



**SENATE FISCAL OFFICE
REPORT**

FY2014 BUDGET AS ENACTED

INCLUDING FY2013 REVISED BUDGET

AUGUST 26, 2013

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EXECUTIVE SUMMARY

Executive Summary

Expenditures by Source	FY2012 Final	FY2013 Enacted	FY2013 Revised	Change to Enacted	FY2014 Enacted	Change to Enacted
General Revenue	\$3,110.2	\$3,295.8	\$3,233.8	(\$62.0)	\$3,359.8	\$63.9
Federal Funds	2,599.1	2,676.4	2,723.2	46.9	2,717.7	41.3
Other Funds	1,825.1	1,895.2	1,875.3	(19.9)	1,880.6	(14.6)
Restricted Receipts	184.1	232.5	269.3	36.8	255.0	22.5
Total	\$7,718.5	\$8,099.9	\$8,101.6	\$1.7	\$8,213.1	\$113.2

Expenditures by Function - All Funds	FY2012 Final	FY2013 Enacted	FY2013 Revised	Change to Enacted	FY2014 Enacted	Change to Enacted
General Government	\$1,648.1	\$1,523.7	\$1,609.5	\$85.7	\$1,487.5	(\$36.2)
Human Services	2,973.9	3,186.7	3,114.6	(72.1)	3,305.8	119.1
Education	2,164.2	2,266.7	2,278.3	11.5	2,317.9	51.2
Public Safety	464.8	507.2	530.2	23.0	520.7	13.5
Natural Resources	80.1	103.9	103.3	(0.6)	120.9	17.0
Transportation	387.4	511.6	465.8	(45.8)	460.2	(51.4)
Total	\$7,718.5	\$8,099.9	\$8,101.6	\$1.7	\$8,213.1	\$113.2

Expenditures by Category - All Funds	FY2012 Final	FY2013 Enacted	FY2013 Revised	Change to Enacted	FY2014 Enacted	Change to Enacted
Aid to Local Units of Government	\$1,080.1	\$1,129.9	\$1,127.1	(\$2.7)	\$1,169.8	\$39.9
Assistance and Grants	3,661.1	3,665.1	3,643.6	(21.5)	3,710.0	44.9
Capital Purchases and Equipment	255.7	370.5	354.4	(16.2)	382.1	11.5
Salary/Wages and Benefits	1,479.2	1,540.9	1,518.5	(22.4)	1,548.3	7.4
Contracted Professional Services	215.8	274.2	291.9	17.7	277.0	2.8
Debt Service (Fixed Charges)	216.0	274.4	283.4	9.0	268.1	(6.3)
Operating Supplies and Expenses	637.8	700.1	719.8	19.7	711.1	11.0
Operating Transfers	172.7	144.7	162.9	18.2	146.8	2.1
Total	\$7,718.5	\$8,099.9	\$8,101.6	\$1.7	\$8,213.1	\$113.2

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

The three tables above and the table on the last page of the Executive Summary show total state spending under the FY 2013 Budget as Revised (the Supplemental Budget) and the FY2014 Budget as Enacted by: (1) function, (2) source of funds, (3) spending category, and (4) agency. The tables also compare these expenditures to the FY2013 Budget as Enacted.

FY2013 REVISED (SUPPLEMENTAL) BUDGET

The revised budget for FY2013 is \$8,101.6 million, \$1.7 million less than the FY2013 Budget as Enacted. General revenues are \$3,233.8 million, \$62.0 million less than enacted.

The May 2013 Revenue Estimating Conference decreased net available general revenues for the State for FY2013 by \$7.7 million from the Governor's proposal. The May 2013 Caseload Estimating Conference recognized \$19.3 million in savings from lower nursing home and hospital utilization in the Medicaid program.

The FY2013 Revised Budget includes the following major expenditure changes:

- \$66.4 million in additional federal support for extended unemployment benefits (Emergency Unemployment Compensation or EUC) allowing additional unemployment benefits to individuals until they exhaust their EUC tier level of benefits and return to the regular Unemployment Insurance program.
- \$2.4 million (\$500,000 general revenue) additional to further support the System of Care initiative within the Department of Children, Youth, and Families.
- \$2.0 million additional for the Payment-in-Lieu of Taxes (PILOT) program.

The FY2013 Revised Budget assumes that the full amount of the FY 2012 final (post-audit) surplus (\$12.9 million) will be deposited (as required under current law) into the State Employee Retirement System.

FY2014 BUDGET

The FY2014 Budget as Enacted is \$8,213.1 million, which is \$113.2 million more than the FY2013 Budget as Enacted. General revenue expenditures total \$3,359.8 million, which is \$63.9 million more than the FY 2013 Budget as Enacted.

The May 2013 Revenue Estimating Conference decreased available general revenues by \$52.4 million, which is \$51.1 million less than estimates in November. At the same time, general revenue expenditures on human services caseloads were projected to decrease by \$7.7 million, for a net budget impact of \$44.7 million less in resources.

Major Revenue Items

The FY2014 Budget as Enacted includes the following:

- Reforms corporate tax policy by aligning state and federal rules regarding accelerated depreciation while eliminating the impact of the federal domestic production deduction on Rhode Island corporate income tax liability. (The budget anticipates the FY 2015 cost of the changes by transferring \$10.0 million to a new Accelerated Deprecation Fund.)
- Reopens the tax credit for qualified historic rehabilitation expenditures.
- Retains the Jobs Development Act Rate Reduction.
- Retains the Distressed Areas Economic Revitalization Act.
- Does not include the Governor's recommended reduction of corporate income tax rate over three years from the current 9.0 percent of net income to 7.0 percent.
- Changes the taxation of wine and spirits on a pilot basis to explore the impact of eliminating the sales tax on these items.
- Expands the current arts district sales tax exemption by exempting, on a statewide basis, all original works of art by Rhode Island artists from sales and use taxes.
- Lifts the state cap on total scholarship tax credits from \$1.0 million to \$1.5 million.
- Values farmland at its current use value for Rhode Island estate tax purposes.

