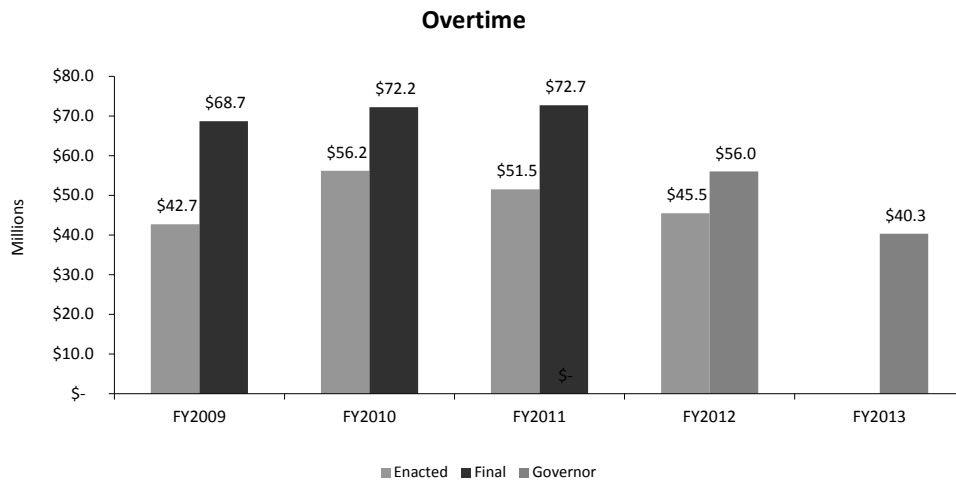
**OVERTIME**

Overtime costs in FY2013 are projected to total \$40.3 million, \$15.7 million less than the Governor’s proposed FY2012 Supplemental Budget and \$32.4 million less than expended in FY2011. Approximately 66.0 percent of overtime expenses are supported by general revenues. Approximately 35.0 percent of the total FY2013 projected overtime expenditures for the State occur with the Department of Corrections.

Overtime	FY2009 Enacted	FY2009 Final	FY2010 Enacted	FY2010 Final	FY2011 Enacted	FY2011 Final	FY2012 Enacted	FY2012 Governor	FY2013 Governor	Average Change FY09-FY11
Corrections	\$14.9	\$25.1	\$18.7	\$25.8	\$20.0	\$24.7	\$19.7	\$21.5	\$14.1	\$7.3
Higher Education	1.3	4.8	8.1	4.8	5.1	5.0	5.1	5.1	5.0	0.0
Human Services	2.5	4.9	4.2	5.7	4.5	5.6	3.5	5.7	4.5	1.7
Public Safety	3.0	2.9	3.0	3.0	3.3	4.7	3.9	4.1	4.1	0.4
Transportation	3.2	3.6	2.2	3.8	2.7	4.3	2.9	3.0	3.6	1.2
BHDDH	11.9	17.8	13.0	18.2	7.9	18.3	3.3	10.3	3.3	7.2
DCYF	2.6	3.8	3.2	4.3	2.8	4.3	3.9	2.8	2.8	1.3
Administration	0.9	1.4	1.0	1.3	1.4	1.4	0.6	0.7	0.6	0.3
Labor & Training	-	1.8	0.3	2.5	1.6	1.1	0.4	0.5	0.3	1.2
All Other Agencies	2.4	2.6	2.5	2.8	2.2	3.2	2.2	2.3	2.0	0.5
Total	\$42.7	\$68.7	\$56.2	\$72.2	\$51.5	\$72.7	\$45.5	\$56.0	\$40.3	\$21.1

\$ in Millions

Over the last three fiscal years, overtime expenditures have generally been understated by an average of \$21.1 million (43.5 percent) in final expenditures compared to the enacted budget. 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 understaffing 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:



The Governor recommends passage of Article 22 in the FY2013 Budget as a means to reduce overtime expenses with the Department of Corrections by allowing the Department to negotiate changes to collective bargaining agreements that would amend the way overtime hours are calculated. The Governor’s proposal is based on an assumption that an agreement can be reached allowing additional hours to be counted as regular time on a monthly basis, saving on overtime expenses. The time calculation is similar to that used for other public safety entities. Additionally, the article eliminates a provision requiring that collective bargaining agreements for employees at the Department of Corrections supersede state laws.

Full-year savings are estimated to total \$1.3 million in general revenues. The Governor includes an estimated three months of savings (\$325,000) in FY2013 to give the Administration time to negotiate with collective bargaining units. The calculations assume that negotiations will yield 11 hours of overtime savings each month for 75.0 percent of the Department's 935 FTE positions.

Correctional Officers currently receive overtime for time worked each week beyond 40 hours. The federal Fair Labor Standards Act allows overtime to be paid on a "work period" basis for certain defined fire protection and law enforcement employees. The Governor's proposal would add Correctional Officers to the definitions of positions that are exempt from regular overtime calculations. The Department currently pays overtime for time worked above 40 hours per week, equating to above 160 hours per 28-day period. The proposal would allow up to 171 hours of straight time in the same 28-day period, resulting in 11 hours per month that would be paid at straight time rather than overtime.

### STATE EMPLOYEE HEALTH INSURANCE RATES

Rhode Island offers three health benefits 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 projected rates for FY2013 will be 7.8 percent higher than the rates set for FY2012 and are 148.1 percent higher than the rates set in FY2001.

The UnitedHealthcare plan expires on June 30, 2013. The Delta Dental and the Vision Services plans are due to expire January 1, 2014, and June 30, 2012, respectively, although the Director of the Department of Administration is exploring a 2-year extension option for the Vision Plan. If adopted, the new expiration date for the Vision Service Plan will be June 30, 2014.

#### Health Insurance Rates Annual Employer Cost per Employee

Individual	FY2001*	FY2008	FY2009	FY2010	FY2011	FY2012 Enacted	FY2012 Governor	FY2013 Governor	% Change FY13/FY12
Medical	\$2,772	\$5,427	\$5,970	\$6,020	\$6,558	\$6,563	\$6,559	\$7,117	8.4%
Dental	241	327	327	360	349	374	350	371	-0.8%
Vision	41	76	82	83	83	87	84	87	0.0%
<b>Total</b>	<b>\$3,054</b>	<b>\$5,831</b>	<b>\$6,379</b>	<b>\$6,463</b>	<b>\$6,991</b>	<b>\$7,024</b>	<b>\$6,993</b>	<b>\$7,575</b>	<b>7.8%</b>
<b>Family</b>									
Medical	\$7,772	\$15,215	\$16,736	\$16,877	\$18,386	\$18,399	\$18,386	\$19,949	8.4%
Dental	674	917	917	1,008	978	1,046	978	1,037	-0.9%
Vision	88	162	173	177	177	184	177	184	0.0%
<b>Total</b>	<b>\$8,533</b>	<b>\$16,293</b>	<b>\$17,827</b>	<b>\$18,062</b>	<b>\$19,540</b>	<b>\$19,629</b>	<b>\$19,541</b>	<b>\$21,170</b>	<b>7.9%</b>

Source: RI Office of Employee Benefits & State Budget Office

\* Medical included BCBSRI & United Healthcare

### State Employee Health Plan Costs

The FY2013 proposed total employer expenditure for state employee health plan costs is \$180.7 million, of which \$95.6 million is general revenue. This is \$16.2 million higher than the FY2012 Budget as Enacted, and \$16.7 million more than the Governor's proposed FY2012 Supplemental Budget.

## State Employee Health Plan Costs

Health Plan	FY2009	FY2010	FY2011	FY2012		FY2013	FY13 to	
				Enacted	Governor		FY12 Change	% Change FY13/FY12
Medical	\$142.5	\$126.7	\$148.6	\$152.5	\$152.3	\$168.4	\$15.9	10.4%
Dental	9.1	9.0	9.2	10.3	10.0	10.5	\$0.2	5.0%
Vision	1.6	1.6	1.6	1.7	1.7	1.8	\$0.1	5.9%
<b>Total</b>	<b>\$153.2</b>	<b>\$137.3</b>	<b>\$159.4</b>	<b>\$164.5</b>	<b>\$164.0</b>	<b>\$180.7</b>	<b>\$16.2</b>	<b>9.8%</b>

*\$ in Millions*

**Health Cost Trends**

The overall state employee health cost increase is \$15.9 million (10.4 percent) more than FY2012 Budget as Enacted. This is due to several items:

- Part of the increase is due to the medical holiday included in FY2012 (this was a negative appropriation in the Department of Administration). There is no medical holiday in FY2013.
- The State received a federal reimbursement under the Early Retiree Rebate program of approximately \$10.7 million. This was used to offset regular state employee medical costs in FY2012.
- The State saved \$561,366 in FY2012 from the UnitedHealthcare Pharmaceutical Solutions Specialty Pharmacy Programs. This savings is now included in the health insurance base calculations going forward.
- Lastly, the Budget Office projected an 8.5 percent increase in medical rates (lower increases for vision and dental) based on estimates provided to us by United Health and CMS growth rates.

**State Employee Health Co-shares**

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.

**Family Plan Co-share – Salary Ranges**

FY2010	Co-share	FY2011	Co-share	FY2012 & FY2013	Co-share
Below \$25,000	13.5%	Below \$46,350	14.0%	Below \$47,741	15.0%
25,000 - 34,999	13.5%	46,350 - 92,700	20.0%	47,741 - 95,481	20.0%
35,000 - 44,999	13.5%	Over \$92,700	25.0%	Over \$95,481	25.0%
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	FY2012 & FY2013	Co-share
Below \$45,000	15.0%	Below \$46,350	17.5%	Below \$95,481	20.0%
45,000 - 74,999	20.0%	46,350 - 92,700	20.0%	Over \$95,481	25.0%
75,000 - 89,999	20.0%	Over \$92,700	25.0%		
Over \$90,000	25.0%				

**HEALTH INSURANCE WAIVER CHANGE**

The collective bargaining agreements of 2008 reduced the amount of the medical health waiver received by state employees who elect not to receive medical insurance paid by the State. Employees who waived

the medical coverage received a \$2,002 incentive payment each December of each calendar year. The 2008 agreements reduced the incentive amount to \$1,001 beginning July 1, 2012. The incentive is calculated by the calendar year. Therefore, in December 2011, these employees received a waiver calculated as 6-months at \$2,002 and 6-months at \$1,001. The impact of this change in the waiver amount reduced the cost to the State. In FY2012 the cost is \$2.3 million and in FY2013 the cost is \$1.5 million of which \$764,330 is general revenue.

**EARLY RETIREE REBATE PROGRAM AND UNITEDHEALTHCARE PHARMACY PROGRAMS**

The State was approved by the federal Department of Health and Human Services to participate in the Early Retiree Rebate Program (ERRP). The program, established through the federal Affordable Care Act, provided \$8.3 million to the State as of January 2012. The Budget Office projects that the State will receive \$9.8 million in FY2012. There is no additional revenue anticipated for FY2012 or FY2013. Federal requirements mandate that the award be used to offset health care plan premium increases in FY2012. In Rhode Island where the state provides a single benefit plan, funds from the ERRP will be used to reduce plan premiums for all participants. The health care rate for active employees was reduced by \$7.7 million (\$3.9 million is general revenue) and the savings will be reflected within the Department of Administration. The award was also used to reduce the retiree health costs appropriated in each state agency.

In addition, the State entered into two programs with UnitedHealthcare: the Select Designated Pharmacy Program and the UnitedHealthcare Pharmaceutical Solutions Specialty Pharmacy Program, which are projected to save the State \$561,366 in FY2012.

- Specialty Pharmacy Program: This program will use a specialty pharmacy network to provide monitoring and medication counseling to promote compliance with recommended use of specialty drugs. Members (employees) will have access to registered nurses by phone and pharmacists to discuss any problems or concerns they have.
- Select Designated Pharmacy (SDP) Program: The SDP program actively encourages members who are on select high cost Tier 3 (non-specialty) medications to fill the order through mail order or switching to a lower cost option.

<b>Contributions and Income</b>	
Employer	\$53.0
Employees	19.6
Other Income	1.9
Investment Income	0.2
<b>Total</b>	<b>\$74.7</b>

<b>Deductions</b>	
Benefits Paid	\$59.7
Administrative expenses	0.1
<b>Total</b>	<b>\$59.8</b>
<b>Net Assets</b>	<b>\$14.9</b>
<i>\$ in Millions</i>	

<b>OPEB UAAL Status</b>	
State Employees	\$673.6
State Police	67.1
Board of Governors	47.7
Teachers	13.5
Legislators	11.8
Judicial	8.7
<b>Total</b>	<b>\$822.4</b>
<i>\$ in Millions</i>	

**RETIREE HEALTH CARE TRUST FUND**

The Rhode Island State Employees’ and Electing Teachers Other Post Employment Benefit (OPEB) System is administered by the State of Rhode Island OPEB Board. The OPEB Board was established by P. L. 208 Chapter 9, Article 4 under RIGL Chapter 36-12.1. The OPEB Board is an independent board to hold and administer, in trust, the funds of the OPEB Trust System. The OPEB Trust System consists of six plans covering state employees, teachers, judges, state police, legislators, and Board of Governor employees.

The FY2012 Budget as Enacted amended various sections of the Health Insurance and Benefits Funding Act to clarify and resolve ambiguities within the existing statute. The Act defined the financing and administration of the State’s OPEB Trust. In addition, the actuarial valuation requirement was changed from an annual to biennial report and the law was changed to delay the first report of the OPEB Board

from January 2011 to October 2011. Lastly, the Budget as Enacted amended the provision that the OPEB restricted receipt account pay for the actual costs to administer the program.

On December 28, 2011, the Office of the Auditor General issued its first audit on the financial statements of the OPEB system for the fiscal year ending June 30, 2011. In the first year of operation, the OPEB Trust ended with net assets totaling \$14.9 million. The Unfunded Actuarial Accrued Liability (UAAL) for the OPEB Trust is \$822.4 million. The following table illustrates the funding status for each plan as of June 30, 2011:

*Analyst's Note: The OPEB Trust Fund Board initiated a new actuarial valuation immediately following passage of the 2011 Pension Reform legislation. An updated OPEB Trust Fund valuation is expected in February 2012.*

## LONGEVITY

Longevity is a compensation benefit provided to employees upon completion of certain lengths of state service and exists as an alternative to a merit system. Longevity benefits were provided to both union and non-union employees and to the non-classified employees in the Department of Education and Higher Education. Generally for unclassified, non-union state employees, the longevity benefit is written into state and departmental personnel policies. For classified union state employees, the benefit is included in the collective bargaining unit contracts. However, for non-classified employees in the Department of Education and Higher Education, the longevity benefit is set by state statute.

The FY2012 Budget as Enacted eliminated future longevity benefits for all classified, unclassified and non-classified employees. Beginning July 1, 2011, or subsequent to the expiration of current collective bargaining agreements, there will be no further longevity increases for state employees. Current employees will retain all previously accrued longevity benefit percentages in effect on June 30, 2011, or in the case of employees in a collective bargaining agreement, as of June 1, 2011.

Although the FY2012 Budget as Enacted did not specifically include savings resulting from the longevity benefit changes, a reduction in personnel costs should occur. In FY2013, the change in the longevity benefit was projected to reduce personnel expenses on state employees, state police and nurses by \$4.0 million.<sup>1</sup>

## Retirement System Cash Flow

The retirement system currently disburses more in benefits than it receives in employer and employee contributions, resulting in a negative cash flow each month. This requires the State to draw down investments each month in order to provide sufficient resources to meet its monthly benefit payroll, decreasing the funds available for investment.

Pension Period	Pension Payroll	Retirement Contribution	Cash Flow	Transfer from Investments
CY2011	\$883.0	\$574.5	(\$308.5)	\$339.0
CY2010	850.3	531.2	(319.1)	340.0
CY2009	816.1	527.0	(289.1)	304.5
CY2008	746.0	579.8	(142.9)	203.5

*\$ in Millions.*

*Source: State Investment Commission*

<sup>1</sup> The estimated savings does not include non-classified employees. Information regarding non-classified employees was unavailable from the Department of Education, Higher Education, or the Public Telecommunications Authority.

## PENSION REFORM

The Employees' Retirement System of Rhode Island (ERSRI) was established under chapter 2334 of the Rhode Island Public Laws of 1936 and placed under the management of the Retirement Board for the purpose of providing retirement allowances for state employees and public school teachers. The plan covers most state employees other than certain personnel at the State colleges and university (principally faculty and administrative personnel). Elected officials may become members on an optional basis. Membership in the plan is compulsory for teachers, including superintendents, principals, school nurses, and certain other school officials in the public schools.

Prior to enactment of the Rhode Island Retirement Security Act of 2011 (RIRSA) the ERSRI administered defined benefit pension plans for State employees, teachers, State Police, judges and participating municipal employees. State employees and teachers are combined in one plan while State Police, judges and municipal employees each have separate plans. The municipal plan is referred to as the Municipal Employees' Retirement System or MERS.

## RHODE ISLAND RETIREMENT SECURITY ACT OF 2011

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, making them sustainable for members and affordable for taxpayers. Previous projections had pension costs consuming a larger proportion of resources.

The RIRSA of 2011:

- Reduces the State's unfunded liability of nearly \$7.0 billion by over \$3.0 billion and prevents future erosion of the State's pension systems while targeting an 80.0 percent funding level for all pensions systems.
- Ensures employees preserve what they have earned through June 30, 2012, while shifting future risk to public employees through installing a new hybrid plan that draws from both defined benefit and defined contribution plans.
- Ensures there is no impact on the ability to retire for those who are eligible to retire as of June 30, 2012, and increases minimum retirement age for most employees not already eligible to retire.
- Suspends new cost-of-living adjustments (COLAs) to retirees' benefits until the system is better funded but provides for an intermittent COLA every five years until 80.0 percent funded.

## OVERVIEW OF IMPACT ON STATE AND LOCAL BUDGETS

Pension costs are consuming an increasing proportion of state and local resources. However, under the RIRSA of 2011, FY2013 pension contributions for state employees, teachers, State Police and Judges are reduced by nearly 42.0 percent, representing a net decrease of \$265.0 million from projections. The State's general revenue share of the FY2013 pension contribution would fall from \$305.0 million to \$177.0 million based on the Act. The reform reduces the projected unfunded liability of the state pension systems from \$6.9 billion to \$4.1 billion. This represents a 40.2 percent decline in the unfunded liability.

The impact in FY2013 is a \$166.0 million all fund savings, of which \$125.7 million is general revenue for FY2013. The savings are offset by the 1.0 percent increase for the employer share of the defined contribution plan. The net savings is \$155.5 million in all funds and \$117.9 million in general revenue.

### Unfunded Actuarial Accrued Liability

	Pre-Reform		Post-Reform	Change	
	FY2012	FY2013	FY2013	Amount	Percent
<b>State Employees</b>	\$1,836.2	\$2,700.0	\$1,701.9	(\$998.1)	-37.0%
<b>Teachers</b>	2,892.0	4,133.0	2,392.2	(1,740.8)	-42.1%
<b>Judges</b>	4.9	11.0	8.6	(2.4)	-21.8%
<b>State Police</b>	15.2	29.0	7.3	(21.7)	-74.8%
<b>Subtotal</b>	<b>\$4,748.3</b>	<b>\$6,873.0</b>	<b>\$4,110.0</b>	<b>(\$2,763.0)</b>	<b>-40.2%</b>
<b>MERS - General</b>	\$110.6	\$286.8	\$120.7	(\$166.1)	-57.9%
<b>MERS - Public Safety</b>	48.7	143.4	55.4	(88.0)	-61.4%
<b>Subtotal</b>	<b>\$159.3</b>	<b>\$430.2</b>	<b>\$176.1</b>	<b>(\$254.1)</b>	<b>-59.1%</b>
<b>Total</b>	<b>\$4,907.6</b>	<b>\$7,303.2</b>	<b>\$4,286.1</b>	<b>(\$3,017.1)</b>	<b>-41.3%</b>

*\$ in Millions*

Communities in the state-administered MERS for general municipal and public safety employees will also see an impact. The Act will reduce the FY2013 contribution from \$65.7 million to \$38.1 million, approximately \$27.6 million less than projected FY2013 contributions. The unfunded liability of the MERS pension systems declines from \$430.2 million to \$176.1 million.

In addition, local communities contributed approximately \$134.2 million for teacher retirement in FY2012. The Act will result in an estimated FY2013 local pension contribution for teachers of \$136.9 million, resulting in a net decrease of approximately \$84.1 million. The combined pension contribution for municipalities will be approximately \$112.0 million less than the projected FY 2013 contributions prior to reform.

### KEY PROVISIONS IN THE ACT

*(As prepared in a joint collaboration of Senate and House Finance committees on November 18, 2011)*

**COLA Provisions:** Retirees do not lose any COLAs granted prior to July 1, 2012, but:

- Suspends future annual COLAs until the aggregate funded ratio of the Employees' Retirement System of Rhode Island, the Judicial Retirement Benefits Trust and the State Police Retirement Benefits Trust exceeds 80.0 percent
- Moves current and future retirees to the same COLA as of July 1, 2012
- Establishes a limited, risk-based COLA equal to the difference between the 5-year smoothed investment return and 5.5 percent (no more than 4.0 percent)
- Applies COLA to the member's first \$25,000 of pension income
- Creates an interim COLA in five year intervals from enactment until the aggregate funded ratio as noted above exceeds 80.0 percent.

Each MERS plan will have a separate determination of its funding status annually, and the COLA for beneficiaries paid from each system will be subject to their respective funding status.

### ***New Hybrid Plan***

The Act introduces a hybrid pension structure for all except public safety employees and judges to shift risk to the employee through combining the attributes of both the defined benefit and defined contribution plans.

**Defined Benefit Structure:** The Act restructures defined benefit benefits starting July 1, 2012: employees will retain all benefits accrued through June 30, 2012, and those eligible to retire as of June 30, 2012, will remain eligible to retire. Other provisions of the Act include:

- Sets future benefit accruals at 1.0 percent per year of service beginning July 1, 2012
- Calculates benefits based on the member's 5-year highest average compensation
- Reduces vesting requirement from 10 years to 5 years
- Reduces state employee contribution rate from 8.75 percent to 3.75 percent
- Reduces teacher contribution rate from 9.5 percent to 3.75 percent
- Reduces MERS contribution rates from 6.0 percent to 1.0 percent (7.0 percent to 2.0 percent for those electing the COLA provisions)
- Employees with at least five years of service on July 1, 2012, will have the new retirement age discounted proportionally based on how close the individual is to retirement as of June 30, 2012, provided the new age is not lower than 59.
- Members with at least 10 years of service on June 30, 2012, may elect to retire with benefits accrued as of June 30, 2012, at their current retirement age, but they must work until their modified retirement age in order to have any service credits earned after June 30, 2012 included in final retirement benefit calculation.

**Defined Contribution Structure:** The Act overlays the defined benefit program with a new defined contribution program. Teachers, state employees and MERS municipal plans will participate in this new structure. Corrections officers, State Police, judges and MERS public safety personnel would not have a defined contribution plan. The key elements of the defined contribution component of the hybrid plan include:

- Mandatory 5.0 percent employee and 1.0 percent employer contributions
- Employees vest immediately, but there is a three-year vesting to receive the employer contributions
- State Investment Commission is responsible for selecting the plan vendor and the State Retirement Board is responsible for administering and providing employee investment support
- Teachers not contributing into Social Security will have an additional 4.0 percent contribution and MERS police and fire personnel would have an additional 6.0 percent contributed to the defined contribution plan (50.0 percent employee/employer share)

### ***Public Safety Related Pension Plans***

The Act does not extend the hybrid plans to public safety type plans or the Judiciary.

**MERS Police and Fire:** The Act requires members to be age 55 with 25 years of service to retire with full benefits, and includes a 2.0 percent accrual rate. The Act stipulates that members who have completed 5 years of contributory service on or after July 1, 2012, but have not yet completed 25 years of service to be eligible to retire at their Social Security retirement age. The Act permits members age 45 with at least 10 years of service who are currently eligible to retire before age 52 to retire at age 52; or retire at current retirement date but at accrued benefit as of June 30, 2012. The final average salary would be based on the highest five years of service, and those that are in an optional COLA plan would participate in the COLA as described above.

**State Police:** State Police may retire at any age after their retirement allowance meets or exceeds 50.0 percent of average compensation, and are required to retire when their retirement allowance equals 65.0



percent, or if they reach age 62. The Act also changes the final compensation calculation to five years, and more clearly defines compensation for calculating State Police retirement benefits.

**Judges:** The Act establishes an employee contribution rate of 12.0 percent for all judges starting July 1, 2012, whether they were contributing to pensions or not. This is an increase from 8.75 percent for those that were contributing to their pensions.

### ***Other Provisions***

**Locally-Administered Pension Plans:** The Act has a number of provisions to address pension deficiencies in non-MERS plans, including requiring these plans to complete actuarial and experience studies by April 1, 2012, and requiring all non-MERS plans with funded ratios below 60.0 percent to submit a funding improvement plan within 180 days.

**Re-amortization:** Instead of paying the remaining liability off over 19 years as is currently scheduled, the Act extends that to 25 years. Amortizing the unfunded liability over a new 25-year period is projected to cost an additional \$1.8 billion.

**Part-time employees:** The Act preserves current law permitting part time employees to accrue service credit, but has provisions to prevent spiking of retirement benefits at the end of their careers. The Act calculates a teacher's service credit if they work less than a full year on a proportional basis.

**Survivor Benefits:** The Act grants a one year window during which employees who elected a survivor benefit other than a life annuity may exercise a one-time option to switch to a life annuity option.

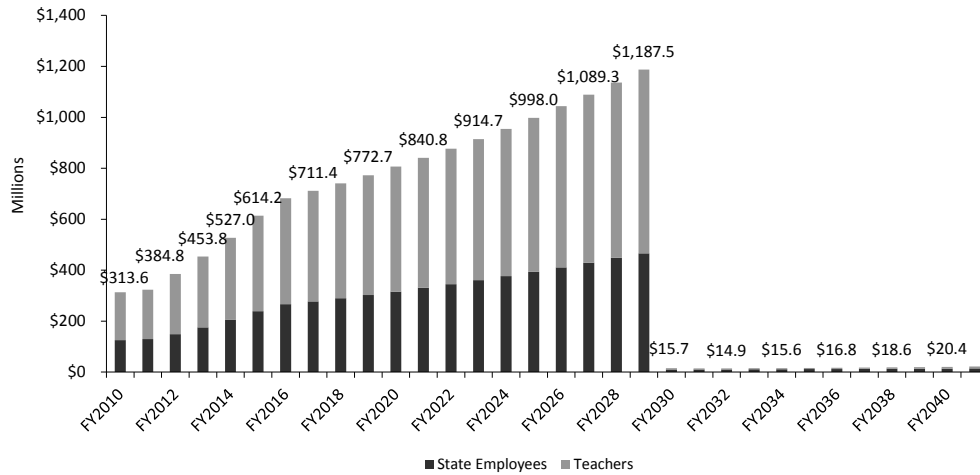
### ***Annual Required Contribution and Amortization Schedule***

Prior to the enactment of the Rhode Island Retirement Security Act (RIRSA) of 2011, the cost of the State retirement system was a burden on state budget resources, specifically in following the actuarial required contribution (ARC) scheduled pursuant to the Government Accounting Standard Board (GASB) requirement that retirement trust funds be fully funded. At that time, the Employees' Retirement System of Rhode Island was estimated to be 44.7 percent funded and for teachers it was estimated to be 44.8 percent funded.

The State was on a 30-year amortization schedule to fully fund the system by FY2029. The ARC cost was projected to increase each year until the system was fully funded. Although this method made it easier for the State to comply with the ARC in the first years of the amortization schedule, the increasing ARC cost each year led the General Assembly to enact the RIRSA pension reforms.