Major Program Expenditure Changes

The FY2014 Budget as Enacted includes the following major expenditure changes from the FY2013 Budget as Enacted.

General Government

- Includes \$54.7 million in additional federal support for extended unemployment benefits (Emergency Unemployment Compensation or EUC) allowing additional unemployment benefits to individuals until they exhaust their EUC tier level of benefits and return to the regular Unemployment Insurance program.
- Includes \$1.3 million in general revenue to support workforce development services, including the Back to Work Rhode Island Program. This program is designed to match unemployed individuals and employers in a job training program. Child care will also be available to families participating in job training programs.
- Funds the first year of an innovative technology and bioscience and engineering internship and grant program to be administered by the Rhode Island Science and Technology Advisory Council.
- Expects that all state agencies will seek to maximize federal grant funding by recover allowable indirect costs associated with federal grant awards.

Transportation

- Allocates \$7.0 million in FY2014 from bond premium proceeds, to capitalize a Municipal Road and Bridge Revolving Fund. These funds will be available for municipalities to borrow from for road and bridge projects, beginning in FY2014 and will help municipalities complete major road repairs at a lower cost of borrowing.
- Includes \$1.1 million in RICAP funds for the State match for Federal Highway Administration funds to replace estimated revenue loss due to revised registration surcharge fee collection projections.

Municipalities

- Includes \$5.0 million for the Governor's recommended Municipal Incentive Aid Program to encourage sustainable funding of locally-administered pension plans.
- Increases funding for the Payment-In-Lieu of Taxes (PILOT) program by \$2.0 million.

Education

- Fully funds the third year of the transition to full implementation of the Money follows the Student formula for aid to elementary and secondary education.
- Increases funding for Public Higher Education to order to freeze tuition at the University of Rhode, Rhode Island College and the Community College of Rhode Island at last year's levels,
- Anticipates the elimination of the Office of Higher Education by reducing funding.
- Includes \$250,000 for the Full-Day Kindergarten Accessibility Act to help districts with one-time, start-up costs associated with establishing a full-day program.
- Adds \$500,000 in additional funding for early intervention programs.

Human Services

- Expands the child care assistance program to allow for continued eligibility until family income exceeds 225% of the federal poverty limit, up from the current 180% Federal Poverty Level (FPL).

- Makes child care assistance available to families enrolled in Rhode Works who are participating in work readiness programs sponsored by the Governor’s Workforce Board.
- Implements the Federal Affordable Care Act in Rhode Island by:
 - Expanding Medicaid to adults without dependent children with family income at or below 133% of the FPL.
 - Transferring parents between 133% and 175% FPL from Medicaid to coverage through the Health Insurance Exchange and providing state funded premium assistance to those families.
 - Eliminating premiums for children on Rite care whose parents will be required to pay premiums to purchase insurance for themselves on the Exchange.
 - Transferring individuals currently eligible for limited Medicaid benefits onto full Medicaid or to health insurance purchased from the Exchange with a state funded transition fund to mitigate the impact of any loss of coverage.
- Funds a pilot program to explore more clinically appropriate, cost effective ways to divert individuals who are high users of emergency room services.
- Increases funding for the Department of Behavioral Health, Developmental Disabilities and Hospitals’ Project Sustainability by \$1.0 million general revenue (\$2.0 million all funds) to increase direct care wages paid to private providers of services to the developmentally disabled.
- Increases funds for the System of Care initiative within the Department of Children, Youth, and Families, which is designed to reduce the use of residential care and increase family centered, home and community based care (\$3.0 million all funds).
- Ensures that blood lead prevention program within the Department of Health will be fully funded by adding \$160,000 in general revenue, bringing total program funding to \$600,000 in FY2014.
- Freezes Medicaid nursing and hospital payment rates at FY2013 levels for one year only and reduces Medicaid rates for managed care.

Public Safety

- Shifts RICAP funds from FY2013 to FY2014 to ensure full utilization of federal funds available for repair of state and local facilities damaged by Hurricane Sandy.
- Provides funds to conduct a fiscal analysis of the impact of the Affordable Care Act on the prison population and explore ways to reduce recidivism.
- Funds new officer training classes for the State Police and Correctional Officers.
- Increases funding for the Veterans’ Court and for a program providing advocates for victims of domestic violence.

Expenditures by Function and Agency - All Funds

	FY2012	FY2013	FY2013	Change to	FY2014	Change to
	Actual	Enacted	Revised	Enacted	Enacted	Enacted
General Government						
Board of Elections	\$1.7	\$2.0	\$1.9	(\$0.1)	\$1.7	(\$0.2)
Department of Administration	390.2	389.9	413.0	23.1	428.7	38.8
Department of Business Regulation	12.6	14.0	17.9	3.9	13.0	(1.0)
Department of Labor and Training	801.8	661.6	723.6	62.0	592.5	(69.1)
Department of Revenue	345.2	333.5	340.6	7.1	353.4	19.9
Department of State	6.7	7.4	7.3	(0.1)	7.0	(0.5)
Executive Department	4.6	26.6	4.3	(22.3)	4.4	(22.1)
General Assembly - Constitution	35.3	38.8	41.9	3.1	37.8	(1.1)
Office of the Lieutenant Governor	1.1	1.1	1.7	0.6	2.1	1.0
Public Utilities Commission	6.3	8.2	8.5	0.2	8.4	0.2
RI Commission for Human Rights	1.4	1.5	1.4	(0.0)	1.5	(0.0)
RI Ethics Commission	1.4	1.6	1.5	(0.0)	1.6	0.0
Treasury	39.7	37.6	45.7	8.1	35.4	(2.2)
Total	\$1,648.1	\$1,523.7	\$1,609.5	\$85.7	\$1,487.5	(\$36.2)
Human Services						
Commission on Deaf and Hard of Hearing	\$0.4	\$0.4	\$0.4	(\$0.0)	\$0.5	\$0.1
Behavioral Health, Development Disabilities & Hospitals	428.0	445.7	429.0	(16.6)	437.8	(7.8)
Department of Children, Youth and Families	216.6	216.6	214.1	(2.5)	213.9	(2.7)
Department of Health	104.1	119.5	126.7	7.2	121.0	1.5
Department of Human Services	2,206.2	650.3	662.3	12.0	662.1	11.8
Governor's Commission on Disabilities	0.6	0.8	0.6	(0.2)	1.5	0.7
Office of Health and Human Services	17.1	1,752.4	1,680.4	(71.9)	1,867.9	115.6
Office of the Child Advocate	0.6	0.7	0.6	(0.0)	0.6	(0.0)
Office of the Mental Health Advocate	0.4	0.4	0.3	(0.1)	0.5	0.0
Total	\$2,973.9	\$3,186.7	\$3,114.6	(\$72.1)	\$3,305.8	\$119.1
Education						
Elementary & Secondary Education	\$1,122.7	\$1,198.2	\$1,205.5	\$7.2	\$1,226.0	\$27.8
Historical Preservation and Heritage Commission	1.9	2.7	2.5	(0.3)	3.5	0.8
Public Higher Education	1,009.9	1,031.7	1,036.0	4.3	1,057.5	25.8
Public Telecommunications Authority	1.6	1.5	0.8	(0.7)	0.0	(1.5)
Rhode Island Atomic Energy Commission	1.3	1.5	1.4	(0.1)	1.4	(0.0)
Rhode Island Council on the Ats	2.8	3.4	3.9	0.5	2.8	(0.6)
Rhode Island Higher Education Assistance Authority	24.0	27.7	28.2	0.5	26.8	(1.0)
Total	\$2,164.2	\$2,266.7	\$2,278.3	\$11.5	\$2,317.9	\$51.2
Public Safety						
Department of the Attorney General	\$24.6	\$30.0	\$29.2	(\$0.9)	\$30.4	\$0.4
Department of Corrections	189.7	196.7	197.9	1.1	204.7	8.0
Department of Public Safety	103.0	122.5	120.1	(2.4)	123.5	1.0
Judiciary	100.9	104.2	106.3	2.0	107.6	3.4
Military Staff	36.0	42.5	66.0	23.6	43.2	0.7
Office of the Public Defender	10.6	11.2	10.7	(0.5)	11.3	0.1
Total	\$464.8	\$507.2	\$530.2	\$23.0	\$520.7	\$13.5
Environment						
Coastal Resources Management Council	\$6.1	\$5.1	\$5.7	\$0.6	\$4.7	(\$0.4)
Department of Environmental Management	74.0	98.8	97.6	(1.2)	116.2	17.4
Water Resources Board	0.0	0.0	0.0	0.0	0.0	0.0
Total	\$80.1	\$103.9	\$103.3	(\$0.6)	\$120.9	\$17.0
Transportation						
Department of Transportation	\$387.4	\$511.6	\$465.8	(\$45.8)	\$460.2	(\$51.4)
Grand Total	\$7,718.5	\$8,099.9	\$8,101.6	\$1.7	\$8,213.1	\$113.2

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



EXPENDITURE CHANGES BY AGENCY

Department of Administration

Expenditures by Program	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted		FY2014 Enacted	Change from Enacted	
Accounts & Control	\$3.7	\$3.8	\$3.8	\$0.0	0.0%	\$4.0	\$0.2	5.3%
Auditing	1.2	1.2	1.1	(0.1)	-8.3%	1.3	0.1	8.3%
Budgeting/Office of Management and Budget	2.3	3.4	3.5	0.1	2.9%	4.5	1.1	32.4%
Capital Projects and Property Management	3.9	4.3	1.3	(3.0)	-69.8%	1.2	(3.1)	-72.1%
Central Management	1.8	2.3	2.6	0.3	13.0%	3.1	0.8	34.8%
Construction Permitting, Approvals & Licensing	-	-	2.7	2.7	100.0%	2.8	2.8	100.0%
Debt Service Payments	191.4	203.4	195.6	(7.8)	-3.8%	193.0	(10.4)	-5.1%
Energy Resources	47.1	5.4	10.0	4.6	85.2%	11.2	5.8	107.4%
Facilities Management	34.7	37.6	35.6	(2.0)	-5.3%	37.4	(0.2)	-0.5%
General	43.5	59.3	54.1	(5.2)	-8.8%	71.0	11.7	19.7%
Human Resources	10.7	11.4	11.0	(0.4)	-3.5%	11.2	(0.2)	-1.8%
Information Technology	29.4	31.9	33.3	1.4	4.4%	34.0	2.1	6.6%
Internal Service Programs	-	-	-	-	0.0%	-	-	0.0%
Legal Services	1.9	2.0	1.9	(0.1)	-5.0%	2.0	-	0.0%
Library and Information Services	2.2	2.2	2.3	0.1	4.5%	2.2	-	0.0%
Personnel Appeal Board	0.1	0.1	0.1	-	0.0%	0.1	-	0.0%
Personnel Reform	-	1.0	1.0	-	0.0%	-	(1.0)	-100.0%
Planning	13.7	17.5	21.3	3.8	21.7%	20.7	3.2	18.3%
Purchasing	2.6	3.1	3.0	(0.1)	-3.2%	3.2	0.1	3.2%
RI Health Benefit Exchange	-	-	28.8	28.8	100.0%	28.4	28.4	100.0%
Salary/Benefit Adjustments	-	-	-	-	0.0%	(2.6)	(2.6)	100.0%
Security Services	-	-	-	-	0.0%	-	-	0.0%
Total	\$390.2	\$389.9	\$413.0	\$23.1	5.9%	\$428.7	\$38.8	10.0%
Expenditures by Source								
General Revenue	\$248.3	\$272.5	\$265.4	(\$7.1)	-2.6%	\$264.8	(\$7.7)	-2.8%
Federal Funds	64.4	25.6	63.7	38.1	148.8%	62.2	36.6	143.0%
Restricted Receipts	15.1	16.3	14.0	(2.3)	-14.1%	15.9	(0.4)	-2.5%
Other Funds	62.4	75.5	69.9	(5.6)	-7.4%	85.8	10.3	13.6%
Total	\$390.2	\$389.9	\$413.0	\$23.1	5.9%	\$428.7	\$38.8	10.0%
Authorized FTE Levels	694.6	687.2	712.1	24.9	3.6%	720.7	33.5	4.9%