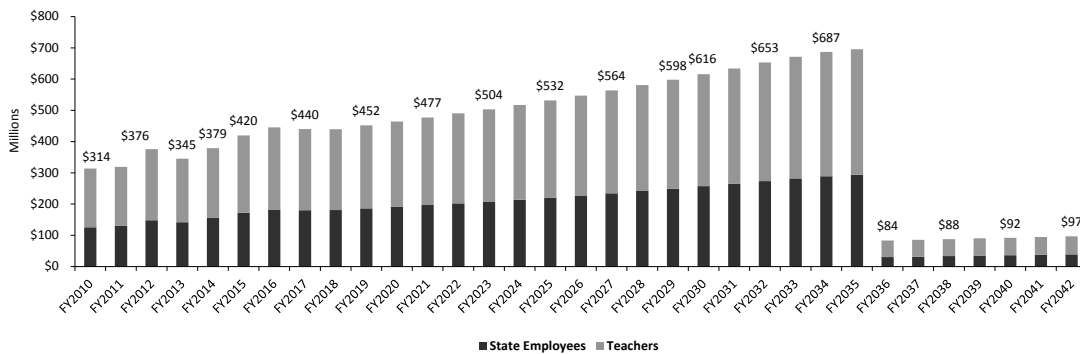
In FY2012, the ARC was estimated to be \$376.6 million. The ARC was projected to increase each year until it peaked at \$1,330.5 million in FY2029.

**Annual Required Contribution Pre-2011 Pension Reform**



Instead of paying the remaining liability off over 19 years as was currently scheduled, the RIRSA pension reforms extended the amortization period to 25 years, adding 6 years to the current schedule. Amortizing the unfunded liability over a new 25-year “laddered amortization” period is projected to cost an additional \$1.8 billion. The RIRSA authorizes the use of laddered amortization structure designed to smooth out the cliff effect at the end of the amortized period and reduce volatility over time. Future assumptions, gains and losses will be recalculated into its own amortization schedule over individual 20-year closed periods. Once full funding is reached in FY2035, future state budgets will experience a smaller, steady annual employee normal cost each fiscal year.

**Annual Required Contribution Post-2011 Pension Reform**



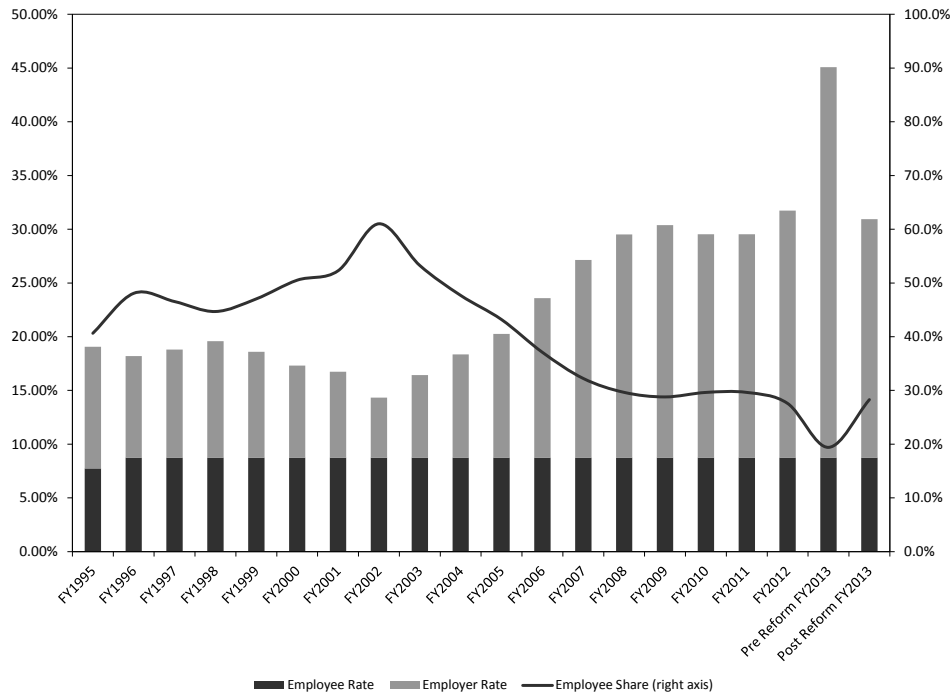
**Employer/Employee Contributions**

The Governor’s FY2012 Budget proposal highlighted a concern that the employer share of the retirement contributions had been increasing at a substantial rate. As the State followed the Government Accounting Standards Board (GASB) requirement to achieve a fully fund the retirement system over a 30-year amortized period, the ARC increases each year until the system reaches full funding in FY2029.

To meet the obligation of the ARC, the employer share of the total pension contribution has to increase each year because the employee contribution was statutorily set at 8.75 percent of salary for state employees, State Police, judges, and at 9.50 percent of salary for teachers. As an example, in FY1995,

the State was responsible for 59.4 percent of the ARC and state employees bore 40.6 percent of the cost. As the value of the ARC increased, the employee proportion remained the same. As a result, the State became responsible for a larger proportion of the ARC.

Prior to enactment of the RIRSA of 2011, the projected FY2013 state share of the employee ARC was 80.6 percent. Since the passage of RIRSA, the projected FY2013 state share is 71.7 percent, which includes the 1.0 percent employer contribution under the defined contribution plan. The following graph illustrates the divide between the employer and employee share of the ARC and the variance in the FY2013 assumed contribution rates pre- and post-RIRSA pension reform.



**ARTICLE 11: RELATING TO RETIREMENT CONTRIBUTIONS**

The FY2006 Budget as Enacted established the law requiring that in any fiscal year where the actuarially-determined state employer contribution rate is lower than the prior year the Governor shall include an appropriation to the retirement fund in an amount equivalent to 20.0 percent of the projected reduced employer contributions.

Article 11 of the Governor’s FY2013 Budget recommendation repeals the mandatory supplemental employer retirement contribution to the state retirement system for state employees and teachers. The appropriation is applied to the actuarial accrued liability for state employees and teachers, thereby increasing the assets of the state retirement system and lowering the employer contribution rates in future years. The supplemental employer contribution provision was amended three times since enactment exempting the payment of the supplemental employer contribution for FY2009, FY2010, and FY2011. The repeal of this statute will allow any potential employer contribution savings to be used for other purposes. The estimated value of the supplemental contribution is \$3.2 million in FY2013, of which \$2.6 million is general revenue.



## Federal Medicaid Matching Funds

Medicaid, a program that provides health insurance to low-income children, pregnant women, parents of dependent children, the elderly, and people with disabilities, is jointly funded by the state and the federal government. The federal cost-share for most Medicaid services is determined by the federal medical assistance percentage (FMAP), which is calculated annually for each state by the Centers for Medicare and Medicaid (CMS).

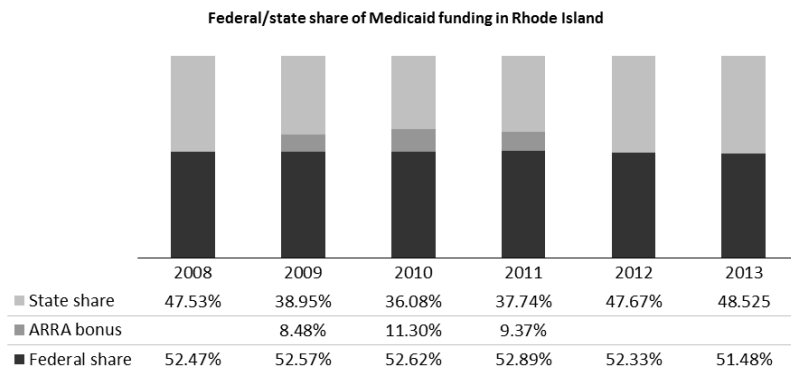
The FMAP is calculated in order to provide higher reimbursements to states with lower per capita income as compared to national per capita income, using a three-year rolling average. The formula is designed so that a state whose per capita personal income is equal to the national average will have an FMAP of 55.0 percent. States with lower incomes have higher FMAPs (up to a statutory maximum of 83.0 percent) and states with higher incomes have lower FMAPs (down to a statutory minimum of 50.0 percent). In FFY2011, the FMAP varied across states from a low of 50.0 percent to a high of 74.73 percent.

While most Medicaid expenditures are reimbursed at the FMAP, Children's Health Insurance Program (CHIP) expenditures are generally reimbursed at the enhanced FMAP (E-FMAP). This is calculated by reducing the state share under the regular FMAP by 30.0 percent.

### ENHANCED FMAP THROUGH ARRA

The following graph shows Rhode Island's effective FMAP by state fiscal year. Since the State and federal governments have different fiscal years, Rhode Island's effective FMAP is a weighted average rate from two different federal fiscal years.

In FY2009 through FY2011, Rhode Island received additional financial assistance from the federal government through a temporary increase in the FMAP rate as provided by the American Recovery and Reinvestment Act (ARRA). That temporary increase ended on June 30, 2011, with a stepped-down bonus over the last two quarters of FY2011. In FY2011, this enhanced ARRA FMAP, along with changes due to the November 2010 Caseload Estimating Conference, added approximately \$173.5 million to the total federal Medicaid match.



### FY2012

The ARRA enhancement expired on June 30, 2011, and Rhode Island began FY2012 with a return to the base, un-enhanced FMAP. In fact, the State experienced a further reduction in federal funding, because the base FMAP for the federal fiscal year beginning September 1, 2011, is lower than the previous year. The reduction in the State's FMAP in FY2012 required an estimated \$206.9 million increase in general revenue funding compared to the FY2011 Budget as Enacted (before adjusting for caseload changes).

While the State's FMAP establishes the state-federal cost split for most Medicaid services, the following Medicaid programs use different FMAPs to determine the split in FY2012:

- **Health Homes:** In order to encourage states to adopt innovative strategies to coordinate care and manage the health of those who suffer from multiple chronic conditions, the Affordable Care Act provides a 90.0 percent FMAP for home health services specified in the law. This option became available to the states in 2011 and Rhode Island was granted approval for a health home initiative for two Medicaid populations in FY2012. This initiative anticipates general revenue savings of \$1.3 million in FY2012 through shifting costs to federal funds in the Department of Human Services and the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals.
- **Money-Follows-the-Person (MFP):** A 76.0 percent FMAP is offered to states for services that serve to rebalance their long-term care systems to emphasize home- and community-based services (HCBS) rather than nursing home placement. The FY2012 Budget as Enacted includes \$2.5 million in general revenue savings through shifting costs to federal funds.

### THE AFFORDABLE CARE ACT

One of the major changes enacted in the federal Patient Protection and Affordable Care Act (ACA) is the expansion of Medicaid to most people with incomes up to 133.0 percent of the federal poverty level (\$14,856 for an individual and \$30,657 for a family of four in 2012). This will expand Medicaid eligibility to a new mandatory adult group and for the first time extend eligibility to childless adults. The new federal law provides for a 100.0 percent FMAP to finance the cost of newly eligible individuals for the first three years (2014 through 2016). This full funding will phase down gradually to a permanent rate of 90.0 percent in 2020.

FFY	FMAP	State Share
2014	100%	0%
2015	100%	0%
2016	100%	0%
2017	95%	5%
2018	94%	6%
2019	93%	7%
2020 and after	90%	10%

Enhanced federal financing extends only to those newly eligible for Medicaid under the Affordable Care Act. States will not receive the higher FMAP for individuals who would have been eligible for Medicaid under pre-Affordable Care Act criteria, even if the individual enrolls under the ACA.

With the implementation of the Medicaid reforms contained in the ACA, there will be three different matching rates for Medicaid: a state's regular FMAP, its E-FMAP for CHIP, and an FMAP for the newly eligible. The President's FFY2013 Budget proposes a blended matching rate for Medicaid and CHIP in order to save on administrative expenses currently required to determine separate matching rates. As proposed, the single rate for all program spending would automatically increase if a recession forces enrollment and state costs to rise. The President anticipates \$17.8 billion in federal savings over ten years. Since the blended rate is designed for federal savings, it may shift a greater percentage of Medicaid costs to the State.

## Municipal Aid

The Governor's FY2012 Supplemental Budget includes a one-time Stabilization Payment of \$2.6 million to the City of Central Falls in the FY2012 Supplemental Budget. These funds would be used over a five-year period to provide transition payments to retirees based on an agreement between the Receiver for the City of Central Falls, the Department of Revenue, and the negotiating team for the Central Falls retirees. For FY2013, Library Aid, PILOT, Motor Vehicle Excise Tax Reimbursement, and Distressed Community Relief Aid are funded at the FY2012 level. Indirect aid is projected to increase slightly for FY2013 based on historic collection rates. Tables showing impacts by community are included at the end of this analysis.

Municipal Aid FY2011 - FY2013								
Program	FY2011	FY2012	FY2012	Change from Enacted		FY2013	Change from Enacted	
		Enacted	Governor			Governor		
Payment in Lieu of Taxes	\$27.6	\$33.1	\$33.1	\$0.0	0.0%	\$33.1	\$0.0	0.0%
Distressed Communities	10.4	10.4	10.4	0.0	0.0%	10.4	0.0	0.0%
Motor Vehicle Excise Tax	10.0	10.0	10.0	0.0	0.0%	10.0	0.0	0.0%
Central Falls Stabilization	-	-	2.6	2.6	0.0%	-	0.0	0.0%
State Aid to Libraries								
Grant-in-Aid	8.7	8.7	8.7	0.0	0.0%	8.7	0.0	0.0%
Library Construction	2.5	2.8	2.8	0.0	0.0%	2.5	(0.3)	-10.7%
<b>Total Direct Aid</b>	<b>\$59.2</b>	<b>\$65.0</b>	<b>\$67.6</b>	<b>\$2.6</b>	<b>4.0%</b>	<b>\$64.7</b>	<b>(\$0.3)</b>	<b>-0.5%</b>
Public Service Corporations Tax	\$11.3	\$11.8	\$11.8	\$0.0	0.0%	\$11.8	\$0.0	0.0%
Meals & Beverage Tax	19.5	19.3	19.6	0.3	1.6%	20.0	0.7	3.6%
Hotel Tax	5.9	5.6	5.6	0.0	0.0%	6.2	0.6	10.7%
Airport Impact Fees	\$1.0	1.0	1.0	0.0	0.0%	1.0	0.0	0.0%
<b>Total Indirect Aid</b>	<b>\$37.7</b>	<b>\$37.7</b>	<b>\$38.0</b>	<b>\$0.3</b>	<b>0.8%</b>	<b>\$39.0</b>	<b>\$1.3</b>	<b>3.4%</b>
<b>Total Aid</b>	<b>\$96.9</b>	<b>\$102.7</b>	<b>\$105.6</b>	<b>\$2.9</b>	<b>2.8%</b>	<b>\$103.7</b>	<b>\$1.0</b>	<b>1.0%</b>

\$ in millions

### 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.

In FY2012, the General Assembly increased PILOT funding by \$5.5 million over the Governor's recommendation of \$27.6 million, increasing the funding level from 19.5 percent to 23.4 percent.

Fiscal Year	PILOT Funding Trends		
	Total Funding	Percent Change	Percent Reimbursed
2002	\$18.1	3.0%	27.0%
2003	18.2	0.1%	24.8%
2004	21.7	19.6%	27.0%
2005	22.7	4.6%	26.3%
2006	27.0	18.7%	27.0%
2007	27.8	2.9%	27.0%
2008	27.8	0.0%	25.4%
2009	27.6	-0.7%	25.2%
2010	27.6	0.0%	23.8%
2011	27.6	0.0%	21.1%
2012	33.1	20.0%	23.4%
2013	33.1	0.0%	21.4%

\$ in millions

The Governor's FY2013 budget proposal level funds PILOT at \$33.1 million for FY2013; however, base changes have caused a shift in funding for some communities. Full funding for this program at a rate of 27.0 percent reimbursement would require \$41.7 million. The amount proposed by the Governor is \$8.7 million less than the current law level, and equates to a 21.4 percent reimbursement.

**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 FY2012, \$10.4 million was appropriated and distributed to 8 qualifying municipalities. The communities of East Providence and Burrillville are not eligible for this funding in FY2012, and therefore will only receive 50.0 percent of what they received in FY2011. Conversely, the Town of North Providence will once again be eligible for funding.

For FY2013, the Distressed Community Relief program is funded at the FY2012 level of \$10.4 million. The Governor’s budget proposal clarifies that a portion of this appropriation, which was previously from video lottery terminal proceeds (\$784,458), is to be distributed equally among the distressed communities.

For FY2013, the City of Cranston met 3 of the 4 indices and becomes eligible for the Distressed Community Relief program. As a newly qualifying community, the City will receive 50.0 percent of the funding it would be entitled to in the first year, and then the full amount thereafter. This has a distributional impact on other distressed communities eligible for these funds. The Town of North Providence, which became eligible for funding in FY2012, will receive 100.0 percent of its allocation. The following table illustrates the proposed distribution of Distressed Community Relief funds for FY2013 based on the Governor’s budget proposal.

**FY2013 Governor's Recommended Distressed Community Relief Fund Distribution**

Municipality	Distribution*	Supplement**	FY2013 Proposed
			Distribution
Central Falls	\$177,642	\$112,065	\$289,708
Cranston	1,089,414	112,065	1,201,480
North Providence	913,673	112,065	1,025,738
Pawtucket	1,304,686	112,065	1,416,751
Providence	4,692,268	112,065	4,804,334
West Warwick	705,851	112,065	817,916
Woonsocket	716,466	112,065	828,531
<b>Total</b>	<b>\$9,600,000</b>	<b>\$784,458</b>	<b>\$10,384,458</b>

\*Appropriation pursuant to Section 45-13-12(e)

\*\*Appropriation pursuant to 42-61.2-7 (1)(i)

**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 Excise Tax Reimbursement. The Governor’s FY2010 Supplemental Budget proposal included eliminating the third and fourth quarter payments to municipalities; however, the General Assembly restored all of the third quarter payment and half of the fourth quarter payment, as well as the entire payment to the fire districts for total funding that year of \$117.2 million. For FY2011 and FY2012, funding was reduced to \$10.0 million, and funding

Distressed Communities Relief		
Fiscal Year	Total Funding	Percent Change
2002	\$7.6	4.7%
2003	8.1	6.6%
2004	7.5	-7.5%
2005	9.5	26.5%
2006	10.6	11.6%
2007	10.2	-4.6%
2008	10.4	2.3%
2009	10.4	0.0%
2010	10.4	0.0%
2011	10.4	0.0%
2012	10.4	0.0%
2013	10.4	0.0%

\$ in millions

Motor Vehicle Excise Tax		
Fiscal Year	Total Funding	Percent Change
2002	\$99.6	30.0%
2003	100.2	0.6%
2004	105.0	4.8%
2005	105.0	0.0%
2006	117.6	12.1%
2007	136.2	15.8%
2008	135.3	-0.7%
2009	135.4	0.0%
2010	117.2	-13.4%
2011	10.0	-91.5%
2012	10.0	0.0%
2013	10.0	0.0%

\$ in millions



for fire districts was eliminated from the budget. Also, the state-mandated motor vehicle tax exemption was reduced from \$6,000 to \$500.

Motor Vehicle Exemptions			
Fiscal Year	Exemption	Fiscal Year	Exemption
2000	\$1,500	2007	\$6,000
2001	2,500	2008	6,000
2002	3,500	2009	6,000
2003	4,500	2010	6,000
2004	4,500	2011	500
2005	4,500	2012	500
2006	5,000	2013	500

For FY2013, the Governor proposes to level fund payments to cities and towns for the Motor Vehicle Excise Tax Reimbursement Program at \$10.0 million. This includes no funding for fire districts. The Governor maintains the mandatory motor vehicle tax exemption at \$500 per vehicle. Municipalities are authorized to provide an additional exemption; however, these additional exemptions are not subject to reimbursement.

#### FY2011 and FY2012 Motor Vehicle Exemptions

Municipality	FY2011	FY2012	Municipality	FY2011	FY2012
Barrington	\$500	\$500	Narragansett	\$6,000	\$6,000
Bristol	3,000	3,000	Newport	6,000	6,000
Burrillville	2,500	1,500	New Shoreham	6,000	6,000
Central Falls*	1,000	1,000	North Kingstown	3,000	3,000
Charlestown	500	500	North Providence	500	500
Coventry	6,000	500	North Smithfield	500	500
Cranston	500	500	Pawtucket	3,400	500
Cumberland	500	500	Portsmouth	3,000	3,000
East Greenwich	6,000	6,000	Providence**	6,000	1,000
East Providence	6,000	500	Richmond	500	500
Exeter	500	500	Scituate	6,000	6,000
Foster	6,000	3,100	Smithfield	1,000	1,000
Glocester	2,700	500	South Kingstown	500	3,000
Hopkinton	500	500	Tiverton	6,000	6,000
Jamestown	6,000	6,000	Warren	500	500
Johnston	500	500	Warwick	6,000	500
Lincoln	3,000	3,000	Westerly	500	1,500
Little Compton	6,000	6,000	West Greenwich	500	500
Middletown	3,000	3,000	West Warwick	3,000	3,000
			Woonsocket	500	500

Source: RI Dept. of Revenue, Division of Municipal Finance.

#### Central Falls Stabilization Fund

Since July 2010, the City of Central Falls has been operating under the oversight of a state-appointed receiver pursuant to RIGL 45-9-1. On Monday, August 1, 2011, the state-appointed receiver filed for Chapter 9 bankruptcy in federal Bankruptcy Court. The filing allowed implementation of proposed changes to pensions and retiree and active employee health plans effective immediately, including 20.0 percent co-shares for health insurance premiums and aggregate savings of at least \$1.4 million from reduced pension payments to the retirees of the Central Falls Police and Fire Departments.

The Plan of Adjustment submitted by the City Receiver to the Bankruptcy Court included major restructuring of the City's pension plans, estimated to save \$2.2 million per year (from \$3.9 million to \$1.7 million) in Annual Required Contribution (ARC) payments, while reducing benefit payments by

\$1.4 million (from \$3.7 million to \$2.2 million per year). This restructuring applied to both existing retirees and future retirees.

The Governor’s FY2012 Supplemental Budget proposal includes a \$2.6 million appropriation from the State to the City of Central Falls as part of a settlement agreement between the City Receiver, the Department of Revenue, and retirees from the City of Central Falls. Funds would be disbursed over a five-year period to municipal retirees who sustained significant pension reductions as a result of actions by the City Receiver to improve the financial condition of the City. These payments would 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 would also include annual cost of living adjustments of up to 2.0 percent annually, not compounded. The settlement agreement also provides that if the General Assembly appropriates less than \$2.0 million, the participating retirees could elect to opt out of the agreement, and the agreement would become void.

**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. (In FY2009 and FY2010, the General Assembly enacted legislation which allowed communities to fund their public libraries at 80.0 percent of the prior year’s level in order to be eligible for these funds.)

Fiscal Year	Grant in Aid	Library Aid		Total Aid	Percent Change
		Construction			
2002	\$6.3	\$2.0		\$8.3	4.1%
2003	6.6	2.2		8.8	5.2%
2004	7.6	2.1		9.7	10.5%
2005	8.1	2.5		10.6	9.0%
2006	8.4	2.6		11.0	4.4%
2007	8.7	2.8		11.5	4.0%
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%

For FY2013, the Governor recommends level funding state aid for libraries at the FY2012 level of \$8.7 million; however distribution would be based on qualifying data from the statutory reference year.

*\$ in millions*

**State Aid to Libraries Construction Reimbursement**

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 for a period of up to 20 years.

For FY2012, the Governor recommends \$2.8 million for Library Construction Aid. For FY2013, the Governor recommends a decrease of \$350,058 from \$2.8 million to \$2.5 million, to reflect actual reimbursement costs.

The 2011 General Assembly instituted a moratorium on approval of library construction projects by the Chief of Library Services for the period from passage through July 1, 2014.

Fiscal Year	Property Tax Revaluation	
	State Reimbursement	Percent Change
2002	\$1.0	-32.7%
2003	1.6	55.4%
2004	2.3	47.5%
2005	0.7	-70.6%
2006	1.2	70.9%
2007	2.1	78.0%
2008	0.7	-66.5%
2009	1.1	61.9%
2010	1.5	35.2%
2011	0.7	-53.1%
2012	1.0	39.8%
2013	1.6	60.5%

*\$ 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 Governor’s FY2012 Supplemental Budget allocates \$1.0 million for property revaluation reimbursement, a decrease of \$120,714 from the FY2012 Budget as Enacted amount due to actual reimbursements.

The Governor increases funding for the Property Revaluation program to \$1.6 million for FY2013, an increase of \$606,746. The following communities will be performing statistical updates in FY2013: East Providence, Little Compton, Providence, Scituate, Warren, Warwick, and Westerly.

**General Revenue Sharing**

Beginning in FY1994, 1.0 percent of total state tax revenues from the second prior fiscal year were earmarked for general State Aid to cities and towns. This amount was required to increase annually, beginning in FY1999, until reaching 4.7 percent in FY2010. For FY2009, the General Assembly appropriated \$55.1 million in General Revenue Sharing payments and fixed future amounts at 3.0 percent of tax revenues. The Governor’s FY2009 Supplemental Budget eliminated 100.0 percent of the General Revenue Sharing allocations (\$55.1 million) for all cities and towns. The General Assembly did not accept the Governor’s recommendation, and instead appropriated \$25.0 million for General Revenue Sharing in FY2009. No funding was appropriated for General Revenue Sharing in FY2010, FY2011, or FY2012, and Governor does not recommend funding for General Revenue Sharing in FY2013.

**General Revenue Sharing**

<b>Fiscal Year</b>	<b>Total Funding</b>	<b>Percent Change</b>	<b>% of State Revenues</b>
2000	\$27.6	39.8%	1.7%
2001	33.5	21.5%	2.0%
2002	43.6	30.2%	2.4%
2003	48.3	10.7%	2.4%
2004	51.4	6.5%	2.7%
2005	52.4	1.9%	A
2006	65.0	23.9%	3.0%
2007	65.1	0.2%	A
2008	55.1	-15.4%	A
2009	25.0	-54.6%	A
2010	0.0	-100.0%	0.0%
2011	0.0	-	0.0%
2012	0.0	-	0.0%
2013	0.0	-	0.0%

*\$ in millions*

*A - funding determined by appropriation, not as a percentage of State revenue.*

**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

**Public Service Corporation**

<b>Fiscal Year</b>	<b>Total Funding</b>	<b>Percent Change</b>
2002	\$16.7	21.8%
2003	18.0	7.9%
2004	16.3	-9.4%
2005	14.6	-10.5%
2006	12.2	-16.5%
2007	10.3	-15.2%
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	11.8	0.0%

*\$ in millions*

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. This was a result of 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. This resulted in a reduced tax rate being applied to PSCT 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.

For FY2013, the Governor anticipates no growth in this tax and recommends funding at the FY2012 level of \$11.8 million for this program.

**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 FY2012, the Governor estimates meal and beverage tax distributions at \$19.6 million, \$316,459 more than enacted. For FY2013, the Governor anticipates growth of 1.6 percent in collections, yielding \$20.0 million.

The Governor’s budget proposal increases the meals and beverage tax rate from 1.0 percent to 3.0 percent, with the additional amount remitted to the State. The Governor includes \$39.5 million in additional state revenue collections from expansion of the meals and beverage tax; however, this additional revenue will not be passed through to the cities and towns.

Meals & Beverage Tax		
Fiscal Year	Total Funding	Percent Change
2004	\$13.5	
2005	17.2	27.3%
2006	17.6	2.5%
2007	18.8	6.9%
2008	18.7	-0.4%
2009	18.8	0.3%
2010	19.0	0.9%
2011	19.5	2.6%
2012	19.6	0.8%
2013	20.0	1.6%

*\$ 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 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 balance of the tax is deposited as state general revenues (21.0 percent); forwarded to the Greater Providence-Warwick Convention and Visitors’ Bureau (7.0 percent), and distributed to the regional tourism district where the hotel is located (47.0 percent).

Hotel Tax		
Fiscal Year	Total Funding	Percent Change
2002	\$2.9	-12.1%
2003	2.7	-6.9%
2004	2.8	3.7%
2005	3.6	28.6%
2006	5.4	50.0%
2007	5.7	5.6%
2008	5.8	1.8%
2009	5.6	-3.4%
2010	5.7	1.8%
2011	5.9	2.7%
2012	5.6	-4.3%
2013	6.2	11.2%

*\$ in millions*

An additional 1.0 percent tax, which was enacted in FY2005, is distributed in total to the city or town where the occupancy occurred.