\$ 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 20 sub-programs with specific functions.

MAJOR ISSUES AND TRENDS FOR FY2014

The Budget creates the Construction Permitting, Approvals, and Licensing program, and shifts the administration of the Electronic Local Permitting Initiative from the Capital Projects and Property Management program to the Office of Regulatory Reform within the Office of Management and Budget. The Governor recommended consolidating the oversight and administration of the Renewable Energy Fund program from the Economic Development Corporation (EDC) to the Office of Energy Resources (OER). The Budget maintains the oversight and administration of the Renewable Energy Fund program with the EDC. This proposal was also included in the Governor's FY2013 Budget recommendation but was not approved by the General Assembly.

The Budget shifts 24.2 FTE positions to the newly created Division of Construction Permitting, Approvals, and Licensing from the Capital Projects and Property Management Program; the Budget restores 5.6 FTE positions within the Division of Information Technology that were inadvertently eliminated last year.

The Budget includes the transfer of \$28.3 million in federal funds to provide personnel, consultant and operational support for the Health Benefits Exchange program. In addition, the Budget adds 15.0 FTE positions into the Department associated with the Health Benefits Exchange.

CENTRAL MANAGEMENT

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

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

The Budget provides 22.2 FTE positions in FY2013 and in FY2014.

Central Management	General Revenue
FY2013 Enacted	\$2,272,523
<i>Target and Other Adjustments</i>	
Office of Digital Excellence	61,995
Analysis of State Personnel System	787,520
38 Studios Debt Service Market Analysis	(250,000)
FY2014 Enacted	\$2,922,038

Office of Digital Excellence **\$787,520**

The Budget includes \$787,520 in general revenue to fund the Office of Digital Excellence within the Central Management program. The FY2013 Budget as Enacted added \$300,000 in general revenue and 2.0 FTE positions to create an Office of Digital Excellence (ODE) within the General program. The FY2014 Budget as Enacted shifts the \$300,000 appropriation to Central Management and adds \$487,520 to fund salary and benefits for 5.0 new FTE positions within the Office of Digital Excellence (ODE). Currently, there are 2.0 FTE positions within ODE; a Director and a Principal Technical Support Analyst. The new positions and salary costs are:

Position	FTEs
Programmer/Analyst Manager	1.0
Programmer/Analyst	2.0
Information Technology Project Manager	1.0
Administrator Management Information	1.0
Total	5.0

The Office of Digital excellence is responsible for several large information technology projects including the Unified Health Infrastructure Project (UHIP), a new integrated tax system, a common email platform for state agencies, RIDE Wireless School initiative, the integration of all state agency websites into a shared content system, and Broadband RI.

Analysis of State Personnel System**(\$250,000)**

The FY2013 Budget as Enacted included one-time funding of \$250,000 in general revenue to fund a comprehensive analysis of the State's personnel system. The analysis was performed by the Segal Company and was completed during FY2013. Therefore, further funding for this study is not required in FY2014.

38 Studios Debt Service Market Analysis**\$50,000**

The Budget includes \$50,000 in general revenue to conduct a market analysis pertaining to the \$75.0 million 38 Studios debt.

ACCOUNTS AND CONTROL

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

The program also prepares several publications, including the Comprehensive Annual Financial Report, Condensed State Financial Report, State Payroll Manual, Procedural Handbook of the Department of Administration, and the Consolidated Statewide Cost Allocation Plan. The Budget provides 37.0 FTE positions in FY2013 and FY2014, consistent with the FY2013 enacted level.

Accounts and Control	General Revenue
FY2013 Enacted	\$3,815,349
<i>Target and Other Adjustments</i>	<i>151,073</i>
FY2014 Enacted	\$3,966,422

BUDGET/OFFICE OF MANAGEMENT AND BUDGET

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

- **Budget Office:** Provides advice to the Governor relating to the financial management of state government, evaluating necessary resources, analyzing state programs, priorities and alternatives, and suggesting the optimum allocation of resources to meet policy and management goals. The Budget Office also prepares fiscal notes on legislation and is responsible for economic analysis and revenue estimating, and participating in the Revenue and Caseload Estimating Conferences, and prepares presentations to bond rating agencies.
- **Performance Management:** Develops and monitors performance measures for each state agency.
- **Federal Grants Administration:** Monitors and reports on federal grants and maximizes the use of federal funds for eligible programs and functions.
- **Regulatory Reform:** Evaluates and reforms state and local regulatory environment.

The Budget provides 31.0 positions in FY2013 and in FY2014, which includes the transfer of 2.0 FTE positions in the Office of Regulatory Reform from the Economic Development Corporation to OMB, as required by actions of the General Assembly but not funded in the FY2013 Budget as Enacted.

Office of Management and Budget	General Revenue
FY2013 Enacted	\$3,004,055
<i>Target and Other Adjustments</i>	390,833
Rhode Island Ready Project	75,000
Electronic Local Permitting Initiative	580,000
FY2014 Enacted	\$4,049,888

Rhode Island Ready Project – Shift from FY2013 **\$75,000**

The Budget includes \$75,000 to fund the Rhode Island Ready Demonstration project. The project is designed to create an inventory of parcels that are ready to develop. The project requires collaboration between the Rhode Island Economic Development Corporation, Department of Environmental Management and other State agencies working with the cities and towns of the state. The Department projects each parcel will cost \$15,000 to get it “ready.” At \$75,000, the initial funding would cover 5 parcels.

Electronic Local Permitting Initiative **\$580,000**

The Budget includes \$580,000, which includes \$280,000 in unexpended funds from FY2013, for the Electronic Local Permitting Initiative and funding from the Capital Projects and Project Management Program to the Office of Management and Budget. The FY2013 Budget as Enacted included this initiative and funding for consultant services to gather information pertaining to the State’s and municipalities’ building plans, permit management, and building inspection methods to develop criteria for an online building permit system. The initiative involves the Office of the Building Commissioner in conjunction with the State Fire Marshal, and the Office of Regulatory Reform.

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 Budget provides 33.0 FTE positions in FY2013 and in FY2014.

Purchasing	General Revenue
FY2013 Enacted	\$2,741,468
<i>Target and Other Adjustments</i>	130,668
Deputy Purchasing Agent	(132,594)
Turnover	(50,000)
FY2014 Enacted	\$2,689,542

Deputy Director of Purchasing **(\$132,594)**

The Governor includes funding for a new Deputy Director of Purchasing/Deputy Purchasing Agent FTE position in FY2014. The General Assembly did not concur and eliminated the funding.

Turnover **(\$50,000)**

The Budget includes a decrease of \$50,000 in general revenue based on anticipated turnover savings for the Purchasing program.

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 Budget provides 12.0 FTE positions in FY2013 and in FY2014, consistent with the enacted level.

Auditing	General Revenue
FY2013 Enacted	\$1,200,000
<hr/>	
<i>Target and Other Adjustments</i>	<i>194,585</i>
Turnover	(50,000)
FY2014 Enacted	\$1,344,585

Turnover **(\$50,000)**

The Budget includes a decrease of \$50,000 in general revenue based on anticipated turnover savings for the Program.

HUMAN RESOURCES

The Division of Human Resources is composed of eight subprograms: Administrative Services, Classification and Examinations, Equal Employment Opportunity, Outreach and Diversity, Employee Benefits, Training and Development, Employee Services, and Human Resource Service Centers. Its primary mission is to provide cost-effective human resource services to employees, labor, and management to assist them in carrying out the functions and responsibilities of state government. The Budget includes 104.5 FTE positions in FY2013 and 105.5 in FY2014, reflecting the addition of 1.0 FTE Director of Human Resources position.

Human Resources	General Revenue
FY2013 Enacted	\$8,839,720
<hr/>	
<i>Target and Other Adjustments</i>	<i>(119,739)</i>
<hr/>	
Worksite Wellness Services	35,000
Hewitt Associates Contract	(70,000)
State Police and DMV HR Coordinator Positions	(255,765)
Turnover	(100,000)
FY2014 Enacted	\$8,329,216

Worksite Wellness Services **\$35,000**

The Budget includes \$35,000 in general revenue for worksite wellness services originally supplied by UnitedHealth. UnitedHealth indicates that they will no longer provide these services to the State for this program.

Hewitt Associates Contract **(\$70,000)**

This item reflects a \$70,000 general revenue reduction in the contract cost to Hewitt Associates, which provides medical and health care studies to the State. The original contract cost was \$200,000, which included \$70,000 to perform an audit of the State's medical and pharmacy claims with United Health. In

FY2014, this type audit is not required thereby reducing the contract award to Hewitt Associates to \$130,000 in FY2014.

State Police and DMV HR Coordinator Positions **(\$255,765)**

The Governor includes \$255,765 in general revenue to fund two new Human Resource Coordinator positions in Human Resources. One position is assigned to the Public Safety Service Center to specifically handle personnel issues in the Department of Public Safety and the other position is assigned to handle personnel issues at the Division of Motor Vehicles. Both positions are already filled. The General Assembly did not concur with the recommendation and eliminated funding for these two positions.

Turnover **(\$100,000)**

The Budget includes a decrease of \$100,000 in general revenue based on anticipated turnover savings for the Program.

PERSONNEL APPEAL BOARD

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

Personnel Appeal Board	General Revenue
FY2013 Enacted	\$75,036
<i>Target and Other Adjustments</i>	
FY2014 Enacted	\$75,036

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 Budget provides 2.6 FTE positions in FY2013 and in FY2014, reflecting the transfer of the Rhode Island Film and Television Office from the Council on the Arts to the Department of Administration as directed in the FY2013 Budget as Enacted.