For FY2013, the Governor proposes to expand the hotel tax to include the rental of vacation homes and the rental of rooms in bed and breakfast inns that have fewer than three bedrooms. This expansion to the tax base is expected to increase aid to municipalities by \$540,851 over the original FY2013 projection of \$5.7 million, for a total of \$6.2 million generated from this program.

Hotel Tax FY2011 through FY2013 Governor's Recommended				
FY2011 Actual	FY2012 Projected	FY2013 Projected	FY2013 Proposed Lodging Base Expansion	FY2013 Governor's Hotel Tax Revenue
\$5,855,506	\$5,603,126	\$5,692,441	\$540,851	\$6,233,292

Source: Department of Revenue, Office of Revenue Analysis

*Analyst's Note: On February 28, 2012, the Office of Revenue Analysis revised its revenue estimate for the proposed changes to the lodging tax based on additional information about rental properties on Block Island and in Narragansett. The estimated State revenues increase from \$1.9 million to \$3.5 million. The additional revenues are not accounted for in the Governor's budget proposal.*

**OTHER AID TO LOCAL GOVERNMENT**

***Warwick Rental Car Tax Revenue***

The RI Airport Corporation levies a \$5.00 (up from \$4.50 as of October 1, 2010) 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, \$657,358 in FY2011, and \$957,497 in FY2012.

For FY2013, the Governor does not project any growth in customer facility charges and anticipates funding at the FY2012 level of \$957,497.

***Airport Impact Fees***

Since FY2007, the State has made airport impact aid payments to municipalities that have airports totaling approximately \$1.0 million each year. The funding is provided annually through Article 1 of the budget and flows through the Rhode Island Economic Development 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 which hosts an airport receives less than \$25,000.

<b>FY2013 Estimate</b>	<b>1.0 million passengers</b>	<b>Distribution on landings</b>	<b>All Airports and Communities to \$25,000</b>	<b>Total</b>
Warwick - T.F. Green	\$600,000	\$193,000		\$793,000
Block Island		31,500		31,500
Middletown-Newport Airport*		43,000		43,000
North Central				
Smithfield		20,000	5,000	25,000
Lincoln		20,000	5,000	25,000
North Kingstown - Quonset		66,000		66,000
Westerly		41,500		41,500
<b>Total</b>	<b>\$600,000</b>	<b>\$415,000</b>	<b>\$10,000</b>	<b>\$1,025,000</b>

\*located in Middletown

*Analyst's Note: Article 1 of the Governor's proposed budget does not include language that would distribute the airport impact fees to all airports. The Budget Office indicates that this will be corrected by a budget amendment.*

### ***Retirement Security Act for Locally Administered Pension Fund***

A provision of the Retirement Security Act for Locally-Administered Pension Funds, which was passed by the General Assembly in November 2011, requires every municipality that maintains a locally-administered pension plan to submit an actuarial valuation study to the State on or before April 1, 2012, and annually thereafter. Municipalities must also submit an experience study to the State on or before April 1, 2012, and at least once every three years thereafter, with the state reimbursing each municipality for 50.0 percent of the cost of undertaking its annual actuarial valuation study.

Article 26 of the FY2013 budget clarifies that the state will only reimburse 50.0 percent of the costs for the study which is due on April 1, 2012. The State will not reimburse municipalities for subsequent studies. This requires a one-time appropriation of \$243,000 in FY2012.

FY2012 Direct Municipal Aid to Cities and Towns - Governor's Revised

Municipality	Distressed				Library			Total FY2012		Change from FY2012 Enacted
	FY2012 Enacted	Payment In Lieu of Taxes	Communities Relief Fund	Motor Vehicle Excise Tax	Library in-Aid*	Grant-Construction Aid	Central Falls Stabilization	Revised Municipal Aid		
Barrington	\$706,614	\$54,250	\$0	\$245,208	\$332,622	\$74,534	\$0	\$706,614	\$0	
Bristol	1,217,104	715,338	-	117,205	119,255	265,306	-	1,217,104	-	
Burrillville	1,003,592	115,270	243,867	214,709	124,048	305,698	-	1,003,592	-	
Central Falls	464,036	23,895	292,172	84,330	62,301	-	2,636,932	3,099,630	2,635,594	
Charlestown	88,563	-	-	41,218	47,345	-	-	88,563	-	
Coventry	428,746	-	-	225,597	203,149	-	-	428,746	-	
Cranston	6,324,952	4,807,056	-	951,625	530,519	35,753	-	6,324,953	-	
Cumberland	692,526	124	-	216,513	266,209	209,680	-	692,526	-	
East Greenwich	314,529	8,724	-	123,478	111,399	70,927	-	314,528	-	
East Providence	1,871,960	153,405	757,468	445,084	395,804	120,200	-	1,871,961	-	
Exeter	192,711	-	-	82,437	40,392	69,882	-	192,711	-	
Foster	101,233	475	-	69,333	31,425	-	-	101,233	-	
Glocester	165,097	-	-	94,919	70,178	-	-	165,097	-	
Hopkinton	95,133	-	-	65,621	29,512	-	-	95,133	-	
Jamestown	172,282	-	-	36,685	77,618	57,979	-	172,282	-	
Johnston	492,748	-	-	382,377	110,371	-	-	492,748	-	
Lincoln	423,270	-	-	236,662	186,608	-	-	423,270	-	
Little Compton	51,843	-	-	23,548	28,295	-	-	51,843	-	
Middletown	277,407	-	-	89,262	126,526	61,619	-	277,407	-	
Narragansett	219,603	-	-	95,791	123,812	-	-	219,603	-	
Newport	1,692,404	932,980	-	138,612	377,002	243,809	-	1,692,403	-	
New Shoreham	145,183	-	-	8,132	73,576	63,475	-	145,183	-	
North Kingstown	524,855	1,981	-	228,200	257,813	36,861	-	524,855	-	
North Providence	1,642,603	505,424	620,828	350,127	163,008	-	-	1,639,387	(3,215)	
North Smithfield	236,900	-	-	173,847	63,053	-	-	236,900	-	
Pawtucket	2,999,637	435,268	1,524,800	664,782	365,315	-	-	2,990,165	(9,472)	
Portsmouth	212,048	-	-	109,483	102,565	-	-	212,048	-	
Providence	32,475,910	23,109,815	5,169,135	1,617,922	2,274,783	329,484	-	32,501,139	25,228	
Richmond	82,962	-	-	60,200	22,762	-	-	82,962	-	
Scituate	221,942	-	-	127,207	94,735	-	-	221,942	-	
Smithfield	1,082,304	533,237	-	281,936	267,131	-	-	1,082,304	-	
South Kingstown	545,441	160,632	-	172,163	203,044	9,602	-	545,441	-	
Tiverton	185,099	-	-	108,700	76,399	-	-	185,099	-	
Warren	135,056	-	-	82,773	52,283	-	-	135,056	-	
Warwick	3,211,245	1,241,268	-	1,156,532	638,710	174,735	-	3,211,245	-	
Westerly	1,086,862	128,720	-	230,697	269,310	458,135	-	1,086,862	-	
West Greenwich	76,025	-	-	49,532	26,493	-	-	76,025	-	
West Warwick	1,366,392	-	894,406	223,933	173,748	68,519	-	1,360,606	(5,786)	
Woonsocket	1,770,612	152,547	881,782	373,623	191,671	165,572	-	1,765,195	(5,418)	
<b>Total</b>	<b>\$64,997,426</b>	<b>\$33,080,409</b>	<b>\$10,384,458</b>	<b>\$10,000,000</b>	<b>\$8,710,789</b>	<b>\$2,821,770</b>	<b>\$2,636,932</b>	<b>\$67,634,361</b>	<b>\$2,636,932</b>	

\*Providence Library Aid includes \$1,012,378 for the Statewide Reference Library Resource Grant.

**FY2013 Direct Municipal Aid to Cities and Towns**  
Distressed

Municipality	FY2012 Revised	Payment In Lieu of Taxes	Communities Relief Fund	Motor Vehicle Excise Tax	Library Grant-in-Aid**	Construction Aid	Library		Total FY2013 Municipal Aid	Change from FY2012 Revised
							Construction Aid	Library Grant-in-Aid**		
Barrington	\$706,614	\$38,836	\$0	\$245,208	\$334,107	\$72,609	-	\$690,760	(\$15,854)	
Bristol	1,217,104	673,000	-	117,205	118,895	262,606	-	1,171,706	(45,398)	
Burrillville	1,003,592	108,973	-	214,709	125,987	298,399	-	748,068	(255,524)	
Central Falls*	3,099,630	22,991	289,708	84,330	47,079	-	-	444,108	(2,655,522)	
Charlestown	88,563	-	-	41,218	47,128	-	-	88,346	(217)	
Coventry	428,746	-	-	225,597	207,369	-	-	432,966	4,220	
Cranston	6,324,953	4,555,409	1,201,480	951,625	524,404	34,000	-	7,266,918	941,965	
Cumberland	692,526	96	-	216,513	264,240	210,766	-	691,615	(911)	
East Greenwich	314,528	164,605	-	123,478	114,121	70,632	-	472,836	158,308	
East Providence	1,871,961	163,199	-	445,084	416,425	69,352	-	1,094,060	(777,901)	
Exeter	192,711	-	-	82,437	40,082	69,882	-	192,401	(310)	
Foster	101,233	435	-	69,333	29,625	-	-	99,393	(1,840)	
Glocester	165,097	-	-	94,919	69,879	-	-	164,798	(299)	
Hopkinton	95,133	-	-	65,621	29,999	-	-	95,620	487	
Jamestown	172,282	-	-	36,685	79,139	57,979	-	173,803	1,521	
Johnston	492,748	-	-	382,377	111,963	-	-	494,340	1,592	
Lincoln	423,270	-	-	236,662	189,340	-	-	426,002	2,732	
Little Compton	51,843	-	-	23,548	28,078	-	-	51,626	(217)	
Middletown	277,407	-	-	89,262	128,935	60,172	-	278,369	962	
Narragansett	219,603	-	-	95,791	121,555	-	-	217,346	(2,257)	
Newport	1,692,403	905,571	-	138,612	374,002	237,434	-	1,655,619	(36,784)	
New Shoreham	145,183	-	-	8,132	73,011	61,761	-	142,904	(2,279)	
North Kingstown	524,855	1,859	-	228,200	257,842	35,695	-	523,596	(1,259)	
North Providence	1,639,387	528,770	1,025,738	350,127	164,384	-	-	2,069,019	429,632	
North Smithfield	236,900	-	-	173,847	62,569	-	-	236,416	(484)	
Pawtucket	2,990,165	398,753	1,416,751	664,782	369,002	-	-	2,849,288	(140,877)	
Portsmouth	212,048	-	-	109,483	102,367	-	-	211,850	(198)	
Providence**	32,501,139	23,460,727	4,804,334	1,617,922	2,229,981	315,571	-	32,428,535	(72,604)	
Richmond	82,962	-	-	60,200	24,829	-	-	85,029	2,067	
Scituate	221,942	-	-	127,207	94,008	-	-	221,215	(727)	
Smithfield	1,082,304	497,162	-	281,936	265,315	-	-	1,044,413	(37,891)	
South Kingstown	545,441	151,272	-	172,163	196,594	9,209	-	529,238	(16,203)	
Tiverton	185,099	-	-	108,700	91,928	-	-	200,628	15,529	
Warren	135,056	-	-	82,773	51,832	-	-	134,605	(451)	
Warwick	3,211,245	1,150,596	-	1,156,532	662,952	171,010	-	3,141,090	(70,155)	
Westerly	1,086,862	118,406	-	230,697	270,491	267,706	-	887,300	(199,562)	
West Greenwich	76,025	-	-	49,532	26,290	-	-	75,822	(203)	
West Warwick	1,360,606	-	-	223,933	171,858	-	-	1,213,707	(146,899)	
Woonsocket	1,765,195	139,749	828,531	373,623	193,184	166,932	-	1,702,019	(63,176)	
<b>Total</b>	<b>\$67,634,361</b>	<b>\$33,080,409</b>	<b>\$10,384,458</b>	<b>\$10,000,000</b>	<b>\$8,710,789</b>	<b>\$2,471,715</b>	<b>\$2,471,715</b>	<b>\$64,647,374</b>	<b>(\$2,986,987)</b>	

\*FY2012 Revised includes a one-time Central Falls Stabilization payment of \$2,636,932.

\*\*Providence Library Aid includes \$1,012,378 for the Statewide Reference Library Resource Grant



## FY2012 Indirect Local Aid to Cities and Towns - Governor's Revised

Municipality	FY2012 Enacted	Public Service			Airport Impact Fees	FY2012 Revised Indirect Aid	Change from FY2012 Enacted
		Corporation Tax	Meals and Beverage Tax	Hotel Tax			
Barrington	\$321,821	\$183,574	\$125,369	-	-	\$308,943	(\$12,878)
Bristol	590,799	258,355	331,443	28,954	-	618,752	27,953
Burrillville	362,504	179,579	174,724	-	-	354,303	(8,201)
Central Falls	300,312	218,083	90,188	-	-	308,271	7,959
Charlestown	206,420	88,095	106,584	20,271	-	214,950	8,530
Coventry	805,432	394,094	338,344	78,491	-	810,929	5,497
Cranston	2,272,849	904,782	1,380,307	5,795	-	2,290,884	18,035
Cumberland	743,326	377,121	358,998	-	-	736,119	(7,207)
East Greenwich	586,319	147,963	425,423	373	-	573,759	(12,560)
East Providence	1,320,227	529,417	741,320	31,793	-	1,302,530	(17,697)
Exeter	143,396	72,315	67,792	-	-	140,107	(3,289)
Foster	69,092	51,842	17,356	137	-	69,335	243
Glocester	175,453	109,694	58,673	1,891	-	170,258	(5,195)
Hopkinton	134,704	92,159	44,859	-	-	137,018	2,314
Jamestown	152,573	60,835	75,200	8,514	-	144,549	(8,024)
Johnston	767,458	323,804	448,373	6,792	-	778,969	11,511
Lincoln	953,046	237,544	634,679	81,941	25,000	979,164	26,118
Little Compton	91,312	39,304	32,707	15,256	-	87,267	(4,045)
Middletown	1,338,307	181,774	572,552	537,335	43,000	1,334,661	(3,646)
Narragansett	731,523	178,600	450,262	77,427	-	706,289	(25,234)
Newport	3,395,508	277,691	1,654,747	1,580,984	-	3,513,422	117,914
New Shoreham	474,360	11,829	237,402	216,882	31,500	497,613	23,253
North Kingstown	741,274	298,109	442,617	14,170	66,000	820,896	79,622
North Providence	719,121	361,048	374,096	-	-	735,144	16,023
North Smithfield	295,363	134,692	157,666	1,947	-	294,305	(1,058)
Pawtucket	1,504,829	800,794	654,796	43,625	-	1,499,215	(5,614)
Portsmouth	366,653	195,719	165,836	6,895	-	368,450	1,797
Providence	7,331,063	2,003,921	4,111,509	1,348,880	-	7,464,310	133,247
Richmond	194,137	86,756	107,840	3,388	-	197,984	3,847
Scituate	179,577	116,256	54,344	3,782	-	174,382	(5,195)
Smithfield	859,641	241,202	515,963	111,836	25,000	894,001	34,360
South Kingstown	988,908	344,852	541,974	113,532	-	1,000,358	11,450
Tiverton	322,361	177,609	158,402	-	-	336,011	13,650
Warren	328,644	119,430	222,899	-	-	342,329	13,685
Warwick	4,030,264	930,500	2,248,356	801,270	793,000	4,773,126	742,862
Westerly	947,320	256,475	584,160	252,384	41,500	1,134,519	187,199
West Greenwich	272,330	69,051	87,954	73,043	-	230,048	(42,282)
West Warwick	837,542	328,554	344,913	96,203	-	769,670	(67,872)
Woonsocket	1,033,870	463,562	506,063	39,335	-	1,008,960	(24,910)
<b>Total</b>	<b>\$36,889,638</b>	<b>\$11,846,984</b>	<b>\$19,646,690</b>	<b>\$5,603,126</b>	<b>\$1,025,000</b>	<b>\$38,121,800</b>	<b>\$1,232,162</b>

## FY2013 Indirect Local Aid to Cities and Towns

Municipality	FY2012 Revised	Public Service			Airport Impact Fees	FY2013 Total Indirect Aid	Change from FY2012 Revised
		Corporation Tax	Meals and Beverage Tax	Hotel Tax			
Barrington	\$308,943	\$183,574	\$127,367	\$741	\$0.0	\$311,682	\$2,739
Bristol	618,752	258,355	336,726	32,342	-	627,423	8,671
Burrillville	354,303	179,579	177,509	-	-	357,088	2,785
Central Falls	308,271	218,083	91,626	-	-	309,709	1,438
Charlestown	214,950	88,095	108,283	57,455	-	253,833	38,883
Coventry	810,929	394,094	343,737	79,743	-	817,574	6,645
Cranston	2,290,884	904,782	1,402,310	5,887	-	2,312,979	22,095
Cumberland	736,119	377,121	364,720	-	-	741,841	5,722
East Greenwich	573,759	147,963	432,204	380	-	580,547	6,788
East Providence	1,302,530	529,417	753,137	32,300	-	1,314,854	12,324
Exeter	140,107	72,315	68,873	-	-	141,188	1,081
Foster	69,335	51,842	17,633	139	-	69,614	279
Glocester	170,258	109,694	59,608	2,215	-	171,517	1,259
Hopkinton	137,018	92,159	45,574	-	-	137,733	715
Jamestown	144,549	60,835	76,399	8,650	-	145,884	1,335
Johnston	778,969	323,804	455,520	6,900	-	786,224	7,255
Lincoln	979,164	237,544	644,796	83,247	25,000	990,587	11,423
Little Compton	87,267	39,304	33,228	36,204	-	108,736	21,469
Middletown	1,334,661	181,774	581,678	545,900	43,000	1,352,352	17,691
Narragansett	706,289	178,600	457,440	256,988	-	893,028	186,739
Newport	3,513,422	277,691	1,681,125	1,774,179	-	3,732,995	219,573
New Shoreham	497,613	11,829	241,187	243,702	31,500	528,218	30,605
North Kingstown	820,896	298,109	449,672	32,774	66,000	846,555	25,659
North Providence	735,144	361,048	380,059	-	-	741,107	5,963
North Smithfield	294,305	134,692	160,179	1,978	-	296,849	2,544
Pawtucket	1,499,215	800,794	665,234	44,320	-	1,510,348	11,133
Portsmouth	368,450	195,719	168,480	7,005	-	371,204	2,754
Providence	7,464,310	2,003,921	4,177,048	1,370,382	-	7,551,351	87,041
Richmond	197,984	86,756	109,559	3,442	-	199,757	1,773
Scituate	174,382	116,256	55,210	3,842	-	175,308	926
Smithfield	894,001	241,202	524,188	113,618	25,000	904,008	10,007
South Kingstown	1,000,358	344,852	550,613	160,527	-	1,055,992	55,634
Tiverton	336,011	177,609	160,927	15,163	-	353,699	17,688
Warren	342,329	119,430	226,453	-	-	345,883	3,554
Warwick	4,773,126	930,500	2,284,195	814,631	793,000	4,822,326	49,200
Westerly	1,134,519	256,475	593,472	286,732	41,500	1,178,179	43,660
West Greenwich	230,048	69,051	89,356	74,208	-	232,615	2,567
West Warwick	769,670	328,554	350,411	97,736	-	776,701	7,031
Woonsocket	1,008,960	463,562	514,130	39,962	-	1,017,654	8,694
<b>Total</b>	<b>\$38,121,800</b>	<b>\$11,846,984</b>	<b>\$19,959,866</b>	<b>\$6,233,292</b>	<b>\$1,025,000</b>	<b>\$39,065,142</b>	<b>\$943,342</b>

## Education Aid

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The Education Adequacy Act (2010-S-2770, Substitute A as Amended) provides a new school funding formula that creates a single methodology for distributing state aid to all public schools. The core principle behind the formula is that state funding should follow the student; therefore, the distribution could change 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. 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 and allocates this funding based on student enrollment, adjusting for poverty (as measured by the number of students enrolled in the federal free or reduced price lunch program). It also accounts for local revenue generating capacity and overall poverty level by using the EWAV (Equalized Weighted Assessed Valuation) and the concentration of pre-kindergarten through sixth grade students eligible for free or reduced price lunch.

The Act includes a multi-year transition plan to ease districts into the new formula, allowing time to adjust for gains or losses in education aid. The plan provides a transition period of ten years for those districts projected to receive less school aid than they did through the aid distribution in FY2011, and seven years for those districts projected to receive more aid. FY2013 represents the second year of the transition period.

### HOW THE FORMULA WORKS

**Step 1: Student Enrollment:** Student enrollment is based on resident average daily membership (RADM), which refers to the average number of students who are residents of the community and were enrolled in the school district during the prior school year. The Governor's FY2013 recommendation is based on the student enrollments as of October 2011, adjusted for projected the charter school enrollments for the 2012 to 2013 school year. However, since the statute requires the use of enrollment data from the prior school year, the Department of Education intends to update this distribution based on the March 2012 enrollments, subject to the transition rules discussed in Step 7 described below.

**Step 2: Core Foundation Amount:** The core foundation amount provides a base level of funding per pupil (\$8,679 in FY2013). 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 foundation amount to address the effects of poverty and other factors influencing educational need. The high need student weight, or student success factor, increases the core foundation amount by 40.0 percent, or \$3,472, for each student eligible for free or reduced lunch (FRLP), based on the Governor's FY2013 core foundation amount of \$8,679 ( $\$8,679 \times 0.40 = \$3,472$ ).

**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 high need student weight.

$$\text{Total Foundation Budget} = (\$8,679 \times \text{RADM}) + (0.40 \times \$8,679 \times \text{FRPL})$$

**Step 5: State Share Ratio:** The formula establishes a new share ratio calculation to determine the State's share of the total foundation budget. The calculation uses two variables: the equalized weighted assessed valuation (EWAV) and the concentration of child poverty (percent of pre-kindergarten-grade 6 enrollment in subsidized lunch). By squaring each factor, the formula amplifies the greater of the two

variables. School districts with less capacity to raise revenue and a higher concentration of child poverty than the state as a whole look relatively poorer, while those school districts with higher capacity to raise revenue and lower concentrations of poverty compared to the state look relatively wealthier.

The EWAV share ratio is based on each community's total assessed property value, relative to property values across the state. The total community property value includes motor vehicles, personal property and 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. The Act adjusted the EWAV share ratio calculation to increase the state's share of the total foundation budget.

$$\text{State Share Ratio (SSR)} = \sqrt{\frac{a^2 + b^2}{2}}$$

Where  $a$  = EWAV and  $b$  = %PK-6 FRLP

The distribution recommended by the Governor includes an update to the median family income component of the EWAV. The adjustment affects communities differently, as an update has not been done since the data reported from the 2000 Census was incorporated. The update uses the socio-economic data from the American Community Survey (ACS) provided by the United States Census Bureau. The ACS is based on a questionnaire that is sent each month to a sample of about 250,000 addresses in the United States. Each year, this data is compiled and estimates are made for different social, economic, and housing characteristics. The data used in the EWAV is comprised of a five-year rolling average. For example, the data in the Governor's recommendation, released in December 2010, is the average of the data collected between January 1, 2005, and December 31, 2009.

**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. Nonetheless, a municipality would be responsible, to some degree, for the difference between the state share and the total foundation amount.

**Step 7: Data Updates:** The statute calls for annual updates to the community wealth and student data. During the transition period, the Governor's recommendation includes some adjustments to those updates. For districts that will receive more aid under the new formula, the proposal would provide those additional funds; however, if the data update would decrease the state funding level, the change would not be implemented until the district is fully funded under the formula. This exception to the update will potentially allow districts to reach their full funding level ahead of the seven-year phase in. On the other hand, districts experiencing a decrease in state funding through the formula will not experience an increase in funding from a data update until the increase is sufficient to provide a positive change in overall state funding. Additionally, an update resulting in decreased funds will be applied unless the loss exceeds 3.0 percent of total state and local share, then one third of the loss will be implemented.

#### **TABLES:**

The first table provides a step-by-step calculation of each district's recommended distribution. The second table provides the Governor's recommendation for each district in year two of the transition period, including categorical funding. The actual distributions may vary as new enrollment data becomes available and is incorporated into the formula. (The Act requires that the distribution be based on the enrollment data from the previous school year, but does not provide a specific enrollment date.)