General	General Revenue
FY2013 Enacted	\$27,427,030
<i>Target and Other Adjustments</i>	
EDC - I-195 Redvelopment Commission	34,290
EDC - Slater Technology Fund	(3,399,000)
Office of Digital Excellence - Correction	(500,000)
EDC - Tourism	(300,000)
EDC - Turnover Adjustments	(6,700)
Innovation Matching Grants	(100,000)
Community Service Objective Adjustment	500,000
FY2014 Enacted	(\$23,623,489)

I-195 Development Commission**(\$3.4 million)**

The Budget includes \$501,000 in general revenue to fund administrative, legal and engineering costs to be incurred by the I-195 Redevelopment Commission. This reflects a reduction of \$3.4 million from the FY2013 Budget as Enacted.

Created in 2011, the I-195 Redevelopment Commission is tasked with developing the land formerly covered by the old I-195 Highway. The Commission did not receive an appropriation in the Governor's recommended FY2013 Budget to fulfill any duties or functions. To rectify the problem, the General Assembly included \$3.9 million in general revenue in the FY2013 Budget as Enacted, of which \$900,000 was appropriated to fund administrative, legal and engineering costs to be incurred by the Commission over a three-year period from FY2013 to FY2015, and \$3.0 million to cover a shortfall in available bond funds authorized to the Economic Development Corporation to ensure the completion of the former federal I-195 highway land.

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

The Budget includes an appropriation of \$1.0 million to the Slater Centers of Excellence in FY2014. This reflects a reduction of \$500,000 from the FY2013 Budget as Enacted. Since FY1997, the State has appropriated \$45.0 million to stimulate the growth of new industries in the state.

Appropriation History

Fiscal Year	Centers for Excellence	Slater Technology Fund	Slater Centers of Excellence	Total
1997	\$0.8	\$0.0	\$0.0	\$0.8
1998	1.0	2.0	-	3.0
1999	1.0	1.3	-	2.3
2000	0.8	0.8	-	1.5
2001	3.3	2.0	-	5.3
2002	2.4	-	-	2.4
2003	2.5	-	-	2.5
2004	-	-	4.0	4.0
2005	-	-	3.0	3.0
2006	-	-	3.0	3.0
2007	-	-	3.0	3.0
2008	-	-	2.9	2.9
2009	-	-	3.0	3.0
2010	-	-	2.0	2.0
2011	-	-	2.0	2.0
2012	-	-	2.0	2.0
2013*	-	-	1.5	1.5
2014*	-	-	1.0	1.0
Total	\$11.6	\$6.0	\$27.4	\$45.0

\$ in millions.

* \$500,000 reduced each year over 4 years

Office of Digital Excellence**(\$300,000)**

The FY2013 Budget as Enacted added \$300,000 in general revenue and 2.0 FTE positions to create an Office of Digital Excellence (ODE) within the General program. The FY2014 Budget as Enacted shifts the \$300,000 appropriation to Central Management.

Economic Development Corporation - Tourism**(\$6,700)**

The Governor recommended an appropriation of \$593,300 for the Economic Development Corporation (EDC), an increase of \$593,300 as compared to the FY2013 Budget as Enacted. The Governor

recommended that the added funds be used to enhance State tourism. The General Assembly did not concur and instead eliminated \$600,000 in general revenue to the EDC. The result is a net reduction of \$6,700 when compared to the FY2013 Budget as Enacted.

Economic Development Corporation Turnover Adjustment **(\$100,000)**

The Budget includes a decrease of \$100,000 in general revenue based on anticipated turnover savings for the entity.

Innovation Matching Grants and Bioscience Internships **\$500,000**

The Budget includes \$500,000 in general revenue to establish an innovative technology and bioscience and engineering internship program to be administered by the Rhode Island Science and Technology Advisory Council. The funds will be used to assist eligible businesses to offset costs associated with applying for Small Business Technology research grants and to provide matching funds to assist businesses to apply for federal research funds.

Community Service Objective Adjustments **(\$32,131)**

The Budget includes several adjustments to the Community Service Objectives appropriated under the Department of Administration. The Governor inadvertently included \$50,000 in general revenue for a community service objective grant to the Cape Verdean American Community Development. The appropriation was previously included in the FY2013 Budget as Enacted as a one-time appropriation in FY2013. In addition, the Budget eliminates this appropriation in FY2014. The Budget adds \$50,000 for Tall Ships, provides a \$14,353 increase to the Japan/American Society, and eliminates the \$46,484 World Trade Center Rhode Island grant, resulting in a net general revenue reduction of \$32,131.

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.

Debt Service	General Revenue
FY2013 Enacted	\$159,759,567
<i>Target and Other Adjustments</i>	<i>742,673</i>
General Obligation Bonds	(5,993,574)
Historic Structures Tax Credit (New Issuance)	2,063,242
Certificates of Participation (COPs)	(1,372,107)
38 Studios Debt	2,500,000
I-195 Land Purchase	(318,000)
FY2014 Enacted	\$157,381,801

General Obligation Bonds **(\$6.0 million)**

The Budget includes an appropriation of \$70.3 million in general revenue for general obligation bond debt service in FY2014. This reflects a net decrease of \$6.0 million from the \$76.3 million appropriated in the FY2013 Budget as Enacted.

Historic Structures Tax Credit (New Issuance) **\$2.0 million**

The Budget includes an appropriation of \$23.3 million in general revenue, an increase of \$2.0 million from the FY2013 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. The legislation assumed an interest rate of 5.92 percent and that the debt would be repaid over nine years through general revenue appropriations. The \$356.2 million authorization comprised \$299.9 million for the actual reimbursement of the tax credits, \$52.5 million for a debt service reserve, and \$4.2 million for the costs of issuance.