Governor's Proposed FY2013 Education Aid Calculator<sup>1</sup>

Districts	PK-12		FRPL		Core		Student		EWAV		FY2012		FY2013	
	ADMM	ADMM	ADMM	ADMM	Instruction	Success Factor	Total	%RPL	Share	State	State Share of	Enacted	Change in	FY2013
	adjusted	adjusted	adjusted	adjusted	Funding	Funding	Foundation	PK6	2010 ACS	Ratio	Budget	(includes	State Funding	(Year 2)
	growth	growth	growth	growth	(F = 0.4*\$8,679	(F = 0.4*\$8,679	D+G=H	data)	Share	Ratio	of	jobs/less	Change in	Formula
					= \$3,472)	= \$3,472)					Foundation	group home)	State Funding	Change
	A	B	A	C=D	B	F=G	D+G=H	I	H <sup>1</sup> =J	K	J-K=L	If + is L/6; if - is L/9		
Barrington	3,400	158	\$29,508,600	\$548,513	\$30,057,113	4.7%	29.5%	21.1%	\$6,348,885	\$2,362,934	\$3,985,951	\$664,325		
Burrillville	2,474	853	21,471,846	2,961,275	24,433,121	36.0%	65.7%	53.0%	\$12,943,202	12,585,056	358,146	59,691		
Charlestown	955	249	8,288,445	864,428	9,152,873	25.9%	0.0%	18.3%	\$1,676,263	1,670,986	5,277	880		
Covenry	5,022	1,343	43,585,938	4,662,359	48,248,297	28.5%	60.4%	47.2%	\$22,785,281	18,550,838	4,234,443	705,740		
Cranston	10,087	3,830	87,545,073	13,296,228	100,841,301	40.7%	63.0%	53.0%	\$53,481,505	34,041,838	19,439,667	3,239,945		
Cumberland	4,525	902	39,272,475	3,131,383	42,403,858	22.0%	53.4%	40.8%	\$17,317,084	12,644,415	4,672,669	778,778		
East Greenwich	2,330	153	20,222,070	531,155	20,753,225	7.0%	20.9%	15.6%	\$3,234,475	1,502,848	1,731,627	288,605		
East Providence	5,486	2,468	47,612,994	8,567,909	56,180,903	48.5%	59.5%	54.3%	\$30,494,640	24,736,571	5,758,069	959,678		
Foster	256	47	2,221,824	163,165	2,384,989	17.6%	49.5%	37.1%	\$885,986	1,241,245	(355,259)	(39,473)		
Glocester	536	118	4,651,944	409,649	5,061,593	22.0%	56.5%	42.9%	\$2,170,075	2,860,166	(690,091)	(76,677)		
Hopkinton	1,223	278	10,614,417	965,105	11,579,522	24.7%	56.6%	43.7%	\$5,056,454	5,613,789	(557,335)	(61,926)		
Jamestown	685	50	5,945,115	173,580	6,118,695	6.3%	0.0%	4.5%	\$272,574	369,267	(96,693)	(10,744)		
Johnston	3,013	1,171	26,149,827	4,065,244	30,215,071	40.8%	46.9%	44.0%	\$13,281,319	9,937,661	3,343,658	557,276		
Lincoln	3,257	881	28,267,503	3,058,480	31,325,983	27.6%	46.0%	37.9%	\$11,882,751	6,864,255	5,018,496	836,416		
Little Compton	422	55	3,662,538	190,938	3,853,476	15.5%	0.0%	11.0%	\$422,347	313,858	108,489	18,081		
Middletown	2,423	697	21,029,217	2,419,705	23,448,922	32.3%	35.0%	33.7%	\$7,896,910	8,927,808	(1,030,898)	(114,544)		
Narragansett	1,474	262	12,792,846	909,559	13,702,405	23.0%	0.0%	16.3%	\$2,228,485	1,488,608	739,877	123,313		
Newport	2,016	1,230	17,496,864	4,270,068	21,766,932	67.1%	0.0%	47.4%	\$10,327,727	10,221,213	106,514	17,752		
New Shoreham	125	15	1,084,875	52,074	1,136,949	13.0%	0.0%	9.2%	\$104,513	61,851	42,662	7,110		
North Kingstown	4,092	826	35,514,468	2,867,542	38,382,010	23.1%	34.3%	29.2%	\$11,223,375	10,674,839	548,536	91,423		
North Providence	3,276	1,125	28,432,404	3,905,550	32,337,954	39.5%	65.6%	54.1%	\$17,509,755	12,460,586	5,049,169	841,528		
North Smithfield	1,775	271	15,405,225	940,804	16,346,029	16.1%	53.8%	39.7%	\$6,490,886	4,500,719	1,990,167	331,695		
Pawtucket	8,520	6,637	73,945,080	23,041,009	96,986,089	79.4%	85.1%	82.3%	\$79,818,933	63,745,780	16,073,153	2,678,859		
Portsmouth	2,593	343	22,504,647	1,190,759	23,695,406	13.5%	8.1%	11.1%	\$2,637,864	5,072,149	(2,434,285)	(270,476)		
Providence	22,373	19,493	194,175,267	67,671,899	261,847,166	89.4%	85.6%	87.5%	\$229,170,279	183,074,948	46,095,331	7,682,555		
Richmond	1,159	213	10,058,961	739,451	10,798,412	17.9%	55.6%	41.3%	\$4,459,999	5,537,977	(1,077,978)	(119,775)		
Scituate	1,604	253	13,921,116	878,315	14,799,431	19.0%	41.9%	32.5%	\$4,814,492	3,150,368	1,664,124	277,354		
Smithfield	2,389	319	20,734,131	1,107,440	21,841,571	13.0%	27.7%	21.6%	\$4,725,786	4,718,805	6,981	1,164		
South Kingstown	3,487	618	30,263,673	2,145,449	32,409,122	18.9%	14.5%	16.8%	\$5,459,085	8,441,331	(2,982,246)	(331,361)		
Tiverton	1,849	472	16,047,471	1,638,595	17,686,066	27.8%	46.5%	38.3%	\$6,775,276	5,329,648	1,445,628	240,938		
Warwick	9,831	3,047	85,323,249	10,577,965	95,901,214	31.7%	43.7%	38.2%	\$36,609,778	33,436,513	3,173,265	528,878		
Westerly	3,143	1,029	27,278,097	3,572,276	30,850,373	37.8%	0.0%	26.7%	\$8,245,884	5,982,372	2,263,512	377,252		
West Warwick	3,472	1,658	30,133,488	5,755,913	35,889,401	52.3%	68.3%	60.8%	\$21,830,936	19,131,939	2,698,997	449,833		
Woonsocket	5,730	4,048	49,730,670	14,053,037	63,783,707	74.9%	87.4%	81.4%	\$51,913,766	44,843,051	7,070,715	1,178,453		
Bristol-Warren	3,458	1,180	30,011,982	4,096,488	34,108,470	33.2%	31.2%	32.2%	\$10,988,222	17,880,233	(6,892,011)	(765,779)		
Exeter-West Greenwich	1,774	237	15,396,546	822,769	16,219,315	13.6%	39.3%	29.4%	\$4,769,485	6,306,153	(1,536,668)	(170,741)		
Charlho	-	-	-	-	-	-	-	-	-	344,882	(344,882)	(38,540)		
Foster-Glocester	1,304	204	11,317,416	708,206	12,025,622	16.2%	54.2%	40.0%	\$4,810,309	5,157,169	(346,860)	(38,540)		
Central Falls	2,383	2,064	20,682,057	7,165,382	27,847,439	91.4%	94.8%	93.1%	\$25,930,288	41,131,440	(15,201,152)	(1,689,017)		
<b>District Total</b>	<b>133,921</b>	<b>58,797</b>	<b>\$1,162,300,359</b>	<b>\$204,119,665</b>	<b>\$1,366,420,024</b>				<b>\$740,994,873</b>	<b>\$636,916,109</b>	<b>\$104,078,764</b>	<b>\$19,210,147</b>		
Charter School Total	5,244	3,513	45,512,676	11,709,532	57,222,208				44,318,520	43,204,584	1,113,936	3,660,428		
Davies	916	573	7,949,964	1,909,924	9,859,888				7,972,399	14,090,211	(6,117,812)	(679,757)		
Met School	832	563	7,220,928	1,876,592	9,097,520				6,603,971	12,236,284	(5,632,313)	(625,813)		
<b>Total</b>	<b>140,913</b>	<b>63,446</b>	<b>\$1,222,983,927</b>	<b>\$219,615,712</b>	<b>\$1,442,599,639</b>				<b>\$799,889,763</b>	<b>\$706,447,188</b>	<b>\$93,442,576</b>	<b>\$21,565,005</b>		

<sup>1</sup> Subject to change based on the March 14, 2012 data update.

Source: Rhode Island Department of Education

FY2013 Governor Recommended Education Aid

LEA	General				General		Year 2		FY2013		Preliminary Categorical Funding*			FY2013 Governor Rec. (including categoricals)
	FY2012 Enacted (excluding categoricals)	Restoration (Federal Jobs Fund)	Reduction (Suppl. Jobs Fund)	Revenue Change	Formula Change	Acceleration (underfunded LEAs)	Group Home (data update)	Governor Rec. (excluding categoricals)	1% Regional Bonus	Year 2 Transportation	High-Cost Special Education	Year 2 Education	Year 2 Education	
Barrington	\$2,282,481	\$80,453	(\$1,189)	\$664,325	\$318,137	\$0	\$0	\$3,344,207	\$0	\$17,037	\$8,284	\$17,037	\$8,284	\$3,369,528
Bristol Warren	17,223,772	866,462	(12,802)	(765,779)	(8,189)	-	-	17,311,653	171,144	327,782	8,189	327,782	8,189	17,818,768
Burrillville	12,406,291	598,764	(8,846)	59,691	28,585	(90,000)	(90,000)	12,994,485	-	5,274	446	5,274	446	13,000,205
Central Falls	39,161,820	1,969,619	(29,100)	(1,689,017)	-	-	-	39,413,322	-	33,128	5,488	33,128	5,488	39,451,938
Charlho	273,805	71,077	(1,050)	(38,320)	(880)	-	-	305,512	3,066	551,283	2,898	551,283	2,898	862,759
Charlestown	1,604,513	66,473	(982)	880	421	-	-	1,671,305	16,719	-	-	-	-	1,688,029
Coventry	17,841,361	829,477	(12,255)	705,740	337,970	-	-	19,702,293	-	12,533	11,613	12,533	11,613	19,726,434
Cranston	32,511,574	1,530,264	(22,609)	3,239,945	1,551,567	-	-	38,810,741	-	198,573	32,650	198,573	32,650	39,041,964
Cumberland	12,101,575	542,840	(8,020)	778,778	372,947	-	-	13,788,120	-	39,187	6,054	39,187	6,054	13,833,361
East Greenwich	1,442,707	60,142	(889)	288,605	138,209	-	-	1,928,774	-	9,739	11,523	9,739	11,523	1,950,036
East Providence	24,248,207	1,124,364	(16,612)	959,678	459,577	-	-	26,775,214	-	5,922	66,183	5,922	66,183	26,847,319
Exeter-West Greenwich	6,208,981	307,172	(4,538)	(170,741)	-	-	-	6,340,874	61,354	333,232	15,278	333,232	15,278	6,750,738
FOSTER-GLOC	1,181,984	59,261	(876)	(39,473)	-	-	-	1,200,896	-	3,019	1,526	3,019	1,526	1,205,441
Foster-Glocester	4,917,949	239,219	(3,534)	(38,540)	-	-	-	5,115,094	51,186	206,916	1,284	206,916	1,284	5,374,480
Glocester	2,725,127	135,039	(1,995)	(76,677)	-	-	-	2,781,494	-	3,810	2,903	3,810	2,903	2,788,207
Hopkinton	5,374,182	239,607	(3,540)	(61,926)	-	-	-	5,548,323	55,519	-	-	-	-	5,603,842
Jamestown	351,708	17,559	(259)	(10,744)	-	-	-	358,264	-	-	5,324	-	5,324	363,588
Johnston	6,617,586	440,076	(6,502)	557,276	266,872	-	-	10,875,308	-	137,572	11,028,157	137,572	11,028,157	11,028,157
Lincoln	9,710,317	288,938	(4,269)	836,416	400,549	-	-	8,231,951	-	-	18,317	-	18,317	8,250,268
Little Compton	300,714	13,144	(194)	18,081	8,659	-	-	340,404	-	-	-	-	-	340,404
Middletown	8,969,558	438,250	(6,475)	(114,544)	-	-	-	9,286,789	-	-	6,149	-	6,149	9,292,938
Narragansett	1,423,886	64,722	(956)	123,313	59,053	-	-	1,670,018	-	-	1,799	-	1,799	1,671,817
New Shoreham	59,350	2,501	(37)	7,110	3,405	-	-	72,329	-	-	2,658	-	2,658	74,987
Newport	10,205,734	495,479	(7,321)	17,752	8,501	(120,000)	(120,000)	10,600,145	-	-	3,225	-	3,225	10,603,370
North Kingstown	10,188,036	486,804	(7,192)	91,423	43,781	0	0	10,802,852	-	-	2,893	-	2,893	10,805,745
North Providence	12,160,857	554,729	(8,196)	841,528	402,997	(15,000)	(15,000)	13,936,915	-	74,710	31,484	74,710	31,484	14,043,109
North Smithfield	4,421,796	198,918	(2,939)	331,695	158,844	-	-	5,108,314	-	15,548	802	15,548	802	5,124,664
PaWucket	61,722,490	2,878,291	(42,526)	2,678,859	1,282,870	-	-	68,519,984	-	-	5,179	-	5,179	68,525,163
Portsmouth	5,488,899	273,250	(4,037)	(270,476)	-	(105,000)	(105,000)	5,382,636	-	-	1,695	-	1,695	5,384,331
Providence	177,121,395	8,683,552	(128,298)	7,682,555	3,679,073	(90,000)	(90,000)	196,948,277	-	112,426	116,140	112,426	116,140	197,176,843
Richmond	5,298,508	239,469	(3,538)	(119,775)	-	-	-	5,414,664	54,182	-	-	-	-	5,468,846
Scituate	3,017,177	133,191	(1,968)	277,354	132,821	-	-	3,558,575	-	11,558	1,800	11,558	1,800	3,571,933
Smithfield	4,734,817	223,988	(3,309)	1,164	557	-	-	4,957,217	-	16,210	13,119	16,210	13,119	4,986,546
South Kingstown	8,395,479	420,852	(6,218)	(331,361)	-	-	-	8,478,752	-	28,597	5,871	28,597	5,871	8,513,220
Tiverton	5,088,118	241,531	(3,569)	240,938	115,382	-	-	5,682,400	-	-	5,904	-	5,904	5,688,304
Warwick	32,262,907	1,533,605	(22,658)	528,878	253,273	-	-	34,556,005	-	-	41,736	-	41,736	34,597,741
West Warwick	18,267,435	864,504	(12,773)	449,833	215,419	-	-	19,784,418	-	23,908	13,296	23,908	13,296	19,821,622
Westerly	5,721,060	261,313	(3,861)	377,252	180,661	-	-	6,536,425	-	-	11,821	-	11,821	6,548,246
Woonsocket	42,973,256	2,034,796	(30,063)	1,178,453	564,347	-	-	46,720,789	-	7,716	21,192	7,716	21,192	46,749,698
<b>Subtotal District Aid</b>	<b>\$616,007,412</b>	<b>\$29,509,695</b>	<b>(\$435,995)</b>	<b>\$19,210,149</b>	<b>\$10,984,477</b>	<b>(\$420,000)</b>	<b>(\$420,000)</b>	<b>\$674,855,738</b>	<b>\$413,170</b>	<b>\$2,175,680</b>	<b>\$500,000</b>	<b>\$413,170</b>	<b>\$500,000</b>	<b>\$677,944,597</b>
Charter School Total	41,995,117	1,209,467	(17,869)	3,660,428	15,521	-	-	46,862,664	-	-	-	-	-	46,862,664
Davies	13,416,256	673,955	(9,957)	(679,757)	-	-	-	13,400,497	-	-	-	-	-	13,400,497
Met-School	11,642,563	593,721	(8,772)	(625,813)	-	-	-	11,601,699	-	-	-	-	-	11,601,699
<b>Total</b>	<b>\$683,061,348</b>	<b>\$31,986,838</b>	<b>(\$472,593)</b>	<b>\$21,565,007</b>	<b>\$11,000,000</b>	<b>(\$420,000)</b>	<b>(\$420,000)</b>	<b>\$746,720,598</b>	<b>\$413,170</b>	<b>\$2,175,680</b>	<b>\$500,000</b>	<b>\$413,170</b>	<b>\$500,000</b>	<b>\$749,809,448</b>

\* Does not include Career and Technical and Early Childhood Funding, which will be distributed through grants.

\*\* Federal Jobs Bill allocation for district-sponsored charter schools were included in the sponsoring district's allocation.

Source: Rhode Island Department of Education

## CHARTER SCHOOL FUNDING

In FY2011, charter school funding was based on the per-pupil expenditure of the sending district. 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 charter school billed the sending district, on a quarterly basis, for the portion of the per-pupil expenditure not paid by the State.

Please see the examples below 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%))

Under the new formula implemented in FY2012, the funding mechanism for charter schools changed significantly. The State's share of charter school funding is based on the same formula used for school districts, and the funds calculated pursuant to the foundation formula are paid directly to the charter school. Consequently, upon full transition of the formula, the State will pay the same amount for a student whether the student is in the district school or a charter school.

The local share of funding to charter schools is the local per-pupil cost, calculated by dividing the local appropriation to education from property taxes, net debt service and capital projects, by the district RADM. The change in local tuition is scheduled to phase in over five years. Local payments will be made to the charter school on a quarterly basis. Failure to make a payment could result in the withholding of state education aid to the district of residence. The exclusion of local revenue not collected through property taxes may require municipalities to monitor which revenue streams are appropriated to education.

In FY2013, local school districts are estimated to pay \$6.1 million in charter school tuition based on the October 12, 2011, charter school enrollments: these numbers may change as the data is updated (see table on the following page).

## 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 will be calculated by the same method used to calculate school district and charter school payments. However, the formula will require local districts to pay tuition, but will allow the district to charge for transportation costs. The local tuition costs will be calculated by dividing the local appropriation to education from property taxes, net debt service and capital projects, by the district RADM (the same as the charter school tuition). Local payments will be made to the state school on a quarterly basis. Failure to make a payment could result in the withholding of state education aid to the district of residence. The exclusion of local revenue not collected through property taxes may require municipalities to monitor which revenue streams are appropriated to education.

In FY2013, local school districts are estimated to pay \$3.8 million in state school tuition, based on the October 12, 2011, state school enrollments: these numbers may change as the data is updated (see table).

Estimated Local Tuition Payments to Charter Schools<sup>1</sup>

District	Total Enrollment 10/12/2011	FY2012 Per-Pupil Tuition	Year 2 Change to FY2011			Year 5 Change to FY2012		
			Per-Pupil Tuition	Per-Pupil Tuition	Total Tuition	Per-Pupil Tuition	Per-Pupil Tuition	Change in Total Tuition
Barrington	2	\$2,367	\$4,734	\$2,367	\$4,734	\$11,835	\$9,468	\$18,936
Burrillville	13	1,194	2,387	1,194	15,517	5,968	4,774	62,067
Coventry	64	1,611	3,222	1,611	103,091	8,054	6,443	412,365
Cranston	242	1,671	3,342	1,671	404,334	8,354	6,683	1,617,334
Cumberland	285	1,509	3,019	1,509	430,179	7,547	6,038	1,720,716
East Greenwich	5	2,581	5,162	2,581	12,906	12,906	10,325	51,624
East Providence	28	1,531	3,063	1,531	42,879	7,657	6,126	171,517
Foster	-	3,530	7,060	3,530	-	17,651	14,121	-
Gloicester	1	2,326	4,651	2,326	2,326	11,628	9,302	9,302
Jamestown	8	3,197	6,393	3,197	25,573	15,983	12,786	102,291
Johnston	34	2,394	4,788	2,394	81,389	11,969	9,575	325,557
Lincoln	95	2,391	4,782	2,391	227,145	11,955	9,564	908,580
Little Compton	-	2,883	5,766	2,883	-	14,414	11,531	-
Middletown	1	1,720	3,440	1,720	1,720	8,599	6,879	6,879
Narragansett	30	3,204	6,407	3,204	96,108	16,018	12,814	384,432
Newport	-	2,258	4,516	2,258	-	11,290	9,032	-
New Shoreham	-	6,823	13,646	6,823	-	34,115	27,292	-
North Kingstown	63	2,106	4,211	2,106	132,653	10,528	8,422	530,611
North Providence	28	1,848	3,697	1,848	51,755	9,242	7,394	207,021
North Smithfield	18	1,846	3,693	1,846	33,235	9,232	7,386	132,941
Pawtucket	694	574	1,148	574	398,356	2,870	2,296	1,593,424
Portsmouth	-	2,117	4,234	2,117	-	10,586	8,469	-
Providence	2,226	1,068	2,137	1,068	2,378,258	5,342	4,274	9,513,034
Scituate	23	2,018	4,037	2,018	46,423	10,092	8,074	185,693
Smithfield	2	2,219	4,438	2,219	4,438	11,094	8,875	17,750
South Kingstown	117	2,646	5,292	2,646	309,605	13,231	10,585	1,238,422
Tiverton	-	2,132	4,264	2,132	-	10,661	8,529	-
Warwick	30	2,447	4,895	2,447	73,422	12,237	9,790	293,688
Westerly	36	2,957	5,914	2,957	106,445	14,784	11,827	425,779
West Warwick	10	1,635	3,270	1,635	16,352	8,176	6,541	65,408
Woonsocket	86	414	829	414	35,638	2,072	1,658	142,554
Bristol-Warren	3	1,753	3,507	1,753	5,260	8,767	7,014	21,041
Exeter-West Greenwich	48	2,304	4,608	2,304	110,592	11,520	9,216	442,368
Chariho <sup>2</sup>	112	2,752	5,505	2,752	308,269	13,762	11,010	1,233,075
Foster-Gloicester	12	1,770	3,540	1,770	21,240	8,850	7,080	84,960
Central Falls <sup>3</sup>	928	677	1,354	677	628,442	3,386	2,709	2,513,766
<b>Total</b>	<b>5,244</b>				<b>\$6,108,284</b>			<b>\$24,433,135</b>

<sup>1</sup> Assumes 5-year phase in. Calculated using FY2010 local property tax contribution per total RADM.

<sup>2</sup> Since expenditure data is only available at the school level, calculations for the composite communities is not provided.

<sup>3</sup> Central Falls calculation uses the local share of the core expenditures plus the non-core expenditures, including operations, transportation, tuitions, debt, and other (2010 UCOA data).

Source: Rhode Island Department of Education



Estimated District Tuition to State Schools<sup>1</sup>

District			Year 1		Year 2		Year 5	
	Davies Enrollment	Met Enrollment	Per-Pupil Tuition	Per-Pupil Tuition	Change in Per-Pupil Tuition	Total Tuition	Per-Pupil Tuition	Total Tuition
Barrington	-	3	\$2,367	\$4,734	\$2,367	\$14,202	\$11,835	\$35,505
Burrillville	1	5	1,194	2,387	1,194	14,323	5,968	35,808
Coventry	-	3	1,611	3,222	1,611	9,665	8,054	24,162
Cranston	1	20	1,671	3,342	1,671	70,174	8,354	175,434
Cumberland	0	7	1,509	3,019	1,509	21,132	7,547	52,829
East Greenwich	-	-	2,581	5,162	2,581	-	12,906	-
East Providence	1	25	1,531	3,063	1,531	79,633	7,657	199,082
Foster	-	-	3,530	7,060	3,530	-	17,651	-
Glocester	-	-	2,326	4,651	2,326	-	11,628	-
Jamestown	-	6	3,197	6,393	3,197	38,359	15,983	95,898
Johnston	-	35	2,394	4,788	2,394	167,566	11,969	418,915
Lincoln	49	7	2,391	4,782	2,391	267,792	11,955	669,480
Little Compton	-	2	2,883	5,766	2,883	11,531	14,414	28,828
Middletown	-	20	1,720	3,440	1,720	68,792	8,599	171,980
Narragansett	-	6	3,204	6,407	3,204	38,443	16,018	96,108
Newport	-	27	2,258	4,516	2,258	121,932	11,290	304,830
New Shoreham	-	-	6,823	13,646	6,823	-	34,115	-
North Kingstown	-	4	2,106	4,211	2,106	16,845	10,528	42,112
North Providence	67	11	1,848	3,697	1,848	288,350	9,242	720,876
North Smithfield	1	-	1,846	3,693	1,846	3,693	9,232	9,232
Pawtucket	522	37	574	1,148	574	641,732	2,870	1,604,330
Portsmouth	-	11	2,117	4,234	2,117	46,578	10,586	116,446
Providence	82	461	1,068	2,137	1,068	1,160,282	5,342	2,900,706
Scituate	-	2	2,018	4,037	2,018	8,074	10,092	20,184
Smithfield	12	10	2,219	4,438	2,219	97,627	11,094	244,068
South Kingstown	-	16	2,646	5,292	2,646	84,678	13,231	211,696
Tiverton	-	10	2,132	4,264	2,132	42,644	10,661	106,610
Warwick	-	17	2,447	4,895	2,447	83,212	12,237	208,029
Westerly	-	1	2,957	5,914	2,957	5,914	14,784	14,784
West Warwick	-	7	1,635	3,270	1,635	22,893	8,176	57,232
Woonsocket	-	31	414	829	414	25,693	2,072	64,232
Bristol-Warren	-	18	1,753	3,507	1,753	63,122	8,767	157,806
Exeter-West Greenwich	-	4	2,304	4,608	2,304	18,432	11,520	46,080
Chariho <sup>2</sup>	-	7	2,752	5,505	2,752	38,534	13,762	96,334
Foster-Glocester	-	1	1,770	3,540	1,770	3,540	8,850	8,850
Central Falls <sup>3</sup>	180	18	677	1,354	677	268,171	3,386	670,428
<b>Total</b>	<b>916</b>	<b>832</b>				<b>\$3,843,558</b>		<b>\$9,608,894</b>

<sup>1</sup> Assumes 5-year phase in. Calculated using FY2009 local property tax contribution per total RADM with charter and state school students.

<sup>2</sup> Since expenditure data is only available at the school level, calculations for the composite communities is not provided.

<sup>3</sup> Central Falls calculation uses the local share of the core expenditures plus the non-core expenditures, including operations, transportation, tuitions, debt, and other (2009 InSite data).

Source: Rhode Island Department of Education

### NON-FORMULA PROVISIONS

**Group Homes:** The Act maintains the current funding for group homes as a categorical grant program, and provides \$15,000 per bed, except for group home beds associated with Bradley Hospital Children's Residential and Family Treatment (CRAFT) Program, which receives \$22,000 per bed. The Governor's FY2013 budget includes \$8.2 million to fund group home beds. This is \$420,000 less than the FY2012 Budget as Enacted, and represents a decrease of 6.0 beds in Burrillville, 8.0 beds in Newport, 1.0 bed in North Providence, 7.0 beds in Portsmouth, and 6.0 beds in Providence.

**Categorical Programs:** The Act includes the following categorical programs that are outside the formula but subject to the transition plan. The Governor proposes to fund the transportation and regional bonus categories, but to delay implementing the remaining programs.

- **Transportation:** The Act provides funding for transporting students to out-of-district, non-public schools for districts that participate in the statewide transportation system and for 50.0 percent of the local costs associated with transporting students within regional school districts. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Governor recommends funding this category at \$2.2 million in FY2013, an increase of \$1.1 million over the FY2012 Budget as Enacted.
- **Regionalization Bonus:** The Act includes a bonus to regional districts and for those that regionalize in the future. In the first year, the bonus is 2.0 percent of the State's share of the total foundation aid. In the second year the bonus is 1.0 percent of the State's share and in the third year the bonus phases out. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Governor recommends funding this category at \$413,170 in FY2013, a decrease of \$438,071 from the FY2012 Budget as Enacted.
- **Central Falls Stabilization:** Central Falls is currently 100.0 percent state funded, but the formula assumes that the district will increase its local school support. To ease the transition, this program provides additional aid to Central Falls to partially offset this increased obligation. The statute requires that Central Falls pay its share of the local contribution prior to receiving stabilization funds; however, the portion of each share is not defined. The Governor does not recommend funding this category due to the inability of Central Falls to contribute.
- **High-Cost Special Education:** The Act includes a program for high-cost special education students. The program requires the state to reimburse the costs when they exceed five times the per-pupil combined Core Instruction and Student Success Factor funding (currently \$60,755). While the distribution method for this category has not been defined, the program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Governor recommends funding this category at \$500,000 in FY2013. This represents the first year of funding for the high-cost special education fund, which will be fully funded by the end of the formula transition.
- **Career & Technical Education:** The Act provides a state grant program to help districts with certain start-up and maintenance expenditures for career and technical education programs. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The distribution method for this category has not been defined. The Governor recommends funding this category at \$3.0 million in FY2013. This represents the first year of funding for the career and technical fund, which will be fully funded by the end of the formula transition.
- **Early Childhood:** The Act includes a program for early childhood education programs. The funds will be distributed through a request for proposals process targeting communities in three tiers, with the first tier having the highest concentration of children at risk for poor educational outcomes. The Governor recommends funding this category at \$1.5 million in FY2013. This represents the first year

of funding for the early childhood education fund, which will be fully funded by the end of the formula transition.

**School Housing Aid:** Current law increases the minimum share ratio for School Housing Aid from 30.0 to 40.0 percent over two years, beginning in FY2011 for projects completed after June 30, 2010, and eligible for reimbursement in FY2012. Consequently, the minimum share ratio will be 40.0 percent in FY2013. However, the Governor maintains the minimum school housing share ratio at 35.0 percent in FY2013 and thereafter with an estimated savings of \$438,274 in FY2013.

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. RIDE must develop recommendations for further cost containment strategies in the school housing aid program.

#### ***Special Education Costs for Student in DCYF Custody***

On December 22, 2011, a letter was sent from the Rhode Island Department of Education (RIDE) to the Special Education Directors and Business Managers in the school districts. The letter concerned the method for calculating the average per-pupil cost of special education students in the custody of the Department of Children, Youth and Families (DCYF). A special education student is defined in this circumstance as a student who has an active Individual Education Plan (IEP). The issue concerns the pending shift in methodology from a full-time equivalent (FTE) student count to a headcount based on the June 30 school census.

Currently, districts must pay DCYF towards the cost of educating students in DCYF custody. According to RIDE, shifting to the headcount methodology would decrease district liability for special education students in DCYF custody by about 50.0 percent. However, this savings to the districts translates into roughly a \$2.7 million reduction in revenues to DCYF in the current fiscal year.

The transition includes the change from the FTE methodology to the headcount methodology. By statute, RIDE is required to establish a special education per pupil rate. Individual school districts pay DCYF the per pupil cost as calculated by dividing the special education costs of the district by the number (FTE) of special education students in the district. Currently, the number of special education students is determined on a FTE basis. The special education FTEs are determined through a formula that compares the increments of time spent providing qualifying special education support to the student over the course of a school year to the total amount of time in a school year.

The allowable costs that are part of the FTE calculation are tied to the student's Individualized Education Program (IEP). A student's IEP may contain only those costs associated with the delivery of direct, specific instruction or service. Therefore, costs such as case management cannot be included. Consequently, a change in a student's IEP would change a districts allowable costs and subsequent per pupil cost. Under the new methodology, the cost would be calculated by dividing the special education costs of the district by the number (headcount) of students in the district with an IEP, based on the June 30 census of the previous school year.

While the implementation of the headcount methodology decreases costs to the districts, the shift reduces revenues for DCYF. According to DCYF, the Department was not aware of the issue until late September and the impact to the Department for FY2012 would be about \$2.7 million. Due to the impact on DCYF, RIDE and the Budget Office have agreed to use the current FTE method for FY2012.

Districts were unaware that RIDE planned to change its calculation for FY2012 and budgeted as in the past using their own estimates based on historical data. Other than changes associated with increases or decreases in student services or costs, there is no impact on district budgets by leaving the FTE methodology for FY2012.

For FY2013, DCYF, RIDE and the Budget Office have agreed to begin the phase-in of the headcount method over five years. Consequently, the Governor recommends an additional \$500,000 in general revenue in the DCYF FY2013 budget for educating students with special needs under the custody of DCYF.

## Race to the Top

Race to the Top is a federal \$4.3 billion education reform fund made available by the U.S. Department of Education (USDOE) as part of the American Recovery and Reinvestment Act (ARRA). Awards in the grant competition went to states that submitted plans for education reform.

In August 2010, Rhode Island was one of ten states awarded a Race to the Top (RTTT) grant in the second phase of the competition, coming in fifth out of the 35 states, plus the District of Columbia, that applied. Rhode Island won \$75.0 million over four years to help transform education in the State; 50.0 percent of the award has been designated for participating Local Education Agencies (LEAs).

The RTTT grant is intended to accelerate Rhode Island student achievement by strengthening teachers, leaders and the systems that support them. The Rhode Island Department of Elementary and Secondary Education (RIDE) projects that the award will enable Rhode Island to achieve the following student-achievement goals by 2015:

- 90.0 percent of students entering the fourth and eighth grades will be proficient in reading, as measured by the state assessment
- 90.0 percent of students entering fourth grade and 75.0 percent of students entering eighth grade will be proficient in mathematics, as measured by the state assessment
- Achievement gaps, as measured by the state assessment, will be cut in half
- 85.0 percent of students will graduate from high school
- 77.0 percent of students who graduate from high school will enroll in postsecondary education within 16 months
- 90.0 percent of students who enroll in postsecondary education will complete their first year, and
- No student will have an ineffective teacher in two consecutive years

### BUDGET SUMMARY

The Rhode Island RTTT plan is designed to pool state and local resources to build systems of support that benefit all participating LEAs and increase student achievement across the state. The RTTT scope of work includes five systems of support, or program areas, plus a plan to build state and local capacity to implement the proposed systems.

	FY2012 Enacted	FY2012 Revised	FY2013 Request
RIDE	\$9.4	\$10.0	\$10.7
LEAs	12.9	14.6	15.5
<b>Total</b>	<b>\$22.3</b>	<b>\$24.6</b>	<b>\$26.3</b>

*Source: Rhode Island Department of Education  
FY2013 Budget Request. \$ in millions.*

Year 1 of RTTT ended on September 30, 2011, and RIDE is in the process of amending the scope of work budget tables with the USDOE. The program budget data provided in this brief is from the Rhode Island Race to the Top State Education Association Scope of Work Version 2.0, Updated and Submitted November 30, 2011. Another update of this report is due in April 2012.

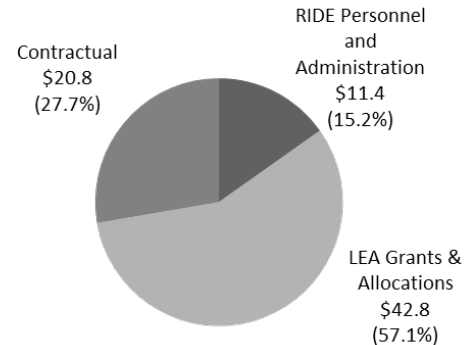
The chart to the right shows the breakdown of the total RTTT budget by expenditure category. RIDE Personnel and Administration represents expenditures at the state level, including project management, fiscal management and grant management. Of the \$11.4 million budgeted, approximately \$9.1 million (80.0 percent) includes the salaries and benefits of the 22.0 FTE positions authorized in RIDE for the RTTT program. These positions will expire after the four-year grant period. The remaining \$1.2 million in RIDE Personnel and Administration expenditures supports grant administration by other personnel within the Department.

The contractual costs are for contractors selected through a competitive bidding process to provide a specific service. These services involve activities such as designing a teacher evaluation system, student data systems, and curriculum alignment studies.

Local Education Agency (LEA) Grants & Allocations represent expenditures at the local level. The table at the end of this brief shows how the \$42.8 million in grants and allocations is distributed among the participating LEAs, including districts, state schools and charter schools. Each LEA has a scope of work containing the five systems of support included at the state level designed to pool resources for statewide reform. The LEA Scopes of Work are reviewed and approved first by RIDE and then by the USDOE. RIDE determines whether there are areas of non-compliance that must be addressed. The LEA allocations provides funding for local costs such as substitute teachers, teacher stipends and mentors as well as set-aside funds to support the design, development and implementation of the systems of support.

### Breakdown by Expenditure

(\$ in millions)



### CURRENT STATUS

The FY2011 Supplemental Budget included \$13.2 million for RTTT, of which \$5.6 million was the local share. The funding was directed to specific initiatives based on the state and local scopes of work that were approved by the USDOE. The scope of work reflects the approved RTTT application and amendments that have been submitted to the USDOE for approval regarding changes in timelines, performance measures, and budgets. Of the \$7.6 million appropriated to RIDE, \$1.5 million was spent on the educator evaluation system, standards, curriculum, school transformation specialists, and data-system initiatives. The budget also authorized 22.0 FTE positions for RTTT including transformation specialists, assessment specialists, data managers/analysts, grants management, and clerical support. As of January 19, 2012, 18.0 FTE positions had been filled.

The FY2012 Budget as enacted provides \$22.3 million, of which \$12.9 million is the local share and \$9.4 million is the state share. These funds are budgeted to specific support system programs, pursuant to the state and local scopes of work to support the goals in RTTT. It is anticipated that the remaining 4.0 FTE positions will be filled during FY2012.

### Year 1 Progress

On July 1, 2010, the Rhode Island Board of Regents adopted the Common Core State Standards (CCSS). To prepare educators to understand and implement the CCSS, RIDE held Study of Standards training sessions in 19 LEAs as of mid-September 2011. With state support, each district evaluated its current curricula in English Language Arts, mathematics, science and social studies. This analysis was used to determine the support needed to ensure that each district's curricula aligned with the CCSS.

In addition, Rhode Island joined the Partnership for Assessment of Readiness for College and Careers (PARCC) as a governing member. RIDE established a PARCC team consisting of state and local

educators to guide the implementation of the CCSS and PARCC-created assessments. The Partnership for Assessment of Readiness for College and Careers (PARCC) is a consortium of 24 states that are working together through a Race to the Top assessment grant to develop a K-12 assessment system aligned to the Common Core State Standards (CCSS) in English Language Arts/literacy and mathematics.

In Year 1, RIDE approved three teacher evaluation systems as meeting the State standards. The majority of LEAs will implement the Rhode Island Model Educator Evaluation System (Rhode Island Model), six LEAs will implement the Rhode Island Federation of Teachers and Health Professionals (RIFTHP) educator evaluation system and one will use a locally developed evaluation system.

Rhode Island created a new induction and mentoring program for first- and second-year teachers based on instructionally-focused, data-driven coaching. Induction coaches have been hired, and each new teacher has been paired with a coach to provide one-on-one job-embedded support for the 2011-2012 school year.

To ensure that all the projects in the RTTT plan are properly executed, the State developed performance management systems at the State and LEA level. These systems provide the basis of data-driven conversations between and among RIDE and LEA representatives about project progress, implementation and best practices.

**PROGRAM SUMMARY**

The RTTT plan is divided into five systems of support comprised of 15 programs, each with a separate budget. In addition, funds are being invested in state and local capacity to implement the program initiatives. Each system of support has a four-year budget. Since the proposed budgets are from the federal grant application, these years are based on federal fiscal years, running from October 1 through September 30. Consequently, state fiscal year 2012 (July 1, 2011, through June 30, 2012) corresponds roughly with Year 2 of the budget tables provided below; however, the data was not provided on a state fiscal year basis.

In the following tables, the administration costs represent expenditures at RIDE and the contractual costs are for contractors selected through a competitive bidding process to provide a specific service.

The state-level RTTT budget includes \$4.0 million in supplemental funding for LEAs to develop local capacity, in addition to the 50.0 percent (\$37.5 million) indicated in the grant application. The formula provided in Title I of the federal Elementary and Secondary Education Act was used to determine the allocation of the \$37.5 million local share of RTTT funds to the LEAs. This formula is based on the percentage of students in the LEA from low-income families; based on school and district demographics, RIDE determined that some LEAs would not receive sufficient funding through the local share to implement the RTTT initiatives. Consequently, RIDE set aside \$4.0 million in supplemental funding from the state share to distribute based on the formula provided in Title I, but only to those LEAs receiving insufficient funding through the distribution of the \$37.5 million LEA share. These grants will be used to implement the RTTT initiatives.

	State Share	District Share	Total
<b>New System Investments</b>			
Standards and Curriculum	\$4.7	\$4.1	\$8.8
Instructional Improvement System	7.2	10.9	18.1
Educator Effectiveness	10.4	7.6	18.0
Human Capital Development	4.3	11.5	16.0
School Transformation & Innovation	4.1	3.4	7.3
<b>Other Investments</b>			
State Capacity	2.6	-	2.6
Supplemental LEA Funding	4.0	-	4.0
<b>Total</b>	<b>\$37.5</b>	<b>\$37.5</b>	<b>\$75.0</b>

Source: Rhode Island Department of Education, SEA Scope of Work 11-30-11. \$ in millions.

**Standards and Curriculum**

This system of support is focused on the adoption of the Common Core State Standards and the development of a comprehensive curricula aligned to those standards. The Common Core State Standards define the knowledge and skills students should have within their K-12 education careers so that they will graduate from high school able to succeed in entry-level, credit-bearing academic college courses and in workforce training programs. The Standards were developed as a state-led effort of 48 states, 2 territories and the District of Columbia and coordinated by the National Governors Association and Council of Chief State School Officers.

RIDE intends use the RTTT funding to provide training on the Common Core standards for 85.0 percent of core teachers in urban districts and four teachers from each of the non-urban districts. RIDE proposes to work with LEAs to develop model curricula in English Language Arts, mathematics, science, and social studies. Furthermore, the program provides funding for a small group of teachers from Providence to attend training on project-based learning that is aligned with the Common Core Standards and the Engineering and Technology standards.

Standards and Curriculum	Year 1	Year 2	Year 3	Year 4	Total	Percentage of Total
<b>Administration</b>						
Personnel and Operating	\$193,841	\$195,523	\$197,868	\$203,628	\$790,860	9.0%
<b>Study of the Standards</b>						
Contractual	-	331,020	331,642	-	662,662	7.5%
LEA Allocation	150,000	150,000	300,923	-	600,923	6.8%
<b>Curriculum Alignment</b>						
Contractual	301,765	1,297,245	929,141	699,863	3,228,014	36.7%
LEA Allocation	856,227	856,226	856,226	856,226	3,424,905	38.9%
<b>Project Based Learning</b>						
Contractual	-	48,000	-	-	48,000	0.5%
LEA Allocation	-	20,000	20,000	-	40,000	0.5%
<b>Total Costs</b>	<b>\$1,501,833</b>	<b>\$2,898,014</b>	<b>\$2,635,800</b>	<b>\$1,759,717</b>	<b>\$8,795,364</b>	<b>100.0%</b>

Source: Rhode Island Department of Elementary and Secondary Education, SEA Scope of Work 11-30-11.

**Instructional Improvement Systems**

This system of support is designed to enable teachers and principals to use a broader spectrum of data in making instructional decisions. RIDE proposes to develop a state-wide instructional management system that will house state and locally collected data on student progress. Student progress would be measured against specific achievement targets aligned to the state standards. Leadership teams from participating LEAs would be trained to use tools and processes to design and implement formative assessment tools to measure student learning of daily and weekly learning goals.



	Year 1	Year 2	Year 3	Year 4	Total	Percentage of Total
<b>Instructional Improvement</b>						
<b>Administration</b>						
Personnel and Operating	\$496,793	\$501,934	\$516,242	\$519,850	\$2,034,819	11.2%
<b>Instructional Management Systems</b>						
Contractual	390,000	1,355,287	1,437,177	1,689,254	4,871,718	26.9%
LEA Allocation-Formative Assessment	-	687,259	687,259	687,258	2,061,776	11.4%
LEA Allocation-Professional Development	-	395,200	395,200	395,200	1,185,600	6.5%
LEA Allocation-Interim Assessments	1,710,000	2,185,000	2,185,000	475,000	6,555,000	36.1%
LEA Allocation-Instructional Management System	100,000	343,975	343,975	343,975	1,131,925	6.2%
<b>Early Warning system</b>						
Contractual	60,000	120,000	90,000	30,000	300,000	1.7%
LEA Allocation	-	-	-	-	-	0.0%
<b>Total Costs</b>	<b>\$2,756,793</b>	<b>\$5,588,655</b>	<b>\$5,654,853</b>	<b>\$4,140,537</b>	<b>\$18,140,838</b>	<b>100.0%</b>

Source: Rhode Island Department of Elementary and Secondary Education, SEA Scope of Work 11-30-11.

### Educator Effectiveness

RIDE is working with LEA leaders, labor representatives, and other experts to create the Rhode Island Model Educator Evaluation System. The system is intended to provide continuous feedback to support educators' professional growth so that district professional-development opportunities can be informed by evaluation. RIDE proposes to work with district evaluation teams to develop and refine the evaluation system as it begins to be gradually implemented at the local level in 2011 and beyond.

RIDE also plans to award competitive grants to two districts, consortia of districts, or district-union partnerships to develop performance-based compensation systems. The goal is to develop two viable models for districts to adopt or use as guidance for their own compensation systems. One award would be granted to study the replacement of the current step-and-lane compensation schedules with a system based on evidence of teacher effectiveness. Another grant would be awarded to develop a system that includes whole-school rewards.

	Year 1	Year 2	Year 3	Year 4	Total	Percentage of Total
<b>Educator Effectiveness</b>						
<b>Administration</b>						
Personnel and Operating	\$738,942	\$747,591	\$769,375	\$785,312	\$3,041,220	16.9%
<b>Educator Evaluation System</b>						
Contractual	2,542,000	1,966,004	1,334,004	363,004	6,205,012	34.4%
LEA Allocation-Evaluation Model Design and Implementation	1,344,000	1,344,000	-	-	2,688,000	14.9%
LEA Contribution-Student Growth Measures	870,000	1,305,000	1,305,000	1,392,000	4,872,000	27.0%
<b>Educator Certification Program and Data System Redesign</b>						
Contractual	200,000	270,260	-	-	470,260	2.6%
LEA Allocation	-	-	-	-	-	0.0%
<b>Compensation Reform</b>						
Contractual	-	250,000	-	-	250,000	1.4%
Grants to LEAs	-	-	500,000	-	500,000	2.8%
LEA Allocation	-	-	-	-	-	0.0%
<b>Total Costs</b>	<b>\$5,694,942</b>	<b>\$5,882,855</b>	<b>\$3,908,379</b>	<b>\$2,540,316</b>	<b>\$18,026,492</b>	<b>100.0%</b>

Source: Rhode Island Department of Elementary and Secondary Education, SEA Scope of Work 11-30-11.

### Human Capital Development

This system of support is designed to develop the districts' human capital systems through alternative certification, a state-wide recruitment website, a new teacher induction program, and quality professional development. Expanded certification routes for teachers and leaders should allow districts to recruit candidates from experienced mid-career professionals and undergraduate institutions.

RIDE proposes to provide district leaders with research-based models for the improvement of school-wide instruction, and beginning teachers would receive individual coaching with a continuous focus on improved student outcomes. Rhode Island's new teacher induction model focuses on in-class coaching for all first-year teachers and a second year of coaching for those teachers in the urban core districts: Providence, Pawtucket, Central Falls, and Woonsocket.

Human Capital	Year 1	Year 2	Year 3	Year 4	Total	Percentage of Total
<b>Administration</b>						
Personnel and Operating	\$602,256	\$611,380	\$625,769	\$643,935	\$2,483,340	15.5%
<b>Alternative Certification</b>						
Contractual	31,250	106,250	68,750	31,250	237,500	1.5%
LEA Contribution-Statewide						
Online Recruiting Platform	28,125	28,125	28,125	28,125	112,500	0.7%
LEA Contribution-The New Teachers Project and Teach for America	317,216	962,552	971,546	992,972	3,244,286	20.2%
<b>Academy of Transformative Leadership</b>						
Contractual	75,000	196,200	355,655	355,655	982,510	6.1%
LEA Contribution-Design and Delivery for Leadership Training Modules and Operating Costs for Turnaround Principal Corp.	75,000	196,200	355,655	355,655	982,510	6.1%
LEA Contribution-Turnaround Principal Program	137,907	358,200	648,342	646,551	1,791,000	11.2%
<b>New Teacher Induction</b>						0.0%
Contractual	121,380	227,640	161,640	117,440	628,100	3.9%
LEA Allocation-Induction Program	401,000	1,171,776	2,000,000	2,000,000	5,572,776	34.8%
<b>Quality Teacher PD Options</b>						
Contractual	-	-	-	-	-	0.0%
LEA Allocation	-	-	-	-	-	0.0%
<b>Total Costs</b>	<b>\$1,789,134</b>	<b>\$3,858,323</b>	<b>\$5,215,482</b>	<b>\$5,171,583</b>	<b>\$16,034,522</b>	<b>100.0%</b>

Source: Rhode Island Department of Elementary and Secondary Education, SEA Scope of Work 11-30-11.

### School Transformation and Innovation

RIDE proposes to focus these RTTT funds to provide intensive support to schools identified as persistently low-achieving. This support would include a school achievement specialist, evaluation support, school assessment, and a summer institute. RIDE will work with the LEAs so that each school receives the support of a school achievement specialist during the planning year and the first two years of the intervention program.

RTTT funds will provide a full-time person to support the implementation of an educator evaluation system in the years leading up to and including the first year of intervention. Each school will undergo an assessment of its performance against established criteria and will receive specific recommendations for improvement. Prior to the first year of implementation, the leadership team and the entire teaching

staff will participate in summer training offered through the Academy of School Leadership in partnership with nationally-recognized experts.

The intervention program will be overseen by RIDE’s Chief Transformation Officer and supported by the following new employees: a Transformation Specialist (1.0 FTE), an Accountability and Reporting Specialist (1.0 FTE), and an Administrative Assistant (1.0 FTE).

RIDE proposes to use RTTT funds to actively recruit additional, high-performing charter schools and expand the work of existing charter schools in the state. RIDE plans to issue a competitive grant that will support planning grants to start two new high-performing charter schools in Rhode Island, and to give existing Rhode Island high-performing charters the opportunity to expand.

RIDE proposes to develop virtual and web-based instructional resources to increase student math proficiency. This project has three primary goals: improving student graduation rates by providing targeted support in high need academic areas; helping to close the 11th grade mathematics achievement gap for students of color, students living in poverty, students with IEPs, and English Language Learners; and improving the efficiency and quality of LEA access to Advanced Placement and world language virtual courses.

School Transformation	Year 1	Year 2	Year 3	Year 4	Total	Percentage of Total
<b>Administration</b>						
Personnel and Operating	\$340,419	\$346,821	\$358,332	\$361,516	\$1,407,088	19.2%
<b>Struggling Schools Intervention</b>						
Contractual	100,000	375,000	225,000	-	700,000	9.5%
LEA Allocation-Turnaround Schools <sup>1</sup>	1,078,933	1,078,933	1,078,934	-	3,236,800	44.2%
<b>Charter Grants</b>						
Contractual	-	250,000	500,000	250,000	1,000,000	13.6%
LEA Allocation	-	-	-	-	-	0.0%
<b>Multiple Pathways Innovation<sup>2</sup></b>						
Contractual	153,388	20,000	10,000	10,000	193,388	2.6%
Grants to LEAs	5,000	210,127	294,580	283,070	792,777	10.8%
LEA Allocation	-	-	-	-	-	0.0%
<b>Total Costs</b>	<b>\$1,677,740</b>	<b>\$2,280,881</b>	<b>\$2,466,846</b>	<b>\$904,586</b>	<b>\$7,330,053</b>	<b>100.0%</b>

<sup>1</sup> Final allotments to districts will be awarded based on type of school, intervention and the reform plan submitted

<sup>2</sup> RIDE received USDOE approval to redirect the State Board Exams project.

Source: Rhode Island Department of Elementary and Secondary Education, SEA Scope of Work 11-30-11.

**State and Local Capacity**

These funds are programed to ensure that Rhode Island is ready to implement the plans outlined in the RTTT application and the Rhode Island Scope of Work. The RTTT budget allows for the state and LEAs to hire staff and contractors to support and implement program initiatives.

The formula provided in Title I of the federal Elementary and Secondary Education Act was used to determine the allocation of the \$37.5 million local share of RTTT funds to the LEAs. This formula is based on the percentage of students in the LEA from low-income families; based on school and district demographics, RIDE determined that some LEAs would not receive sufficient funding through the local share to implement the RTTT initiatives. Consequently, RIDE set aside \$4.0 million in supplemental funding from the state share to distribute based on the formula provided in Title I, but only to those LEAs receiving insufficient funding through the distribution of the \$37.5 million LEA share. These grants will be used to implement the RTTT initiatives.

State and Local Capacity	Year 1	Year 2	Year 3	Year 4	Total	Percentage of Total
<b>Administration</b>						
Personnel and Administration	\$403,186	\$407,078	\$412,311	\$424,397	\$1,646,972	24.7%
Contractual	700,039	196,583	50,000	50,000	996,622	14.9%
Discretionary Grants to LEAs <sup>1</sup>	-	-	-	-	4,029,136	60.4%
<b>Total Costs</b>	<b>\$1,103,225</b>	<b>\$603,661</b>	<b>\$462,311</b>	<b>\$474,397</b>	<b>\$6,672,730</b>	<b>100.0%</b>

<sup>1</sup> State supplemental funding for those LEA's for which the Title I formula will result in insufficient funding to implement the RTTT initiatives reflected in the LEA allocation.

Source: Rhode Island Department of Elementary and Secondary Education, SEA Scope of Work 11-30-11.

**LEA GRANTS**

As with other federal grants, LEAs receive their share of funding on a reimbursement basis for the approved activities in the LEA’s scope of work. The state-level RTTT budget includes \$4.0 million in supplemental funding for LEAs to develop local capacity, in addition to the 50.0 percent (\$37.5 million) indicated in the grant application. RIDE set aside the \$4.0 million in supplemental funding from the state share to LEAs receiving insufficient funding through the distribution of the \$37.5 million LEA share. These grants will be used to implement the RTTT initiatives.

The LEA share includes direct allocations for substitute teachers, replacement costs, teacher stipends, mentors, etc., and set-aside funds to support the design, development, and implementation of the five RTTT systems: Standards and Curriculum, Instructional Improvement Systems, Educator Effectiveness, Human Capital, and School Transformation and Innovation. The table on the following page shows distribution of the state supplemental funds as currently obligated. The remaining \$0.6 million will be directed into the following areas:

- To conduct trainings throughout the districts to build additional capacity within LEAs in order to sustain the systems of reform beyond the RTTT grant period
- To identify and mentor those individuals who need additional, targeted support specifically in our persistently lowest performing schools
- To develop and establish innovative alternative approaches to learning, such as the virtual high school initiative, and
- To enroll currently non-participating districts into various targeted projects upon review and approval of the Commissioner of RIDE and USDOE

## Race to the Top - Local Education Agency Allocations

LEA	State Supplemental		Total Award	FY2012
	LEA Share <sup>1</sup>	Funds		
Barrington	\$35,066	\$240,922	\$275,988	\$127,475
Beacon Charter School	54,787	22,221	77,008	15,600
Blackstone Academy	75,756	7,763	83,519	15,600
Bristol Warren	344,136	-	344,136	65,600
Burrillville	285,112	69,133	354,245	115,475
Central Falls	1,931,808	-	1,931,808	501,603
Chariho	199,723	239,191	438,914	185,558
Coventry	359,094	-	359,094	45,800
Cranston	1,725,118	-	1,725,118	636,093
Cumberland	327,160	295,116	622,276	298,350
Davies Career and Tech	249,031	-	249,031	9,100
DCYF	-	40,475	40,475	18,400
East Greenwich	38,115	178,385	216,500	109,483
East Providence	954,873	11,103	965,976	323,648
Exeter-West Greenwich	36,878	150,584	187,462	97,233
Foster	31,365	4,378	35,743	9,100
Foster-Glocester	91,973	-	91,973	24,200
Glocester	78,022	20,953	98,975	40,250
Highlander	129,607	-	129,607	11,950
International Charter	95,870	-	95,870	9,100
Jamestown	11,815	88,418	100,233	52,158
Johnston	440,760	-	440,760	174,405
Kingston Hill Academy	14,254	21,496	35,750	15,400
Learning Community	229,996	-	229,996	24,600
Lincoln	258,390	77,725	336,115	152,300
Little Compton	33,016	69,926	102,942	30,075
MET Career and Tech	309,294	-	309,294	19,075
Middletown	184,202	24,288	208,490	88,700
Narragansett	140,952	6,154	147,106	65,083
New Shoreham	10,099	28,887	38,986	19,608
Newport	641,088	-	641,088	94,115
North Kingstown	336,425	136,945	473,370	189,658
North Providence	454,823	99,761	554,584	228,855
North Smithfield	94,077	176,851	270,928	100,900
Paul Cuffee Charter School	299,403	-	299,403	27,100
Pawtucket	3,516,600	-	3,516,600	528,385
Portsmouth	40,131	216,092	256,223	107,950
Providence	18,363,446	-	18,363,446	4,783,731
R.I. School for the Deaf	27,446	79,725	107,171	84,100
R.I.M.A- Blackstone Valley	23,239	79,321	102,560	35,275
Scituate	116,305	68,248	184,553	63,725
Segue Institute for Learning	38,739	63,206	101,945	34,800
Smithfield	54,590	106,973	161,563	79,125
South Kingstown	223,420	136,779	360,199	160,858
The Compass School	0	28,735	28,735	13,300
Tiverton	136,540	76,259	212,799	76,300
Warwick	987,869	518,391	1,506,260	653,318
West Warwick	675,872	-	675,872	226,978
Westerly	291,489	-	291,489	90,210
Woonsocket	2,502,226	-	2,502,226	415,033
Unobligated supplemental funding	-	644,732	644,732	-
Educator Effectiveness - Compensation Reform <sup>2</sup>	-	-	500,000	-
School Transformation - Multiple Pathways <sup>2</sup>	-	-	792,777	-
<b>Total</b>	<b>\$37,500,000</b>	<b>\$4,029,136</b>	<b>\$42,821,914</b>	<b>\$11,294,738</b>

<sup>1</sup> Includes Direct Allocations for substitute teachers, replacement costs, teacher stipends, mentors, etc. and set-aside funds to support the design, development, and implementation of the five RTTT systems: Standards and Curriculum, Instructional Improvement Systems, Educator Effectiveness, Human Capital Development and School Transformation and Innovation.

<sup>2</sup> Reflects change made in State Scope of Work, 11-30-11. District distribution not available for this brief.