To date, the RIEDC issued \$150.0 million of these bonds. The Budget Office current service projection anticipated a debt issuance of \$25.0 million in late FY2014 at an interest rate of 5.0 percent. However, the Governor recommended increasing the issuance amount to \$75.0 million in FY2014 at an interest rate of 4.5 percent and to issue the remaining \$75.0 million in FY2015. The Budget Office projects that the interest-only costs will be \$2.0 million in FY2014.

Certificates of Participation (COPs) (\$1.4 million)

The Budget includes an appropriation of \$30.0 million in general revenue to cover the debt service on 12 projects financed through Certificates of Participation (COPs). This reflects a decrease of \$1.4 million from the FY2013 Budget as Enacted. The Governor submitted a budget amendment on March 20, 2013, decreasing general revenue expenses by \$1.4 million for debt service payments reflecting the recently completed refunding and new issuance of Certificates of Participation (COPs). The decrease is a result of \$10,872 in achieved savings in refunding the debt service for the Kent County Courthouse, Traffic Tribunal and Juvenile Training School. In addition, the debt service on the new COPs issuance for the Integrated Tax System and the LEA Technology Infrastructure Project are projected to cost \$1,361,236 less than originally estimated in the Governor's FY2014 recommended budget. The General Assembly concurred with the budget amendment.

38 Studios Debt Service \$2.5 million

The Budget provides \$2.5 million in general revenue to replenish the Economic Development Corporation's Job Creation Guaranty Program 38 Studios Capital Reserve Fund. On July 26, 2010, the Economic Development Corporation's Board gave final approval for a \$75.0 million guaranty to 38 Studios, LLC. The terms of the guaranty are:

- EDC authorized a loan guaranty on \$75.0 million in moral obligation revenue bonds.
- Out of the \$75.0 million in bond proceeds, a one-year debt service reserve of \$12.7 million was withheld to cover the principal and interest payments due May 1, 2013, and November 1, 2013. An additional \$10.6 million was held in a capitalized interest account to cover the interest only payments paid in 2011 and 2012.
- Between November 2, 2010, to November 2, 2011, 38 Studios, LLC was disbursed \$49.5 million out of the \$75.0 million in bond proceeds.

Analyst's Note: Under the loan guaranty agreement between 38 Studios, LLC and the EDC, in the event that 38 Studios, LLC defaults on its obligations the State could be liable to replenish the debt service reserve. The capital reserve fund does not possess sufficient funds to cover the full debt service costs in FY2014, therefore requiring the State to appropriate \$2.5 million into the reserve fund. Beginning in FY2015, the required debt service on the bonds will be approximately \$12.5 million per year through FY2021.

I-195 Land Purchase (\$318,000)

The Budget includes a decrease of \$318,000 in general revenue from the FY2013 Budget as Enacted, for debt service related to the I-195 Redevelopment Commission issuance of \$42.0 million in revenue bonds through the Economic Development Corporation to acquire the land made available by the relocation of Route I-195. The initial Budget Office projection assumed a cost of \$40.0 million to purchase the land and \$2.0 million for bond issuance costs. In addition, the projection assumed an interest-only payment of

\$1.5 million in the first year (FY2013). Subsequently, Sovereign Bank issued the best proposal to purchase the bonds at a variable interest rate and requires interest-only debt payments for the first six years, resulting in a projected expense of \$1.2 million in FY2014, \$318,000 less than required in FY2013.

Analyst's Note: The intended goal is to have the revenue derived from the eventual sale of the parcels be used to repay the revenue bonds. Until such time, the State will be responsible for the debt service.

LEGAL SERVICES

Legal Services is responsible for establishing, managing and maintaining legal resources to support all departments and agencies within the executive branch. Legal Services manages and assists attorneys within the departments and agencies that provide legal services in programmatic areas. The Budget provides 15.6 FTE positions in FY2013 and FY2014, consistent with the enacted level.

Legal Services	General Revenue
FY2013 Enacted	\$2,006,995
<i>Target and Other Adjustments</i>	
	<i>(58,312)</i>
FY2014 Enacted	\$1,948,683

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 Budget includes 116.5 FTE positions in FY2013 and FY2014.

Facilities Management	General Revenue
FY2013 Enacted	\$32,593,888
<i>Target and Other Adjustments</i>	
	<i>383,072</i>
Turnover	<i>(100,000)</i>
Capital Center Utilities	<i>(422,287)</i>
Operating Expenses Net of Utilities	<i>(255,798)</i>
FY2014 Enacted	\$32,198,875

Turnover **(\$100,000)**

The Budget includes a decrease of \$100,000 in general revenue based on anticipated turnover savings for the Program.

Capital Center Utilities **(\$422,287)**

The Governor recommended a general revenue appropriation of \$16.5 million to pay the Capital Center utility expenses, reflecting a reduction of \$422,287 from the FY2013 Budget as Enacted. The Governor's recommendation is based on forecasted commodity and utility expenditures. The General Assembly concurred.

Capital Center Utility Expenses	FY2013 Enacted	FY2014 Governor	Change
CUF: Overhead	\$3,050,115	\$2,947,645	(\$102,470)
Electricity	234,612	232,400	(2,212)
Fuel: Natural Gas	9,881,870	8,937,605	(944,265)
Fuel: Oil #2 - Home Heating Oil	288,286	339,830	51,544
Fuel: Oil #6 - Bunker 'C'	544,635	788,500	243,865
Sewer Use	1,691,338	1,873,111	181,773
Telecomm: Overhead	45,460	48,036	2,576
Telecomm: Telephone Charges	25,500	25,500	-
Telephone and Telegraph	1,424	1,410	(14)
Water	1,197,443	1,344,359	146,916
Total	\$16,960,683	\$16,538,396	(\$422,287)

Operating Expenses Net of Utilities **(\$255,798)**

The Governor recommends a decrease of \$255,798 in general revenue, reflecting operating expenses net of utility expenses. The majority of the adjustments occur within five natural accounts.