Source: Rhode Island Department of Education



## FY2012 Supplemental Budget

Expenditures by Function	FY2011	FY2012	FY2012	Change from	
	Final	Enacted	Governor	Enacted	
General Government	\$1,744.7	\$1,417.9	\$1,755.5	\$337.6	23.8%
Human Services	3,012.5	3,112.8	3,136.2	23.3	0.8%
Education	2,103.3	2,167.2	2,220.9	53.6	2.5%
Public Safety	439.5	474.5	504.0	29.5	6.2%
Natural Resources	73.4	102.8	112.7	10.0	9.7%
Transportation	345.2	427.0	440.9	13.9	3.2%
<b>Total</b>	<b>\$7,718.6</b>	<b>\$7,702.2</b>	<b>\$8,170.1</b>	<b>\$467.9</b>	<b>6.1%</b>
<b>Expenditures by Fund</b>					
General Revenue	\$2,956.2	\$3,142.5	\$3,172.8	\$30.3	1.0%
Federal Funds	2,748.0	2,606.5	2,865.9	259.5	10.0%
Restricted Receipts	158.9	189.6	227.1	37.4	19.7%
Other Funds	1,855.6	1,763.6	1,904.3	140.7	8.0%
<b>Total</b>	<b>\$7,718.6</b>	<b>\$7,702.2</b>	<b>\$8,170.1</b>	<b>\$467.9</b>	<b>6.1%</b>
<b>FTE Authorization</b>	<b>14,957.6</b>	<b>14,942.2</b>	<b>14,934.0</b>	<b>(8.2)</b>	<b>-0.1%</b>

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

The Governor's Supplemental Budget for FY2012 totals \$8,170.1 million, of which \$3,172.8 million (38.8 percent) is general revenue (\$30.3 million more than enacted). FY2012 opened with \$7.0 million in additional general revenue surplus funds above the budgeted \$57.2 million. The November 2011 Revenue Estimating Conference identified \$19.4 million in additional anticipated collections for FY2012. The additional resources offset the bulk of the estimated \$32.6 million in departmental spending deficits that were identified in the statewide first quarter report for FY2012.

The Governor's budget recommends \$30.3 million in additional general revenue expenditures above the FY2012 Budget as Enacted. The increases are largely in the General Government, Human Services and Public Safety areas, and largely reflect year-to-date spending patterns in the first quarter report. The sole revenue enhancement in FY2012 is the proposed transfer of \$6.0 million in issued bond premiums from the RICAP fund to general revenues. Other major changes include the following:

### DEPARTMENT OF ADMINISTRATION

#### **Debt Service Shift**

**\$2.0 million**

The Governor transfers \$2.0 million of Department of Transportation debt service to the Department of Administration to be funded with general revenues in FY2012.

#### **America's Cup**

**\$770,000**

The Governor recommends an appropriation of \$770,000 to provide general operating funding and security assistance for the America's Cup event. The funding will be allocated to the Rhode Island Economic Development Corporation to handle, transport, and set-up race vessels and containers that will land at the Quonset Business Park in North Kingstown and be shipped over to Fort Adams in Newport. Additionally, funding will be used for on-site event support, crane rental at Fort Adams to lift and lower race vessels, sanitation (portable restrooms and on-site cleaning), and directional signage. Security expenses include 24-hour site security at Fort Adams for approximately 3 weeks, Department of

Environmental Management personnel costs for security on water and onsite (State Park), spectator fleet-exclusion zone control, local municipal police traffic details, and funding to cover first aid and fire department detail services.

***Analysis of State Personnel System***

***\$300,000***

The Governor instructed the Director of the Department of Administration to undertake a comprehensive analysis of the State's personnel system and before the close of the fiscal year, to recommend alternatives to what the Governor believes is a cumbersome and outdated system, and to provide opportunities to attract talented individuals to the State in light of the recent reforms impacting the State pension system and longevity benefits. The Governor includes \$300,000 in the FY2012 Supplemental Budget to begin the analysis. To that end, the Department of Administration will issue a request for proposals to analyze the State's personnel system, offer recommendations, and propose legislative changes where necessary.

*Analyst's Note: The Governor states that the analysis is a priority, and the Office of Classification and Examination and its 10.0 FTE positions are eliminated in the FY2013 Budget in anticipation of the personnel study.*

**DEPARTMENT OF LABOR AND TRAINING**

***Extended Unemployment Compensation (federal funds)***

***\$110.1 million***

The Governor recommends a \$110.1 million increase in expenditures from the Employment Security Trust Fund, reflecting the receipt of federal funds as a result of the federal government extending the Emergency Unemployment Compensation (EUC) program under American Recovery and Reinvestment Act (ARRA). The EUC provides additional unemployment benefits to individuals affected by long-term unemployment.

**DEPARTMENT OF REVENUE**

***Central Falls Retiree Payments***

***\$2.6 million***

The Governor includes a \$2.6 million Stabilization Payment to the City of Central Falls, to be deposited into a restricted account, which would be used to provide transition payments over five years to retirees, based on a "Settlement and Release Agreement" between 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 State meets the terms of the Agreement with an appropriation of at least \$2.0 million in FY2012.

***Division of Motor Vehicles (DMV) Personnel***

***\$595,543***

In a May 25, 2011, FY2012 budget amendment, the Governor requested an additional 25.0 FTE customer service positions for the DMV. The General Assembly did not include the funding or positions, but added \$150,000 to fund 2.0 FTE positions for customer service, and \$150,000 for consultant services to explore alternatives and develop a plan for enhanced customer service delivery by the Division. Despite this, the DMV hired 14.5 unbudgeted FTE positions on October 24, 2011, in an effort to reduce wait times. The positions are projected to cost \$595,543 in FY2012, increasing to \$841,795 in FY2013. As of February 20, 2012, the request for proposals for the consultant services still remains in draft form and has not been issued.



**OFFICE OF THE GOVERNOR*****Health Benefits Exchange (federal funds)*****\$109,768**

The Governor creates the Rhode Island Health Benefits Exchange as a program of the Office beginning in FY2012 and includes it in the FY2012 Supplemental Budget proposal. The Governor signed Executive Order 11-09 creating the Exchange on September 19, 2011. The Exchange's stated mission is "to provide benefits for persons lacking adequate insured coverage and to lower costs or improve the quality, availability and accessibility of health services." Funding for an Exchange Director appears in FY2012 and 5.0 additional FTE personnel are proposed for FY2013.

**OFFICE OF THE SECRETARY OF STATE*****Quick Start Master Application System*****\$190,000**

The Governor includes a \$190,000 increase (reappropriation) for the Quick Start business enrollment program. Language was included in the FY2011 Supplemental Budget to carry the funds forward. The project was originally scheduled to be completed in late FY2011, and is now anticipated to be operational in February 2012.

***Voter ID*****\$150,000**

The Governor adds \$150,000 to purchase equipment to fulfill Voter ID mandates. The State Budget Office issued a fiscal note based on the administrative rule change regarding the Voter ID legislation and concurred with the need for the additional funding. The Secretary of State projects the need for \$50,000 in ongoing annual funding to fulfill the mandate.

**OFFICE OF HEALTH AND HUMAN SERVICES*****Medicaid Programming Shift to OHHS*****\$781,849**

The Governor restructures personnel under the umbrella of the Office of Health and Human Services (OHHS) to further establish it as the Medicaid single state agency, increasing general revenue financing by \$781,849. The Governor transfers four senior executive positions from the Department of Health and one Medical Care Specialist from the Department of Human Services to OHHS, increasing the OHHS roster by 5.0 FTE positions in FY2012.

**DEPARTMENT OF CHILDREN, YOUTH AND FAMILIES*****Unachieved Savings*****\$7.1 million**

In FY2012, the Department was unable to achieve savings associated with turnover (\$1.1 million) and miscalculated caseload and federal reimbursement rates included in the FY2012 Budget as Enacted, contributing to an estimated \$7.7 million department-wide deficit (as of January 31, 2012, according to the DCYF's FY2012 Second Quarter Report). Additionally, the FY2011 base used to calculate the starting point for FY2012 was miscalculated, further exacerbating the variance between the FY2012 Budget as Enacted and FY2012 actuals. The Governor's FY2012 Supplemental budget adds \$7.1 million in general revenue to correct these errors.

**DEPARTMENT HUMAN SERVICES*****Medical Benefits – Caseload Estimating Conference*** **(\$1.9 million)**

FY2012 expenditures for managed care (including the RItE Care and RItE Share programs) are estimated to be \$1.9 million less than the FY2012 Budget as Enacted. The Department cites lower enrollment than anticipated, lower RItE Share costs, and fewer state-funded births and neonatal intensive care unit stays. Additionally, pharmaceutical expenses are estimated less than enacted in FY2012 due to larger than anticipated pharmaceutical rebate collections from prescription drug manufacturers.

***Veterans' Affairs Overtime Expenditures*** **\$1.3 million**

The FY2012 Budget as Enacted included an initiative to consolidate nursing home units at the Veterans' Home to generate savings. The consolidations were tied to expanding the Home's census, thereby creating economies of scale, resulting in savings. The Governor proposes to delay the expansion until the fourth quarter of FY2013, so budgeted overtime savings at the Home in FY2012 will not be realized. The Governor recommends \$1.3 million in general revenues (\$1.4 million all funds) for additional overtime at the Veterans' Home.

***Veterans' Home – Delay of Census Expansion*** **(\$363,040)**

The Governor delays the Veterans' Home census expansion and its accompanying increase in staffing, eliminating 35.0 FTE clinical positions that were to be added in the fourth quarter of FY2012. The proposal saves \$363,040 in personnel costs in FY2012.

**DEPARTMENT OF BEHAVIORAL HEALTH, DEVELOPMENTAL DISABILITIES, AND HOSPITALS*****Eleanor Slater Hospital Overtime Expenditures*** **\$2.7 million**

The Governor adds \$2.7 million (\$5.5 million all funds) to the Eleanor Slater Hospital for overtime expenses in FY2012. The FY2012 Budget as Enacted included overtime savings to be achieved by hiring additional FTE positions. These savings have not been realized due to delays in hiring and as a result, overtime costs have exceeded budgeted expenditures.

**DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION*****School Housing Aid*** **(\$2.7 million)**

The 2010 General Assembly passed legislation increasing the minimum school housing aid share ratio from 30.0 percent in FY2011 to 35.0 percent in FY2012 and to 40.0 percent in FY2013. Due to this increase in the share ratio, several communities delayed completing projects in order to qualify for a higher reimbursement. The delays resulted in a \$2.7 million decrease in estimated reimbursements for FY2012 that would then be eligible for the increased FY2013 reimbursement rate.

***Teacher Retirement*** **\$2.4 million**

The Governor adds \$24.0 million for teacher retirement due to a higher-than-projected teacher wage base in FY2011. The State pays 40.0 percent of the cost of the employer's share of required pension contributions. The FY2012 Budget as Enacted employer contribution was based on FY2010 wages, as reported by the Retirement System, and then inflated by a 2.0 percent growth rate. The revised estimate is based on actual FY2011 wages, adjusted for the 2.0 percent growth rate.

**DEPARTMENT OF CORRECTIONS*****Payroll Base Adjustments******\$3.1 million***

The Governor adds \$3.1 million in FY2012 and FY2013 for arbitrated wage increases for the Rhode Island Brotherhood of Correctional Officers (RIBCO) and its civilian employees. The additional funds are required to correct for insufficient wage projection calculations that were used to build the FY2012 Budget as Enacted. The Department of Corrections analyzed current payroll and projects base payroll costs totaling \$3.1 million more than the enacted amount. Because the FY2013 budget targets were based on FY2012 enacted amounts, the error carried forward into the current services projection for FY2013.

***Overtime******\$1.8 million***

The Governor proposed, and the General Assembly adopted, a 3.0 percent statewide personnel adjustment for cabinet level agencies as part of the FY2012 Budget as Enacted. The Department of Corrections' budget is largely personnel (85.4 percent on an all funds basis in FY2012), so it was especially impacted by the reduction. The proposal reduced personnel funding for the Department by approximately \$5.0 million in FY2012. Because the bulk of the Department's staff are required for mandatory supervisory posts in the correctional institutions, the Department has been unable to generate the budgeted savings. The Governor's FY2012 proposal adds \$1.8 million for unbudgeted overtime expenses.

**JUDICIARY*****Payroll Base Adjustments******\$1.6 million***

The Judiciary reported a calculation error from its original FY2012 budget request to the State Budget Office. General revenue personnel salaries were understated by \$2.5 million and the incorrect amounts carried through the Governor's FY2012 Budget recommendation and the FY2012 Budget as Enacted. The Judiciary's FY2012 Supplemental Budget request corrects for the error, and the Governor recommends an additional \$1.6 million in total funding, net of savings elsewhere in the Judicial budget.

**MILITARY STAFF*****Indirect Cost Recoveries******\$230,463***

The General Assembly reduced general revenue allocations in a number of departments in the FY2012 Budget as Enacted to reflect additional indirect cost recoveries on federal funds. Federal funding programs often permit the use of a portion of the receipts to support administrative costs associated with the delivery of these programs.

The estimate was based on 5.0 percent of applicable federal funds for one-half of the year. It was estimated that Military Staff could allocate \$230,463 in administrative expenditures to these federal funds, which were to be used to offset current general revenue expenditures. Military Staff indicates that while it is working to achieve the indirect cost recoveries, it does not yet have federal approval, so the Governor replaced the general revenue funding for both FY2012 and FY2013. The General Assembly allocated the proposed savings to the Rhode Island Statewide Communications Network account, so the Governor's recommendation appears as a funding increase for the project.

***Tropical Storm Irene******\$100,000***

The Governor recommends \$100,000 for the state match to federal funding for Federal Emergency Management Agency reimbursements to state agencies for damages that occurred during Tropical Storm Irene in August 2011. The federal government is reimbursing 75.0 percent of the estimated \$400,000.

**DEPARTMENT OF PUBLIC SAFETY*****Trooper Contract******\$1.4 million***

The Governor recommends an additional \$1.4 million in general revenue funding for salary and wage costs for the State Police in FY2012. The increase is attributable to the Rhode Island Troopers' Association contract agreement that was reached in late June 2011, and was not budgeted for FY2012. The agreement includes two retroactive 3.0 percent wage increases, effective May 1, 2010, and May 1, 2011.

**DEPARTMENT OF ENVIRONMENTAL MANAGEMENT*****Tropical Storm Irene******\$316,755***

The Governor recommends \$316,755 as the State match to federal funding for Federal Emergency Management Agency reimbursement to the Department of Environmental Management for damages that occurred during Tropical Storm Irene in August 2011. The federal government is reimbursing 75.0 percent of the estimated \$1.2 million in costs.

***Payments to Host Communities (Beach Fees)******(\$105,642)***

Total collections from daily beach parking fees grew by 5.8 percent, generating \$120,435; however, the host community payment declined due to the lower reimbursement rate that was included in the FY2012 Budget as Enacted. The FY2012 Budget as Enacted contained \$450,000 for host communities; however, due to lower actual collections and the reduced host community percentage, the payment to host communities is reduced by \$105,642 in FY2012. A large part of the decline is attributable to the increase in season pass sales, for which host communities do not receive a share of the payments. The season pass sales increase was likely a one-time occurrence because the State offered passes at reduced rates in 2011 which won't reoccur in 2012.

**DEPARTMENT OF TRANSPORTATION*****Debt Service Shift (other funds)******(\$2.0 million)***

The Governor transfers \$2.0 million of Department of Transportation debt service to the Department of Administration to be funded with general revenues in FY2012.

## Capital Budget Summary

The Rhode Island capital budget requires a long term perspective: an operating budget typically provides funding for a single year, whereas capital budgets are forward-looking over multiple years. Capital budgets submitted by the end of July 2011 were required to anticipate capital needs from FY2013 through FY2017.

The total capital budget proposed by the Governor for FY2013, across all sources of funding, is \$1.0 billion. This includes 30 different categories of capital expenditures. The following table shows the distribution of capital expenditure by major type of fund (smaller expenditures are consolidated as “other”).

**Capital Projects by Source of Funds**

<b>Funding by Source</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
Federal	\$353.7	\$376.6	\$337.4	\$263.2	\$279.1	\$290.3
Rhode Island Capital Plan (RICAP)	105.3	115.4	124.0	101.7	93.2	95.7
General Obligation Bonds	161.0	119.9	62.9	70.0	58.6	59.8
Revenue Bonds	28.8	48.0	41.1	39.0	38.9	38.9
Revolved Capitalization Grants	21.9	17.7	17.7	18.0	18.1	18.0
Certificates Of Participation	28.5	51.8	36.0	10.6	9.6	8.0
Rhode Island Health and Educational Building Corp.	51.9	66.8	34.8	13.3	5.5	4.2
Land Sale Revenue	2.0	22.5	19.3	3.9	2.3	2.0
Federal Stimulus Funding	36.5	3.9	0.2	0.0	0.0	0.0
Grant Anticipation Revenue Vehicle (GARVEE)	43.7	18.6	7.7	8.2	3.3	0.0
Private Funding	15.3	4.3	0.0	0.0	0.0	0.0
Other	126.8	181.2	154.8	131.7	72.1	56.3
<b>Total</b>	<b>\$975.3</b>	<b>\$1,026.6</b>	<b>\$835.9</b>	<b>\$659.5</b>	<b>\$580.6</b>	<b>\$573.0</b>

Between FY2013 and FY2017, agencies are forecasting a need for a total of \$3.7 billion in capital projects. However, in the out-years (FY2016 and FY2017) many projects are not yet programmed or even anticipated. Despite the five-year nature of the capital budget process, the focus has traditionally been on the current fiscal year and the year or two that follow.

Further explanation is provided for five specific areas of the Governor’s proposed FY2013 Capital Budget in this section: Debt Service and Debt Issuance, Proposed General Obligation Bond Referenda Questions, the Rhode Island Capital Plan (RICAP) Fund, Kushner Authorizations and Fire Code Compliance Projects.

### DEBT SERVICE AND DEBT ISSUANCE

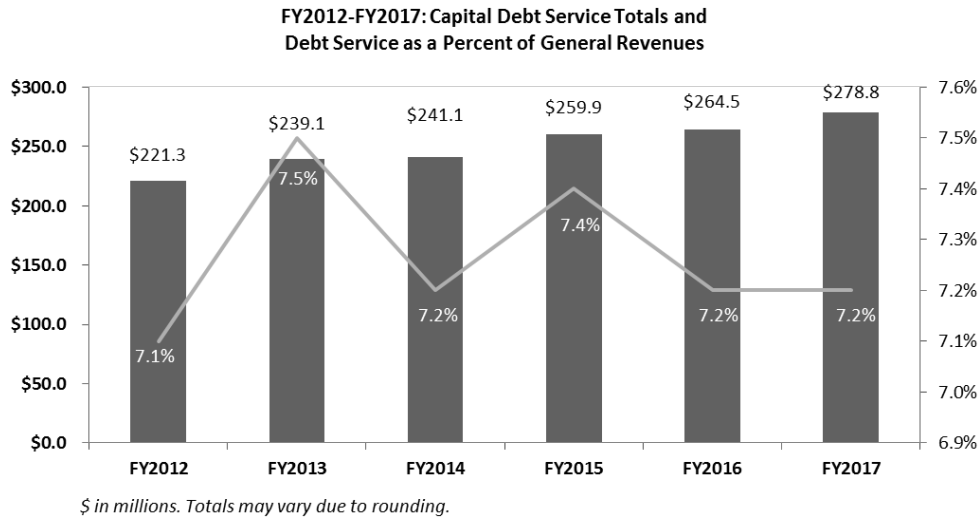
Debt service is paid through the Department of Administration (DOA) for most state agencies, but the cost is allocated to the individual agencies. Quasi-public corporations incur bonded debt for their projects through separate authorizations: their debt service costs are not included in DOA.

The Public Finance Management Board (PFMB) provides advice and assistance to all state departments, authorities, agencies, boards, commissions, and public and quasi-public corporations having authority to issue revenue or general obligation bonds or notes. The nine-member Board was created in 1986 in response to changes in the federal tax code, which placed limitations on tax-exempt bonding authority.

**Debt Guidelines:** The PFMB has issued guidelines to monitor state debt: the principal guidelines state that tax-supported debt should not exceed 5.0 percent to 6.0 percent of total personal income for Rhode Islanders, and debt service on tax-supported debt should not exceed 7.5 percent of state general revenue. In FY2012, tax supported debt will represent 4.03 percent of personal income, and in FY2013, this figure is projected to decline to 3.91 percent. In FY2012, debt service as a percent of general revenues was 7.1

percent. Debt service as a percent of general revenues is projected at the 7.5 percent threshold in FY2013, then below for the forecast period through FY2017.

The following chart shows current and projected debt service, from FY2012 through FY2017: it is probable that the FY2014 through FY2017 figures will change as projects are adjusted.



**Credit Rating:** General revenue debt service represents 7.1 percent (\$221.3 million) of total general revenue expenditures in FY2012. This number increases to 7.5 percent (\$239.1 million) of total general revenue expenditures in FY2013.

There are generally three types of debt that affect the State’s credit ratings: direct debt, guaranteed debt, and contingent debt. Direct debt is authorized by the voters as general obligation bonds and notes. With regard to direct debt, the State has \$1.2 billion of general obligation tax supported bonds outstanding as of June 30, 2011, and for authorized but unissued debt, the State’s debt totaled \$117.0 million as of January 1, 2012.

Guaranteed debt includes bonds and notes issued by or on behalf of a certain agency. There were no outstanding bonds and no authorized but unissued debt for guaranteed debt as of June 30, 2011. Contingent debts are debts or obligations for a specific agency for which the State has pledged its full faith and credit, this includes eligible mortgages. As of June 30, 2011, outstanding mortgage agreements and other commitments related to contingent debts totaled \$20.8 million. Most of the outstanding debt for this category is related to revenue bonds issued by the Rhode Island Industrial Facilities Corporation.

The following table provides an overview of the State’s credit ratings from all three credit rating agencies: Moody’s Investor’s Service, Fitch Ratings, and Standard and Poor’s Rating Service. Each rating provides an assessment of the credit-worthiness of the State based upon its financial history including repayment and borrowing of previously issued debt as well as the State’s assets and liabilities. For 2008 through 2011, the table reflects the State’s rating from each agency for the majority of the year. For 2012, the ratings are as of January 2012.

<b>Rhode Island Credit Ratings</b>					
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Moody's	AA3 (negative)	AA3 (negative)	AA2(stable)	AA2 (stable)	AA2 (negative)
Fitch	AA (negative)/AA-(Stable)	AA- (negative)	AA (negative)	AA- (stable)	AA (stable)
Standard and Poor's	AA (stable)	AA (stable)	AA (negative)	AA (negative)	AA (stable)

In August 2011, Moody's Investor's Service revised the outlook on the State from stable to negative, but affirmed the Aa2 rating on the State's general obligation bonds. Obligations rated Aa are judged to be of high quality and are subject to very low credit risk and the modifier 2 indicates a mid-range ranking of its letter rating category. The outlook was revised downward due to the potential negative impact of rapidly escalating pension costs on the State's ability to increase its liquidity margins, diminish its reliance on one-time measures to balance its budget, and reduce its debt burden. It is important to note that the outlook was assessed prior to pension reform this fall.

In July 2011, Fitch Ratings revised the rating outlook from negative to stable reflecting the State's improved financial position, stabilizing economic indices, longstanding financial controls, and prudent issuance of additional debt and affirmed the AA rating on the State's general obligation bonds. Additionally, Fitch makes note of the prudent management of the issuance of additional debt to low above average debt ratios, down from previously high levels. 'AA' ratings denote expectations of very low default risk and very high credit quality. They indicate very strong capacity for payment of financial commitments.

In May 2011, Standard and Poor's Rating Services (S&P) improved the State's outlook from negative to stable and affirmed the AA ratings on the State's general obligation bonds. The improved S&P ratings outlook reflects the firm's positive view of the state's financial management procedures. S&P also expressed concerns that the state's underfunded pension system will have a negative impact on the state's rating, if funding levels fall further. It is important to note that the outlook was assessed prior to the State's pension reform this fall. According to S&P, the "AA" rating indicates a very strong capacity of the State to meet its financial obligations.

#### PROPOSED GENERAL OBLIGATION BOND REFERENDA

The Governor proposes that \$201.4 million in funding for the following projects be brought before the voters in November 2012 as general obligation bond referenda. The capital budget submission summarizes planned future expenditures in all categories. The table below summarizes the referenda:

<b>Governor's Proposed November 2012 Bond Referenda</b>		
Question 1	Higher Education	\$109.9
	<i>Nursing Education Facility</i>	65.2
	<i>RIC Capital Improvements</i>	44.7
Question 2	Transportation	21.5
	<i>Highway Improvement Program</i>	20.0
	<i>RIPTA Bus Purchase/Rehabilitation</i>	1.5
Question 3	Clean Water and Drinking Water Infrastructure	20.0
Question 4	Open Space and Recreational Development	25.0
Question 5	Affordable Housing Development	25.0
<b>Total</b>		<b>\$201.4</b>
<i>\$ in millions</i>		

#### **Higher Education**

**\$109.9 million**

The Governor recommends a new \$109.9 million bond referendum for higher education on the November 2012 ballot. Two projects are included.

**Nursing Education Facility:** The Governor recommends a new bond referendum to construct a new nursing education building in Providence, to be used jointly by the University of Rhode Island (URI) and Rhode Island College (RIC). A total of \$65.2 million in bonds would be placed on the ballot for voter approval for the construction of this facility, estimated to be approximately 120,000 square feet. The amount proposed is not inclusive of land costs and no specific location for the facility has been

identified. Options using parcels from the relocation of I-195 and different parcels of private land in Providence have been identified in a recent feasibility study as possible locations.

Additionally, the recommended \$65.1 million includes \$5.1 million for enhancements to both institutions for nursing-related education, but that language is not included in the referendum, nor have these improvements been identified. The construction of the nursing facility accounts for \$60.1 million of the total bond financing proposed by the Governor.

The FY2011 to FY2015 capital budget submission from the Board of Governors included \$30.0 million for a new nursing facility at RIC and \$50.0 million for a nursing building at URI. In March 2010, the Governor submitted a Budget amendment to construct a Joint Nursing Facility, located in the Jewelry District (“Knowledge District”) of Providence. The General Assembly did not include the \$60.0 million bond issue for the Joint Nursing Facility on the November 2010 ballot, and instead requested a feasibility study that would offer a look at the nursing program needs of both institutions, including geographic location, issues of merging the programs, and costs. There was concern expressed by faculty and students at both institutions regarding the construction of a joint facility, and proposed project costs did not include land acquisition, estimated to be between \$2.5 and \$5.5 million.

On May 23, 2011, the firm of Robinson, Green, and Berretta (RGB) completed the feasibility study and presented three options and associated costs for constructing a single building. According to RGB, the most cost-effective alternative is a single building constructed on state-owned land with state funding due to a lower cost of financing for the State (as opposed to a private developer). These cost estimates do not include operating and debt or lease costs.

- **Cost-Effective Alternative:** One building constructed with state funding on state-owned I-195 parcels. This alternative does not include costs for state-owned land and assumes the State would absorb the cost of the land, estimated at approximately \$1.3 million (\$60.1 million).
- **Alternative 1:** One building constructed by a private developer on state-owned I-195 parcels. This alternative does not include costs for state-owned land and assumes the State would absorb the cost of the land, estimated at approximately \$1.3 million (\$62.1 million).
- **Alternative 2:** One building constructed by a private developer on private land. This alternative includes \$1.3 million in land acquisition costs and includes 11 different parcels of land in Providence (\$67.3 million).

*Analyst’s Note: On March 1, 2012 during a Senate Finance Committee hearing on this project, the Director of the Department of Administration indicated that the Department will also investigate a public/private partnership as an alternative method of funding for this project.*

**RIC Capital Improvements:** The Governor recommends a \$44.7 million bond referendum to modernize and renovate academic buildings at Rhode Island College. A four-phase renovation would include improvements at Adams Library, Craig Lee Hall, Clark Science Hall, and Henry Barnard School at Rhode Island College (RIC). Renovations would include installing new windows, elevators, restrooms, classroom and office enhancements, asbestos removal, power washing, and the sealing of brick and slate walls.

### **Transportation Infrastructure**

**\$21.5 million**

**Highway Improvement Projects:** The Governor recommends a total of \$21.5 million transportation referendum on the November 2012 ballot for voter consideration. If approved, \$20.0 million would be allocated for highway improvements to permit the Department of Transportation (DOT) to match federal funds or to provide direct funding for highway, road, and bridge improvements.



Currently, DOT is required to provide a 20.0 percent match to Federal Highway Administration (FHA) funds and, if approved, this referendum, coupled with resources in the Highway Maintenance Trust Fund, would provide for bond financing to provide for that match.

Beginning in FY2014 bond financing will no longer be used for federal matching purposes, and instead fees from the Highway Maintenance Trust Fund (created in the FY2012 Budget) will provide a more sustainable revenue source as the state match for FHA matching. The Highway Maintenance Trust Fund will be funded by increased driver's license fees and registration fees for all vehicles.

In the FY2012 Budget as Enacted, the General Assembly created the Rhode Island Highway Maintenance Trust Fund within the General Fund. The budget article added driver's license and registration surcharges for all vehicles, phased-in over a 3-year period beginning in FY2014, with revenues from the surcharges to be deposited into the Trust Fund. With the surcharges, two-year registrations and driver's licenses will increase by \$30 (\$10 per year for three years), while one-year registrations will increase by \$15 (\$5 per year for three years).

The Governor accelerates implementation of the enacted surcharges. Article 25 requires the full fees beginning January 1, 2013. As indicated in the following table, in FY2013, all surcharge revenues collected would be deposited in the Department of Transportation's Intermodal Surface Transportation Fund (ISTF) for operating expenditures rather than the Rhode Island Highway Maintenance Trust Fund. Beginning in FY2014, a three-year shift of the surcharge revenues from the ISTF to the Rhode Island Highway Maintenance Trust Fund would occur.

<b>Intermodal Surface Transportation Fund</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
Increase Biennial Registration Fees by \$30 (1/1/2013)	\$8.9	\$9.0	\$4.5	\$0.0	\$0.0
Increase Annual Registration Fees by \$15 (1/1/2013)	1.8	1.9	0.9	0.0	0.0
Increase Driver License Fees by \$30 (1/1/2013)	2.9	3.0	1.5	0.0	0.0
<b>Intermodal Surface Transportation Fund</b>	<b>\$13.6</b>	<b>\$13.9</b>	<b>\$6.9</b>	<b>\$0.0</b>	<b>\$0.0</b>

<b>RI Highway Maintenance Trust Fund</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
Phase-In \$30 Increase in Biennial Registration Fees		\$4.5	\$9.0	\$13.5	\$13.5
Phase-In \$15 Increase in Annual Registration Fees		0.9	1.9	2.8	2.8
Phase-In Increase in Driver License Fees		1.5	3.0	4.5	4.5
<b>RI Highway Maintenance Trust Fund</b>		<b>\$6.9</b>	<b>\$13.9</b>	<b>\$20.8</b>	<b>\$20.8</b>

*\$ in Millions*

**Rhode Island Public Transportation Authority:** The Governor also recommends a \$1.5 million bond referendum for RIPTA's vehicle replacement program. Funds would be used to rehabilitate and replace buses and other vehicles that have exceeded their useful economic life. A total of \$65.0 million is recommended by the Governor, with \$1.5 million attributable to this article, from FY2012 through post-FY2017 for bus purchases. Under the Governor's capital budget proposal, Federal Transit Administration (FTA) grants provide for \$51.7 million and \$13.3 million is provided by the State with previously-issued general obligation bonds from authorizations in 2008, 2010, and new bond referenda in November 2012, 2014, and 2016.

### **Clean Water and Drinking Water Infrastructure**

**\$20.0 million**

The Governor recommends a new bond referendum to develop and improve wastewater and drinking water infrastructure on the November 2012 ballot. A total of \$20.0 million would be allocated to the Clean Water Finance Agency for the Clean Water State Revolving Loan Fund (\$12.0 million) and the Drinking Water State Revolving Loan Fund (\$8.0 million). The funds support wastewater and drinking water projects through low-interest, subsidized loans for local governments to finance eligible infrastructure projects.

**Open Space and Recreational Development****\$25.0 million**

The Governor recommends a bond referendum for open space and recreational development on the November 2012 ballot. Historically, the Department of Environmental Management had leveraged state funds with federal funds, local funds, and/or private investments. As of January 2012, there was a total of \$9.0 million in unissued authorized debt for open space and recreational development projects. The Governor's proposal includes \$25.0 million in bonds to be allocated for environmental and recreational purposes to the following projects:

- **Narragansett Bay and Watershed Restoration:** The referendum provides \$4.0 million in funds to protect and restore the water quality, economic viability, and sustainability of Narragansett Bay and other watersheds throughout the state.
- **State Land Acquisition Program – Open Space:** The referendum provides \$2.5 million in funds to purchase land, development rights, and conservation easements throughout the state.
- **Farmland Development Rights:** The referendum provides \$4.5 million in funds to purchase agricultural development rights to active farms in Rhode Island. This program allows the State to purchase the development rights to farms to eliminate the economic pressure on the farmer to sell land for residential or commercial development. From 1985 to the present, the State has protected over 4,000 acres and the Agricultural Preservation Commission is continuing to accept applications for this on-going program.
- **Local Land Acquisition Grants:** The referendum increases funding by \$2.5 million for grants to municipalities, local land trusts, and non-profit organizations to acquire fee-simple titles, development rights, or conservation easements of open spaces throughout the state. The Department of Environmental Management (DEM) can provide funding assistance up to 50.0 percent of project costs and applications are reviewed by the Governor's Natural Heritage Preservation Commission.
- **Local Recreation Development Grants:** The referendum increases funding by \$3.5 million for grants to municipalities to acquire, develop, or rehabilitate local recreation facilities. This includes projects at Roger Williams Park, India Point, and Rocky Point. The Department of Environmental Management (DEM) can provide grant funding assistance up to 50.0 percent of project costs and applications are evaluated by the State Recreation Resources Review Committee.
- **Historic/Passive Local Recreation Grants:** The referendum provides \$1.0 million in grants to municipalities to renovate and/or develop historic and passive recreation areas and parks. Grant funding can provide assistance up to 90.0 percent of project costs through DEM.
- **Local Recreation - Distressed Communities Grants:** The referendum provides \$2.0 million in grants to distressed communities to acquire, develop, or rehabilitate local recreation facilities. DEM can provide grants funds up to 75.0 percent of development and up to 100.0 percent of acquisition costs. Eligible municipalities currently include Providence, West Warwick, Pawtucket, Central Falls, and Woonsocket.
- **State Recreation Facilities:** The referendum provides \$5.0 million for asset protection, infrastructure, and facility improvements at state parks and management areas. These funds target the restoration of facilities at Fisherman's Memorial Campground, Lincoln Woods State Park, and Goddard Memorial State Park.

**Affordable Housing Development****\$25.0 million**

The Governor recommends a bond referendum of \$25.0 million on the November 2012 ballot for affordable housing. Additionally, this article enables the Housing Resources Commission to promote affordable housing through redeveloping preexisting structures, new construction, and foreclosure

assistance. This article augments the 2006 authorization of \$50.0 million for similar purposes. Currently, the Office of Housing and Community Development within the Department of Administration oversees the Affordable Housing program, which has been funded by the State in various ways, including the Affordable Housing bond authorized in 2006.

### RHODE ISLAND CAPITAL PLAN (RICAP) FUND

The Rhode Island Capital Plan (RICAP) fund was created in 1990 and was originally intended to pay for capital projects, debt reduction, or debt service. When the cap is reached on the State Budget Reserve and Cash Stabilization account (also known as the “Rainy Day fund”), any additional general revenue in excess of the constitutionally established spending cap is deposited into RICAP. Beginning in FY2008, debt service and debt reduction were eliminated as eligible expenditures within RICAP: this change coincided with an increase in the percent of revenue dedicated to the Rainy Day fund. RICAP expenditures are classified as other fund expenditures in the budget and are primarily used for projects related to the State’s physical assets.

The Governor proposes \$115.4 million in RICAP funding in FY2013, a net increase of \$16.6 million from the FY2012 Budget as Enacted (\$98.7 million), and an increase of \$10.2 million from the Governor’s FY2012 Supplemental Budget proposal (\$105.2 million).

Funding within RICAP is allocated as follows in FY2013 through FY2017.

Functional Area	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	Total	% of Total
Education	\$32.1	\$20.7	\$28.5	\$25.8	\$25.8	\$45.5	\$178.4	28.1%
General Government	28.7	31.0	29.0	20.9	12.7	5.4	127.7	20.1%
Human Services	13.0	18.6	21.3	17.3	16.8	6.8	93.8	14.8%
Natural Resources	8.6	11.1	4.1	5.5	3.3	1.7	34.4	5.4%
Public Safety	19.4	28.9	16.3	9.3	11.6	11.5	97.1	15.3%
Transportation	3.1	5.0	24.8	22.8	23.0	24.8	103.5	16.3%
<b>Total</b>	<b>\$105.0</b>	<b>\$115.4</b>	<b>\$124.0</b>	<b>\$101.7</b>	<b>\$93.2</b>	<b>\$95.7</b>	<b>\$635.0</b>	<b>100.0%</b>

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

The Governor also transfers \$12.6 million of bond premiums received from the sale of the 2011 Series A general obligation bonds from deposit into the Rhode Island Capital Plan fund in FY2012 in Article 1. The Governor proposes to deposit \$6.0 million of the premium receipts into the State’s general fund, and to use the remaining \$6.6 million in receipts for the Technology Investment Fund.

*Analyst’s Note: Since the Governor intends the transfer of the bond premium receipts to occur within the FY2012 Budget, Section 15 authorizing the bond premium transfer likely belongs in Article 10 authorizing the supplemental budget and not Article 1 authorizing the FY2013 budget.*

### State Budget Reserve and Cash Stabilization Account (“Rainy Day Fund”)

In 1990, the Budget Reserve and Cash Stabilization Account, or Rainy Day Fund, was created to establish a fiscal cushion for the State when actual revenues received are less than State expenditures (deficit). The account is funded by limiting annual State general revenue appropriations to a percentage (currently 97.2 percent) of available revenues. When appropriations reach the revenue threshold, the excess is transferred to the Rainy Day Fund.

RIGL 35-3-20 institutes a cap on the balance of the Rainy Day Fund, which has gradually increased over the last several years. In FY2012, the balance of the Fund is capped at 4.6 percent of general revenues. When the limit is reached, excess funds are transferred to the Rhode Island Capital Plan (RICAP) account for capital improvement projects. Beginning FY2013 and thereafter, the Fund cap will reach 5.0 percent of general revenue resources, with general revenue spending limited to 97.0 percent of estimated

resources. Presumably as the cap increases, less revenue will be transferred from the Fund to the RICAP account each year.

The following table summarizes the multi-year plan to modify the cap.

<b>Rainy Day Fund Spending Limit</b>		
	<b>Expenditure Limit</b>	<b>Rainy Day Fund Limit</b>
	<b>as % of Revenues</b>	<b>as % of Revenues</b>
<b>FY2007</b>	98.0%	3.0%
<b>FY2008</b>	98.0%	3.0%
<b>FY2009</b>	97.8%	3.4%
<b>FY2010</b>	97.6%	3.8%
<b>FY2011</b>	97.4%	4.2%
<b>FY2012</b>	97.2%	4.6%
<b>FY2013</b>	97.0%	5.0%

RIGL 35-3-20(e) sets forth provisions for the repayment of the Fund; the law states that the fund, “shall be used solely for the purpose of providing such sums as may be required to fund any anticipated general revenue deficit caused by a general revenue shortfall” and that any funds used must be repaid in the second fiscal year following the fiscal year in which the transfer was made.

In FY2009, \$22.0 million was borrowed from the Fund and transferred to the general fund. General law required that \$22.0 million in general revenue be transferred to the RICAP fund in FY2010. The FY2010 repayment was delayed, and the Governor proposed to push out the payment to FY2013. The General Assembly used \$22.0 million in the FY2011 Supplemental Budget to repay the fund, two years prior to the Governor’s proposal.

#### **“KUSHNER” AUTHORIZATIONS**

Enacted in 1994, RIGL 35-18 or the Public Corporation Debt Management Act (Kushner Act), requires the General Assembly to approve any general obligation or other debt with a state tie prior to issuance. The legislation is intended to increase the role of the Assembly in the approval of issued debt and increase legislative oversight. The Governor recommends a total of \$278.0 million in Kushner items in FY2012. Adjusting for information provided by the Rhode Island Airport Corporation, the total amount needed is \$12.5 million less, at \$265.5 million.

<b>Kushner Authorizations</b>						
	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>Total</b>
<b>COPs</b>						
<i>RIFANS</i>	\$5.0	\$3.5	\$2.0	\$1.0	\$0.0	\$11.5
<i>Integrated Tax System</i>	5.0	5.0	5.0	5.0	5.0	25.0
<i>LEA Technology</i>	6.0	5.0	3.0	3.0	3.0	20.0
<b>Revenue Bonds</b>						
<i>TF Green</i> <sup>1</sup>	21.5	54.3	34.2	26.5	25.0	161.5
<i>Central Landfill</i>	25.0	15.0	0.0	0.0		40.0
<i>Quonset</i>	7.5	0.0	0.0			7.5
<b>Total</b>	<b>\$70.0</b>	<b>\$82.8</b>	<b>\$44.2</b>	<b>\$35.5</b>	<b>\$33.0</b>	<b>\$265.5</b>

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

<sup>1</sup> Source: RI Airport Corporation. Figure does not include the costs of borrowing or short-term borrowing for one project. If included, total potential debt is \$173.3 million.

### **Information Technology Improvements**

**\$56.5 million**

The Governor recommends \$56.5 million in total project costs, including financing costs, for the implementation of additional modules of the statewide financial system (\$11.4 million); for an integrated tax system (\$24.8 million); and for improvements to the technology infrastructure of local education agencies (\$19.8 million). The Governor funds the project costs from Certificates of Participation (COPs), which are a tax-exempt financing vehicle used by State government to build or purchase public facilities that do not require public approval.

- **RIFANS Implementation:** The Governor recommends \$11.5 million from COPs through FY2016 to implement additional modules of the Rhode Island Financial and Accounting System (RIFANS), for a single integrated system. The additional modules include Planning and Budgeting; Human Resources/Payroll; Projects and Grants; Cash Management and Receivables; and Asset Management.
- **Integrated Tax System:** The Division of Taxation currently has a number of different tax systems and databases to manage and track various tax and fee collections. The systems are antiquated, costly to maintain, and are not inter-operable. The proposed integrated tax system would store all taxpayer information in one centralized system, allowing for improved data analysis between and among taxes. According to the Department, the system would improve revenue collections, taxpayer service, taxpayer compliance, and operational efficiency and transparency. The Governor recommends \$25.0 million in new COPs funding to develop and install the proposed system. The recommendation includes \$5.0 million per year, beginning in FY2013.
- **LEA Technology:** The Rhode Island Department of Education (RIDE) is embarking on several educational reform initiative as included in the Department's Strategic Plan. The Local Education Agency (LEA) Technology Infrastructure project seeks to ensure LEAs are prepared to meet the new requirements of the reform initiatives. The project will focus on student/teacher information system, virtual learning, and technology in the classroom. The goal of the project is to ensure that within each classroom, all students will have the same access to technology. The Governor recommends a total of \$20.0 million in COPs funding over a five year period beginning in FY2013.

*Analyst's Note: On March 1, 2012 during a Senate Finance Committee hearing on this project, the Commissioner of Education testified that 68 schools could potentially qualify for over \$4.5 million in matching funds for wireless access infrastructure investments under the E-Rate program.*

**T.F. Green Improvements****\$174.0 million**

The Governor recommends a total of \$174.0 million in revenue bond authorization for various capital projects from FY2013 through FY2017, including the improvement and extension of runways at T.F. Green Airport. Project costs are also associated with a deicer management system, noise mitigation, land acquisition, and facility developments.

*Analyst's Note: According to the Rhode Island Airport Corporation, the Kushner request for improvements at T.F. Green are anticipated to be approximately \$13.0 million less than the Governor's FY2013 budget. The schedule included in the Governor's capital budget is a "worst-case" scenario for the projects at the airport. The Corporation anticipates using previously issued bond proceeds in financing some of the improvements as well as funding from the Federal Aviation Administration. The differences are primarily attributable to the financing of runway expansions and some airport general improvements. See the Rhode Island Airport Corporation Capital Budget Analysis for further detail.*

**Resource Recovery Corporation Revenue Bonds – Central Landfill****\$40.0 million**

The Governor recommends a total of \$40.0 million in corporation revenue bonds for the Resource Recovery Corporation in FY2013 (\$25.0 million) and FY2014 (\$15.0 million) to fund the design and construction of a leachate pretreatment facility to comply with projected changes in discharge standards for the disposal of wastewater into a public sewer. Currently, the Corporation is in the preliminary stages of planning and designing a new leachate facility to treat nitrogen to comply with standards as established by the Narragansett Bay Commission and the Rhode Island Department of Environmental Management (RIDEM).

**Quonset – Davisville Piers Dredging****\$7.5 million**

The Governor recommends a \$7.5 million bond authorization in FY2013 to permit the Quonset Development Corporation to dredge the Port of Davisville. The Port has not been dredged since the piers were first constructed, preventing some larger ships (primarily automobile importers) from entering the port at full capacity. The port will be dredged to a depth of 32 feet, currently some area of the port measure 25 feet in depth, for an area of about 260,000 cubic yards. This requires sampling, testing, and engineering of the Port. In order to finance the debt service associated with the dredging, the Corporation will modify the port tariff by increasing dockage and wharfage charge. Annual projected debt service is estimated at \$911,206 over ten years at an interest rate of 4.0 percent.

**FIRE CODE COMPLIANCE PROJECTS**

As part of the capital budget submission, a number of projects were included to bring state buildings into compliance with the changes in the state fire code since the 2003 The Station nightclub fire. The passage of the Comprehensive Fire Safety Act of 2003 resulted in the adoption of updated and detailed changes to the state fire code. The intent of the legislation was to:

*“make Rhode Island the safest state in the nation in terms of fire safety, to provide for the adoption and implementation of an up-to-date comprehensive system of codes for fire safety and to foster a culture of compliance with standards for fire safety, and to provide for amendments to...existing general laws.”*

One result of the application of a more uniform and strict fire code was the increase of costs in the construction and renovation of state facilities. The following table shows the estimated cost of fire-related code improvements and construction projects on the capital budget between FY2013 and FY2017.

Department	Pre-		FY2013	FY2014	FY2015	FY2016	FY2017	Post-	Total
	FY2012	FY2012						FY2017	
Administration	\$2.9	\$1.8	\$1.4	\$1.6	\$1.8	\$1.0	\$1.0	\$1.0	\$12.4
Children, Youth and Families	2.2	1.0	1.0	-	-	-	-	-	4.2
Human Services	-	-	0.4	-	-	-	-	-	0.4
MHRH	2.8	2.1	1.5	1.6	1.2	0.8	0.8	-	10.8
RIDE <sup>1</sup>	3.7	-	1.9	-	-	-	-	-	5.7
Higher Education	13.7	30.1	7.3	1.1	-	5.0	5.0	4.0	66.1
Attorney General	-	-	-	0.2	-	-	-	-	0.2
Corrections	-	0.2	0.2	0.2	0.2	0.2	0.2	0.2	1.4
Military Staff	0.4	0.8	0.2	0.2	0.2	0.0	1.7	-	3.4
Public Safety	6.4	1.3	1.5	-	-	-	-	-	9.2
Transportation	-	0.2	0.3	-	-	-	-	-	0.5
<b>Totals</b>	<b>\$32.1</b>	<b>\$37.4</b>	<b>\$15.6</b>	<b>\$4.9</b>	<b>\$3.4</b>	<b>\$7.0</b>	<b>\$8.7</b>	<b>\$5.2</b>	<b>\$114.3</b>

<sup>1</sup>Funding may actually be spread out from FY2013 through FY2017.

Of the \$114.3 million in funds allocated to fire code compliance projects and fire code required design elements, 57.8 percent involves higher education facilities, a reduction of nearly 6.0 percent from the enacted capital plan.





## Summary Tables

### GENERAL REVENUE STATEMENT

<b>Opening Surplus</b>	<b>FY2011</b>	<b>FY2012 Governor</b>	<b>FY2013 Governor</b>
Free Surplus	\$17,889,522	\$64,229,426	\$5,977,407
Reappropriated Surplus	3,364,847	4,532,242	-
<b>Subtotal</b>	<b>\$21,254,369</b>	<b>\$68,761,668</b>	<b>\$5,977,407</b>
<b>Revenues</b>			
Enacted/Actual/Estimated	\$3,083,714,137	\$3,175,996,362	\$3,129,025,000
Preliminary Closing/Adjustments	604,058	-	-
November Revenue Estimate	-	19,418,638	-
Governor Changes	-	6,000,000	236,658,071
<b>Total Revenues</b>	<b>\$3,084,318,195</b>	<b>\$3,201,415,000</b>	<b>\$3,365,683,071</b>
To Cash Stabilization Fund	<b>(\$80,657,401)</b>	<b>(\$91,438,044)</b>	<b>(\$101,149,814)</b>
From Cash Stabilization Fund	-	-	-
<b>Total Available Resources</b>	<b>\$3,024,915,163</b>	<b>\$3,178,738,624</b>	<b>\$3,270,510,664</b>
<b>Expenditures</b>			
Actual/Enacted	\$2,956,153,495	\$3,142,501,188	\$0
Governor	-	26,815,202	3,269,153,035
Reappropriations	-	4,532,242	-
November Caseload Estimate	-	(1,087,415)	-
<b>Total Expenditures</b>	<b>\$2,956,153,495</b>	<b>\$3,172,761,217</b>	<b>\$3,269,153,035</b>
Total Surplus	\$68,761,668	\$5,977,407	\$1,357,629
Reappropriations	(4,532,242)	-	-
<b>Free Surplus</b>	<b>\$64,229,426</b>	<b>\$5,977,407</b>	<b>\$1,357,629</b>

## ALL FUNDS EXPENDITURES

	FY2011 Actual	FY2012 Enacted	FY2012 Governor	Change from enacted	FY2013 Governor	Change from enacted
<b>General Government</b>						
Administration	\$467,527,235	\$413,935,351	\$447,011,643	\$33,076,292	\$398,137,294	(\$15,798,057)
Business Regulation	9,861,335	18,007,098	17,553,641	(453,457)	14,108,953	(3,898,145)
Labor and Training	912,521,587	571,666,655	850,928,411	279,261,756	552,430,434	(19,236,221)
Revenue	268,488,387	316,676,398	330,461,268	13,784,870	333,341,423	16,665,025
Legislature	34,703,108	38,197,252	41,671,427	3,474,175	40,524,547	2,327,295
Lieutenant Governor	890,413	1,090,172	1,075,725	(14,447)	1,104,018	13,846
Secretary of State	6,995,441	6,872,860	7,253,706	380,846	7,615,856	742,996
General Treasurer	28,031,616	33,200,576	41,433,316	8,232,740	37,633,598	4,433,022
Board of Elections	3,400,118	1,875,905	1,818,261	(57,644)	1,944,116	68,211
Ethics Commission	1,419,805	1,560,008	1,522,946	(37,062)	1,557,881	(2,127)
Office of the Governor	4,701,867	5,256,095	5,221,916	(34,179)	5,515,431	259,336
Commission for Human Rights	1,355,743	1,455,570	1,426,195	(29,375)	1,487,709	32,139
Public Utilities Commission	6,088,904	8,105,006	8,117,120	12,114	8,733,815	628,809
<b>Total</b>	<b>\$1,745,985,559</b>	<b>\$1,417,898,946</b>	<b>\$1,755,495,575</b>	<b>\$337,596,629</b>	<b>\$1,404,135,075</b>	<b>(\$13,763,871)</b>
<b>Human Services</b>						
Office of Health and Human Services	\$6,284,050	\$16,928,680	\$19,287,321	\$1,743,508,907	\$1,743,508,907	\$1,726,580,227
Children, Youth, and Families	235,882,905	211,004,272	218,031,441	211,457,278	211,457,278	453,006
Health	119,439,071	110,193,818	125,963,612	119,599,803	119,599,803	9,405,985
Human Services	2,198,054,450	2,331,251,725	2,337,843,538	657,098,721	657,098,721	(1,674,153,004)
BHDDH	450,952,134	441,122,327	432,911,607	445,651,523	445,651,523	4,529,196
Governor's Commission on Disabilities	514,758	829,892	771,835	756,292	756,292	(73,600)
Governor's Commission on the Deaf	358,036	387,985	386,286	390,251	390,251	2,266
Office of the Child Advocate	597,596	652,432	578,868	661,503	661,503	9,071
Office of the Mental Health Advocate	399,837	468,718	413,172	447,119	447,119	(21,599)
<b>Total</b>	<b>\$3,012,482,837</b>	<b>\$3,112,839,849</b>	<b>\$3,136,187,680</b>	<b>\$23,347,831</b>	<b>\$3,179,571,397</b>	<b>\$66,731,548</b>
<b>Education</b>						
Elementary and Secondary Education	\$1,128,630,354	\$1,133,884,351	\$1,152,169,696	\$18,285,345	\$1,195,035,981	\$61,151,630
Public Higher Education	942,679,878	996,844,842	1,031,173,486	34,328,644	1,062,052,616	65,207,774
Council on the Arts	3,454,128	3,086,926	3,871,448	784,522	3,429,023	342,097
Atomic Energy Commission	1,198,881	1,511,526	1,394,387	(117,139)	1,389,551	(121,975)
Higher Education Assistance Authority	23,672,445	27,412,147	27,920,690	508,543	-	(27,412,147)
Historical Preservation and Heritage Comm.	2,183,534	2,869,173	2,756,473	(112,700)	2,790,501	(78,672)
Public Telecommunications Authority	1,525,009	1,631,172	1,568,477	(62,695)	1,127,054	(504,118)
<b>Total</b>	<b>\$2,103,344,229</b>	<b>\$2,167,240,137</b>	<b>\$2,220,854,657</b>	<b>\$53,614,520</b>	<b>\$2,265,824,726</b>	<b>\$98,584,589</b>
<b>Public Safety</b>						
Attorney General	\$23,618,629	\$26,711,046	\$27,546,951	\$835,905	\$26,394,782	(\$316,264)
Corrections	183,456,477	195,375,598	202,476,602	7,101,004	201,515,824	6,140,226
Judiciary	97,166,263	101,948,934	103,568,192	1,619,258	105,315,405	3,366,471
Military Staff	36,424,255	35,119,240	49,053,509	13,934,269	42,252,576	7,133,336
Public Safety	88,811,483	104,450,377	110,467,784	6,017,407	110,152,260	5,701,883
Public Defender	9,990,894	10,876,941	10,845,885	(31,056)	11,118,311	241,370
<b>Total</b>	<b>\$439,468,001</b>	<b>\$474,482,136</b>	<b>\$503,958,923</b>	<b>\$29,476,787</b>	<b>\$496,749,158</b>	<b>\$22,267,022</b>
<b>Natural Resources</b>						
Environmental Management	\$66,346,606	\$97,520,399	\$104,953,571	\$7,433,172	\$99,606,094	\$2,085,695
Coastal Resources Management Council	5,724,792	5,254,375	7,790,120	2,535,745	5,274,597	20,222
Water Resources Board	1,335,871	-	-	-	-	-
<b>Total</b>	<b>\$73,407,269</b>	<b>\$102,774,774</b>	<b>\$112,743,691</b>	<b>\$9,968,917</b>	<b>\$104,880,691</b>	<b>\$2,105,917</b>
<b>Transportation</b>						
Transportation	\$345,215,545	\$426,986,933	\$440,854,988	\$13,868,055	\$492,273,910	\$65,286,977
<b>Grand Total</b>	<b>\$7,719,903,440</b>	<b>\$7,702,222,775</b>	<b>\$8,170,095,514</b>	<b>\$467,872,739</b>	<b>\$7,943,434,957</b>	<b>\$241,212,182</b>

## GENERAL REVENUE EXPENDITURES

	FY2011 Actual	FY2012 Enacted	FY2012 Governor	Change from enacted	FY2013 Governor	Change from enacted
<b>General Government</b>						
Administration	\$331,624,887	\$246,446,221	\$248,884,402	\$2,438,181	\$257,026,536	\$10,580,315
Business Regulation	8,128,770	9,436,378	8,832,882	(603,496)	9,612,048	175,670
Labor and Training	6,902,868	7,575,486	7,632,540	57,054	7,640,415	64,929
Revenue	35,111,465	92,610,905	96,485,682	3,874,777	94,991,752	2,380,847
Legislature	33,127,794	36,548,053	40,022,474	3,474,421	38,764,516	2,216,463
Lieutenant Governor	890,413	965,940	951,109	(14,831)	962,955	(2,985)
Secretary of State	6,564,248	6,376,312	6,694,902	318,590	7,079,873	703,561
General Treasurer	2,240,286	2,300,852	2,474,088	173,236	2,230,355	(70,497)
Board of Elections	3,290,424	1,825,905	1,768,261	(57,644)	1,944,116	118,211
Ethics Commission	1,419,805	1,560,008	1,522,946	(37,062)	1,557,881	(2,127)
Office of the Governor	4,102,488	4,338,521	4,397,882	59,361	4,418,290	79,769
Commission for Human Rights	1,214,438	1,154,038	1,149,126	(4,912)	1,161,717	7,679
<b>Total</b>	<b>\$434,617,886</b>	<b>\$411,138,619</b>	<b>\$420,816,294</b>	<b>\$9,677,675</b>	<b>\$427,390,454</b>	<b>\$16,251,835</b>
<b>Human Services</b>						
Office of Health and Human Services	\$3,314,257	\$9,773,834	\$10,347,375	\$573,541	\$823,695,516	\$813,921,682
Children, Youth, and Families	156,123,293	145,198,983	152,293,846	7,094,863	146,929,631	1,730,648
Health	27,469,636	24,248,025	24,622,525	374,500	24,503,840	255,815
Human Services	735,671,107	893,131,302	892,604,690	(526,612)	99,781,727	(793,349,575)
BHDDH	172,743,967	184,249,569	187,096,919	2,847,350	189,309,190	5,059,621
Governor's Commission on Disabilities	352,190	388,786	387,929	(857)	371,096	(17,690)
Governor's Commission on the Deaf	358,036	387,985	386,286	(1,699)	390,251	2,266
Office of the Child Advocate	550,911	603,384	528,834	(74,550)	611,469	8,085
Office of the Mental Health Advocate	399,837	468,718	413,172	(55,546)	447,119	(21,599)
<b>Total</b>	<b>\$1,096,983,234</b>	<b>\$1,258,450,586</b>	<b>\$1,268,681,576</b>	<b>\$10,230,990</b>	<b>\$1,286,039,839</b>	<b>\$27,589,253</b>
<b>Education</b>						
Elementary and Secondary Education	\$846,144,631	\$863,077,600	\$862,751,244	(\$326,356)	\$932,077,872	\$69,000,272
Public Higher Education	163,941,501	166,487,219	165,654,006	(833,213)	177,566,910	11,079,691
Council on the Arts	1,681,095	1,678,862	1,673,875	(4,987)	1,586,729	(92,133)
Atomic Energy Commission	858,629	879,592	877,459	(2,133)	876,213	(3,379)
Higher Education Assistance Authority	7,320,186	5,913,104	5,911,798	(1,306)	-	(5,913,104)
Historical Preservation and Heritage Comm.	1,294,878	1,469,797	1,337,855	(131,942)	1,370,938	(98,859)
Public Telecommunications Authority	929,325	947,960	932,562	(15,398)	425,286	(522,674)
<b>Total</b>	<b>\$1,022,170,245</b>	<b>\$1,040,454,134</b>	<b>\$1,039,138,799</b>	<b>(\$1,315,335)</b>	<b>\$1,113,903,948</b>	<b>\$73,449,814</b>
<b>Public Safety</b>						
Attorney General	\$20,763,514	\$22,442,867	\$23,054,817	\$611,950	\$23,276,324	\$833,457
Corrections	177,719,606	182,141,365	187,449,307	5,307,942	183,233,598	1,092,233
Judiciary	84,300,614	87,073,983	88,709,899	1,635,916	89,554,264	2,480,281
Military Staff	3,755,542	3,470,928	3,766,872	295,944	3,633,757	162,829
Public Safety	69,087,143	89,407,711	93,059,827	3,652,116	94,518,112	5,110,401
Public Defender	9,493,812	10,300,580	10,358,214	57,634	10,679,011	378,431
<b>Total</b>	<b>\$365,120,231</b>	<b>\$394,837,434</b>	<b>\$406,398,936</b>	<b>\$11,561,502</b>	<b>\$404,895,066</b>	<b>\$10,057,632</b>
<b>Natural Resources</b>						
Environmental Management	\$34,074,887	\$35,383,601	\$35,486,465	\$102,864	\$34,622,995	(\$760,606)
Coastal Resources Management Council	2,063,094	2,236,814	2,239,147	2,333	2,300,733	63,919
Water Resources Board	1,123,928	-	-	-	-	-
<b>Total</b>	<b>\$37,261,909</b>	<b>\$37,620,415</b>	<b>\$37,725,612</b>	<b>\$105,197</b>	<b>\$36,923,728</b>	<b>(\$696,687)</b>
<b>Grand Total</b>	<b>\$2,956,153,505</b>	<b>\$3,142,501,188</b>	<b>\$3,172,761,217</b>	<b>\$30,260,029</b>	<b>\$3,269,153,035</b>	<b>\$126,651,847</b>

## FEDERAL FUNDS\* EXPENDITURES

	FY2011 Actual	FY2012 Enacted	FY2012 Governor	Change from enacted	FY2013 Governor	Change from enacted
<b>General Government</b>						
Administration	\$64,251,529	\$69,084,207	\$96,578,355	\$27,494,148	\$25,893,240	(\$43,190,967)
Business Regulation	465,176	6,803,273	6,813,608	10,335	2,514,487	(4,288,786)
Labor and Training	234,108,321	99,763,402	212,951,110	113,187,708	43,521,074	(56,242,328)
Revenue	1,139,852	2,636,059	2,163,747	(472,312)	2,563,909	(72,150)
Lieutenant Governor	-	124,232	124,616	384	141,063	16,831
Secretary of State	33,659	-	55,438	55,438	-	-
General Treasurer	1,140,258	1,128,051	1,152,681	24,630	1,186,616	58,565
Board of Elections	109,694	50,000	50,000	-	-	(50,000)
Office of the Governor	40,411	139,898	109,768	(30,130)	1,097,141	957,243
Commission for Human Rights	141,305	301,532	277,069	(24,463)	325,992	24,460
Public Utilities Commission	266,641	309,373	321,487	12,114	349,167	39,794
<b>Total</b>	<b>\$301,696,846</b>	<b>\$180,340,027</b>	<b>\$320,597,879</b>	<b>\$140,257,852</b>	<b>\$77,592,689</b>	<b>(\$102,747,338)</b>
<b>Human Services</b>						
Office of Health and Human Services	\$2,367,877	\$6,250,134	\$8,042,506	\$1,792,372	\$907,721,810	\$901,471,676
Children, Youth, and Families	76,711,604	59,625,993	60,052,313	426,320	58,706,394	(919,599)
Health	69,303,495	59,124,539	73,580,049	14,455,510	65,697,186	6,572,647
Human Services	1,446,893,845	1,419,613,547	1,423,745,953	4,132,406	550,578,610	(869,034,937)
BHDDH	267,384,605	225,489,947	228,999,437	3,509,490	233,935,148	8,445,201
Governor's Commission on Disabilities	124,377	181,842	122,546	(59,296)	125,502	(56,340)
Office of the Child Advocate	46,685	49,048	50,034	986	50,034	986
<b>Total</b>	<b>\$1,862,832,488</b>	<b>\$1,770,335,050</b>	<b>\$1,794,592,838</b>	<b>\$24,257,788</b>	<b>\$1,816,814,684</b>	<b>\$46,479,634</b>
<b>Education</b>						
Elementary and Secondary Education	\$259,873,651	\$238,146,015	\$252,818,424	\$14,672,409	\$230,005,233	(\$8,140,782)
Public Higher Education	9,441,081	4,594,756	35,502,477	30,907,721	18,601,398	14,006,642
Council on the Arts	954,515	973,064	979,573	6,509	998,794	25,730
Atomic Energy Commission	76,635	324,104	183,752	(140,352)	180,216	(143,888)
Higher Education Assistance Authority	9,744,236	13,508,323	13,034,719	(473,604)	-	(13,508,323)
Historical Preservation and Heritage Comm.	831,658	846,195	886,047	39,852	886,057	39,862
<b>Total</b>	<b>\$280,921,776</b>	<b>\$258,392,457</b>	<b>\$303,404,992</b>	<b>\$45,012,535</b>	<b>\$250,671,698</b>	<b>(\$7,720,759)</b>
<b>Public Safety</b>						
Attorney General	\$1,788,468	\$2,895,944	\$2,887,910	(\$8,034)	\$1,600,853	(\$1,295,091)
Corrections	2,780,906	2,914,545	3,190,986	276,441	2,747,301	(167,244)
Judiciary	2,555,921	3,576,588	3,079,400	(497,188)	2,746,273	(830,315)
Military Staff	32,256,773	29,418,438	42,831,041	13,412,603	34,234,541	4,816,103
Public Safety	9,267,352	7,647,988	9,069,285	1,421,297	7,287,041	(360,947)
Public Defender	497,082	576,361	487,671	(88,690)	439,300	(137,061)
<b>Total</b>	<b>\$49,146,502</b>	<b>\$47,029,864</b>	<b>\$61,546,293</b>	<b>\$14,516,429</b>	<b>\$49,055,309</b>	<b>\$2,025,445</b>
<b>Natural Resources</b>						
Environmental Management	\$19,885,602	\$38,356,542	\$42,777,296	\$4,420,754	\$35,920,173	(\$2,436,369)
Coastal Resources Management Council	3,501,698	2,038,461	4,571,873	2,533,412	1,823,864	(214,597)
<b>Total</b>	<b>\$23,387,300</b>	<b>\$40,395,003</b>	<b>\$47,349,169</b>	<b>\$6,954,166</b>	<b>\$37,744,037</b>	<b>(\$2,650,966)</b>
<b>Transportation</b>						
Transportation	\$229,999,857	\$309,995,579	\$338,457,178	\$28,461,599	\$362,333,768	\$52,338,189
<b>Grand Total</b>	<b>\$2,747,984,769</b>	<b>\$2,606,487,980</b>	<b>\$2,865,948,349</b>	<b>\$259,460,369</b>	<b>\$2,594,212,185</b>	<b>(\$12,275,795)</b>

\* Federal funding includes stimulus funding provided under the American Recovery and Reinvestment Act (ARRA).

## RESTRICTED RECEIPTS EXPENDITURES

	FY2011 Actual	FY2012 Enacted	FY2012 Governor	Change from enacted	FY2013 Governor	Change from enacted
<b>General Government</b>						
Administration	\$14,219,372	\$20,059,071	\$19,629,239	(\$429,832)	\$27,546,929	\$7,487,858
Business Regulation	1,267,389	1,767,447	1,907,151	139,704	1,965,873	198,426
Labor And Training	20,821,559	17,104,361	43,435,879	26,331,518	36,700,976	19,596,615
Revenue	4,836,294	1,861,496	2,200,567	339,071	1,921,682	60,186
Legislature	1,575,314	1,649,199	1,648,953	(246)	1,760,031	110,832
Secretary of State	397,534	496,548	503,366	6,818	535,983	39,435
General Treasurer	24,442,547	29,544,084	37,553,917	8,009,833	33,944,815	4,400,731
Office of the Governor	558,968	777,676	714,266	(63,410)	-	(777,676)
Public Utilities Commission	5,822,263	7,795,633	7,795,633	-	8,384,648	589,015
<b>Total</b>	<b>\$73,941,240</b>	<b>\$81,055,515</b>	<b>\$115,388,971</b>	<b>\$34,333,456</b>	<b>\$112,760,937</b>	<b>\$31,705,422</b>
<b>Human Services</b>						
Office Of Health And Human Services	\$601,916	\$904,712	\$897,440	(\$7,272)	\$12,091,581	\$11,186,869
Children, Youth, And Families	2,426,338	3,389,296	2,825,382	(563,914)	2,825,253	(564,043)
Health	22,658,203	26,757,854	27,589,038	831,184	29,226,777	2,468,923
Human Services	10,590,911	14,089,597	17,103,711	3,014,114	2,349,200	(11,740,397)
BHDDH	6,941,943	7,997,979	7,118,447	(879,532)	7,188,834	(809,145)
Governor'S Commission On Disabilities	5,191	9,264	11,360	2,096	9,694	430
<b>Total</b>	<b>\$43,224,502</b>	<b>\$53,148,702</b>	<b>\$55,545,378</b>	<b>\$2,396,676</b>	<b>\$53,691,339</b>	<b>\$542,637</b>
<b>Education</b>						
Elementary And Secondary Education	\$19,581,873	\$26,334,421	\$27,031,218	\$696,797	\$26,501,653	\$167,232
Public Higher Education	658,531	941,338	810,264	(131,074)	817,872	(123,466)
Rhode Island Council On The Arts	-	-	-	-	-	-
Historical Preservation And Heritage Comm.	56,998	478,181	457,571	(20,610)	458,506	(19,675)
<b>Total</b>	<b>\$20,297,402</b>	<b>\$27,753,940</b>	<b>\$28,299,053</b>	<b>\$545,113</b>	<b>\$27,778,031</b>	<b>\$24,091</b>
<b>Public Safety</b>						
Attorney General	\$791,992	\$1,122,235	\$1,354,224	\$231,989	\$1,230,105	\$107,870
Corrections	12,347	34,371	64,027	29,656	64,925	30,554
Judiciary	9,480,024	10,198,363	10,657,810	459,447	11,339,868	1,141,505
Military Staff	189,042	609,311	470,733	(138,578)	481,278	(128,033)
Public Safety	209,090	335,749	300,351	(35,398)	701,460	365,711
<b>Total</b>	<b>\$10,682,495</b>	<b>\$12,300,029</b>	<b>\$12,847,145</b>	<b>\$547,116</b>	<b>\$13,817,636</b>	<b>\$1,517,607</b>
<b>Natural Resources</b>						
Environmental Management	\$10,389,053	\$14,131,035	\$13,754,827	(\$376,208)	\$14,827,473	\$696,438
Coastal Resources Management Council	160,000	250,000	250,000	-	250,000	-
	-	-	-	-	-	-
<b>Total</b>	<b>\$10,549,053</b>	<b>\$14,381,035</b>	<b>\$14,004,827</b>	<b>(\$376,208)</b>	<b>\$15,077,473</b>	<b>\$696,438</b>
<b>Transportation</b>						
Transportation	\$187,949	\$1,000,000	\$998,891	(\$1,109)	\$998,758	(\$1,242)
<b>Grand Total</b>	<b>\$158,882,641</b>	<b>\$189,639,221</b>	<b>\$227,084,265</b>	<b>\$37,445,044</b>	<b>\$224,124,174</b>	<b>\$34,484,953</b>

## OTHER FUNDS EXPENDITURES

	FY2011 Actual	FY2012 Enacted	FY2012 Governor	Change from enacted	FY2013 Governor	Change from enacted
<b>General Government</b>						
Administration	\$57,431,447	\$78,345,852	\$81,919,647	\$3,573,795	\$87,670,589	\$9,324,737
Business Regulation	-	-	-	-	16,545	16,545
Labor And Training	650,688,839	447,223,406	586,908,882	139,685,476	464,567,969	17,344,563
Revenue	227,400,776	219,567,938	229,611,272	10,043,334	233,864,080	14,296,142
General Treasurer	208,525	227,589	252,630	25,041	271,812	44,223
<b>Total</b>	<b>\$935,729,587</b>	<b>\$745,364,785</b>	<b>\$898,692,431</b>	<b>\$153,327,646</b>	<b>\$786,390,995</b>	<b>\$41,026,210</b>
<b>Human Services</b>						
Children, Youth, And Families	\$621,670	\$2,790,000	\$2,859,900	\$69,900	\$2,996,000	\$206,000
Health	7,737	63,400	172,000	108,600	172,000	108,600
Human Services	4,898,587	4,417,279	4,389,184	(28,095)	4,389,184	(28,095)
BHDDH	3,881,619	23,384,832	9,696,804	(13,688,028)	15,218,351	(8,166,481)
Governor'S Commission On Disabilities	33,000	250,000	250,000	-	250,000	-
<b>Total</b>	<b>\$9,442,613</b>	<b>\$30,905,511</b>	<b>\$17,367,888</b>	<b>(\$13,537,623)</b>	<b>\$23,025,535</b>	<b>(\$7,879,976)</b>
<b>Education</b>						
Elementary And Secondary Education	\$3,030,199	\$6,326,315	\$9,568,810	\$3,242,495	\$6,451,223	\$124,908
Public Higher Education	768,638,765	824,821,529	829,206,739	4,385,210	865,066,436	40,244,907
Rhode Island Council On The Arts	818,518	435,000	1,218,000	783,000	843,500	408,500
Rhode Island Atomic Energy Commission	263,617	307,830	333,176	25,346	333,122	25,292
Rhode Island Higher Education Assistance Authority	6,608,023	7,990,720	8,974,173	983,453	-	(7,990,720)
Historical Preservation And Heritage Commission	-	75,000	75,000	-	75,000	-
Public Telecommunications Authority	595,684	683,212	635,915	(47,297)	701,768	18,556
<b>Total</b>	<b>\$779,954,806</b>	<b>\$840,639,606</b>	<b>\$850,011,813</b>	<b>\$9,372,207</b>	<b>\$873,471,049</b>	<b>\$32,831,443</b>
<b>Public Safety</b>						
Attorney General	\$274,655	\$250,000	\$250,000	\$0	\$287,500	\$37,500
Corrections	2,943,618	10,285,317	11,772,282	1,486,965	15,470,000	5,184,683
Judiciary	829,704	1,100,000	1,121,083	21,083	1,675,000	575,000
Military Staff	222,898	1,620,563	1,984,863	364,300	3,903,000	2,282,437
Public Safety	10,247,898	7,058,929	8,038,321	979,392	7,645,647	586,718
<b>Total</b>	<b>\$14,518,773</b>	<b>\$20,314,809</b>	<b>\$23,166,549</b>	<b>\$2,851,740</b>	<b>\$28,981,147</b>	<b>\$8,666,338</b>
<b>Natural Resources</b>						
Environmental Management	\$1,997,064	\$9,649,221	\$12,934,983	\$3,285,762	\$14,235,453	\$4,586,232
Coastal Resources Management Council	-	729,100	729,100	-	900,000	170,900
Water Resources Board	211,943	-	-	-	-	-
<b>Total</b>	<b>\$2,209,007</b>	<b>\$10,378,321</b>	<b>\$13,664,083</b>	<b>\$3,285,762</b>	<b>\$15,135,453</b>	<b>\$4,757,132</b>
<b>Transportation</b>						
Transportation	\$115,027,739	\$115,991,354	\$101,398,919	(\$14,592,435)	\$128,941,384	\$12,950,030
<b>Grand Total</b>	<b>\$1,856,882,525</b>	<b>\$1,763,594,386</b>	<b>\$1,904,301,683</b>	<b>\$140,707,297</b>	<b>\$1,855,945,563</b>	<b>\$92,351,177</b>

## FEDERAL ARRA EXPENDITURES

<b>General Government</b>	<b>FY2011 Actual</b>	<b>FY2012 Enacted</b>	<b>FY2012 Governor</b>	<b>Change from enacted</b>	<b>FY2013 Governor</b>	<b>Change from enacted</b>
Administration	\$20,675,876	\$12,977,105	\$31,132,203	\$18,155,098	\$163,473	(\$12,813,632)
Labor And Training	195,348,285	51,275,635	160,426,129	109,150,494	7,885,000	(43,390,635)
Revenue	17,874	-	-	-	-	-
General Treasury	-	-	-	-	-	-
Office of the Governor	40,411	139,898	-	(139,898)	-	(139,898)
Public Utilities Commission	200,797	199,979	212,093	12,114	230,498	30,519
<b>Total</b>	<b>\$216,283,243</b>	<b>\$64,592,617</b>	<b>\$191,770,425</b>	<b>\$127,177,808</b>	<b>\$8,278,971</b>	<b>(\$56,313,646)</b>
<b>Human Services</b>						
Office Of Health And Human Services	\$0	\$0	\$104,000	\$104,000	\$312,000	\$312,000
Children, Youth, And Families	5,442,986	386,667	525,706	139,039	23,050	(363,617)
Health	2,696,770	3,798,662	7,292,630	3,493,968	1,473,431	(2,325,231)
Human Services	144,075,715	-	2,618,213	2,618,213	7,066,062	7,066,062
BHDDH	34,973,327	50,000	290,000	240,000	35,000	(15,000)
<b>Total</b>	<b>\$187,188,798</b>	<b>\$4,235,329</b>	<b>\$10,830,549</b>	<b>\$6,595,220</b>	<b>\$8,909,543</b>	<b>\$4,674,214</b>
<b>Education</b>						
Elementary And Secondary Education	\$80,377,342	\$45,243,703	\$60,120,124	\$14,876,421	\$37,263,214	(\$7,980,489)
Public Higher Education	6,391,058	6,462	30,210,703	30,204,241	383,779	377,317
<b>Total</b>	<b>\$86,768,400</b>	<b>\$45,250,165</b>	<b>\$90,330,827</b>	<b>\$45,080,662</b>	<b>\$37,646,993</b>	<b>(\$7,603,172)</b>
<b>Public Safety</b>						
Attorney General	\$371,839	\$0	\$253,281	\$253,281	\$0	\$0
Corrections	556,601	408,000	551,839	143,839	446,310	38,310
Judiciary	140,677	57,611	16,639	(40,972)	-	(57,611)
Military Staff	89,487	-	-	-	-	-
Public Safety	2,693,736	498,178	512,223	14,045	421,951	(76,227)
Public Defender	71,484	883	-	(883)	-	(883)
<b>Total</b>	<b>\$3,923,824</b>	<b>\$964,672</b>	<b>\$1,333,982</b>	<b>\$369,310</b>	<b>\$868,261</b>	<b>(\$96,411)</b>
<b>Natural Resources</b>						
Environmental Management	\$1,758,059	\$848,000	\$3,802,132	\$2,954,132	\$0	(\$848,000)
Coastal Resources Management Council	1,095,660	201,100	2,170,640	1,969,540	-	(201,100)
<b>Total</b>	<b>\$2,853,719</b>	<b>\$1,049,100</b>	<b>\$5,972,772</b>	<b>\$4,923,672</b>	<b>\$0</b>	<b>(\$1,049,100)</b>
<b>Transportation</b>						
Transportation	\$58,489,379	\$7,006,375	\$11,382,677	\$4,376,302	\$8,880,580	\$1,874,205
<b>Grand Total</b>	<b>\$555,507,363</b>	<b>\$123,098,258</b>	<b>\$311,621,232</b>	<b>\$188,522,974</b>	<b>\$64,584,348</b>	<b>(\$58,513,910)</b>

## FULL-TIME EQUIVALENT POSITIONS

	FY2011 Actual	FY2012 Enacted	FY2012 Governor	Change from Enacted	FY2013 Governor	Change from Enacted
<b>General Government</b>						
Administration	871.6	694.6	694.2	(0.4)	665.6	(29.0)
Business Regulation	93.0	96.0	96.0	-	94.0	(2.0)
Labor and Training	512.2	470.2	470.1	(0.1)	364.4	(105.8)
Revenue	426.5	434.5	449.0	14.5	458.0	23.5
Legislature	298.5	298.5	298.5	-	298.5	-
Lieutenant Governor	8.0	8.0	8.0	-	8.0	-
Secretary of State	57.0	57.0	57.0	-	57.0	-
General Treasurer	82.0	82.0	82.0	-	82.0	-
Board of Elections	11.0	12.0	11.0	(1.0)	11.0	(1.0)
Ethics Commission	12.0	12.0	12.0	-	12.0	-
Office of the Governor	45.0	45.0	45.0	-	45.0	-
Commission for Human Rights	14.5	14.5	14.5	-	14.5	-
Public Utilities Commission	46.0	46.0	46.0	-	47.0	1.0
Commission on Women	-	-	-	-	-	-
<b>Total</b>	<b>2,477.3</b>	<b>2,270.3</b>	<b>2,283.3</b>	<b>13.0</b>	<b>2,157.0</b>	<b>(113.3)</b>
<b>Human Services</b>						
Office of Health and Human Services	77.6	149.0	158.0	9.0	163.0	14.0
Children, Youth, and Families	691.0	662.5	662.5	-	665.5	3.0
Elderly Affairs	31.0	-	-	-	-	-
Health	424.7	426.3	422.3	(4.0)	423.3	(3.0)
Human Services	1,000.2	984.2	949.2	(35.0)	947.7	(36.5)
Behavioral Healthcare, Developmental Disabilities, and Hospitals	1,372.2	1,378.2	1,383.2	5.0	1,383.2	5.0
Office of the Child Advocate	5.8	5.8	5.8	-	5.8	-
Governor's Commission on the Deaf	3.0	3.0	3.0	-	3.0	-
Governor's Commission on Disabilities	4.0	4.0	4.0	-	4.0	-
Office of the Mental Health Advocate	3.7	3.7	3.7	-	3.7	-
State Council on Developmental Disabilities	-	-	-	-	0	0
<b>Total</b>	<b>3,613.2</b>	<b>3,616.7</b>	<b>3,591.7</b>	<b>(25.0)</b>	<b>3,599.2</b>	<b>(17.5)</b>
<b>Education</b>						
Elementary and Secondary Education	348.4	348.4	355.4	7.0	355.4	7.0
Public Higher Education	3,417.1	3,438.4	3,438.8	0.4	3,504.4	66.0
Council on the Arts	8.6	8.6	8.6	-	8.6	-
Atomic Energy Commission	8.6	8.6	8.6	-	8.6	-
Higher Education Assistance Authority	41.6	41.6	41.6	-	-	(41.6)
Historical Preservation and Heritage Commission	16.6	16.6	16.6	-	16.6	-
Public Telecommunications Authority	16.0	15.0	15.0	-	14.0	(1.0)
<b>Total</b>	<b>3,856.9</b>	<b>3,877.2</b>	<b>3,884.6</b>	<b>7.4</b>	<b>3,907.6</b>	<b>30.4</b>
<b>Public Safety</b>						
Attorney General	231.1	231.1	233.1	2.0	233.1	2.0
Corrections	1,419.0	1,419.0	1,419.0	-	1,419.0	-
Judiciary	723.3	723.3	723.3	-	723.3	-
Military Staff	117.0	117.0	113.0	(4.0)	112.0	(5.0)
Public Safety	423.2	605.8	606.2	0.4	609.2	3.4
Public Defender	93.0	93.0	91.0	(2.0)	92.0	(1.0)
<b>Total</b>	<b>3,006.6</b>	<b>3,189.2</b>	<b>3,185.6</b>	<b>(3.6)</b>	<b>3,188.6</b>	<b>(0.6)</b>
<b>Natural Resources</b>						
Environmental Management	410.0	410.0	410.0	-	407.0	(3.0)
Coastal Resources Management Council	30.0	30.0	30.0	-	29.5	(0.5)
Water Resources Board	6.0	-	-	-	-	-
<b>Total</b>	<b>446.0</b>	<b>440.0</b>	<b>440.0</b>	<b>-</b>	<b>436.5</b>	<b>(3.5)</b>
<b>Transportation</b>						
Transportation	772.6	772.6	772.6	-	772.6	-
<b>Higher Education Sponsored Research</b>						
Office of Higher Education	1.0	1.0	1.0	-	1.0	-
CCRI	100.0	100.0	100.0	-	100.0	-
RIC	82.0	82.0	82.0	-	82.0	-
URI	602.0	593.2	593.2	-	593.2	-
<b>Total</b>	<b>785.0</b>	<b>776.2</b>	<b>776.2</b>	<b>-</b>	<b>776.2</b>	<b>-</b>
<b>Grand Total</b>	<b>14,957.6</b>	<b>14,942.2</b>	<b>14,934.0</b>	<b>(8.2)</b>	<b>14,837.7</b>	<b>(104.5)</b>



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