Operating Expenses	FY2013 Enacted	FY2014 Governor	Change
Building Maintenance and Repairs	\$2,052,106	\$1,422,500	(\$629,606)
Grounds Maintenance	3,352	77,420	74,068
Property Insurance	-	33,615	33,615
Janitorial Supplies and Equipment	280,012	353,250	73,238
Equipment Maintenance and Repairs	396,555	599,510	202,955
All Other Adjustments	1,107,857	1,097,789	(10,068)
Total	\$3,839,882	\$3,584,084	(\$255,798)

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 Budget provides 8.8 FTE positions in FY2013 and in FY2014, and reflects the shift of 24.2 FTE positions to the newly created Division of Construction Permitting, Approvals, and Licensing.

Capital Projects and Property Management	General Revenue
FY2013 Enacted	\$3,040,310
<i>Target and Other Adjustments</i>	25,785
Shift to Construction Permitting, Approvals, and Licensing	(1,421,350)
Electronic Local Permitting Initiative	(304,200)
New Capital Projects Manager	(100,000)
FY2014 Enacted	\$1,240,545

Shift to Construction Permitting, Approvals, and Licensing **(\$1.4 million)**

The Budget includes a new program titled Division of Construction Permitting, Approvals, and Licensing, consisting of the following subprograms: State Building Code Commission, Contractor's Registration Board, and the Fire Code Board of Appeal. The Budget shifts personnel and operating expenses associated with these three programs along with 24.2 FTE positions to the new Division. The purpose of separating the subprograms is to separate the Department's regulatory entities from portions of the Department that must appear before those regulatory entities.

Electronic Local Permitting Initiative **(\$300,000)**

The Budget shifts \$300,000 for the Electronic Local Permitting Initiative and funding from the Capital Projects and Project Management Program to the Office of Management and Budget. The FY2013 Budget as Enacted included this initiative and funding for consultant services to gather information pertaining to the State's and municipalities' building plans, permit management, and building inspection methods to develop criteria for an online building permit system. The initiative involves the Office of the Building Commissioner in conjunction with the State Fire Marshal, and the Office of Regulatory Reform.

New Capital Projects Manager **(\$100,000)**

The Governor included funding for a new Capital Projects Manager within the Capital Projects and Property Management (CPPM) program. This would have created a third Project Manager within the CPPM program to work on-site and oversee various capital projects. The General Assembly did not concur and did not include funding for this position.

CONSTRUCTION PERMITTING, APPROVALS, AND LICENSING

The Budget establishes a new program titled Division of Construction Permitting, Approvals, and Licensing, consisting of the following subprograms: State Building Code Commission, Contractor's Registration Board, and the Fire Code Board of Appeal.

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

Construction Permitting, Approvals, and Licensing	General Revenue
FY2013 Enacted	-
<i>Target and Other Adjustments</i>	
Transfer from Capital Projects and Project Management	1,421,350
FY2014 Enacted	\$1,421,350

Transfer from Capital Projects and Project Management **\$1.4 million**

The Budget creates a new program titled Division of Construction Permitting, Approvals, and Licensing, consisting of the following subprograms: State Building Code Commission, Contractor's Registration Board, and the Fire Code Board of Appeal. The Budget shifts \$1.4 million reflecting personnel and operating expenses along with 24.2 FTE positions to the new Division.

ENERGY RESOURCES

The Office of Energy Resources (OER) and the Energy Efficiency and Resource Management Council (EERMC) were established statutorily in 2006 to replace the former State Energy Office. The OER provides comprehensive, integrated, development, administration and oversight of ongoing energy policies, plans, and programs to meet state and federal requirements and to provide policy guidance to executive leadership. The Budget provides 10.0 FTE positions in FY2013 and in FY2014

Office of Energy Resources	Other Funds Changes
FY2013 Enacted	\$5,388,931
<i>Target and Other Adjustments</i>	<i>568,360</i>
American Recovery and Reinvestment Act (federal funds)	4,900,000
RI Public Energy Partnership (federal funds)	342,266
FY2014 Enacted	\$11,199,557

Office of Energy Resources (federal funds) \$4.9 million

The Governor's budget amendment dated May 20, 2013, includes \$4.9 million in federal American Recovery and Reinvestment Act funds that will be awarded in FY2014. The award includes \$3.1 million for a revolving loan program, \$1.0 million for the pending Property Assessed Clean Energy (PACE) legislation, \$500,000 for the payment of the price differential between standard vehicles and that of alternative fueled vehicles purchased for state agencies, and \$300,000 for the installation of electric stations at qualifying vendors. The General Assembly concurs with the budget amendment and adds the \$4.9 million to the FY2014 Budget as Enacted.

Rhode Island Public Energy Partnership (federal funds) \$342,266

The Budget includes \$342,266 in federal funds reflecting the award received from the Department of Energy. The OER secured approximately \$750,000 from the Department of Energy. This funding is to be used over the next three years. The Budget includes \$250,127 in the FY2013 Revised Budget for the first part of this federal award. The Office of Energy Resources will develop the Rhode Island Public Energy Partnership to help State agencies and local governments to increase energy efficiency to achieve savings and improved building operations. Over the three-year project, an inventory of state-owned and managed facilities, and municipal facilities, will identify electricity and natural gas efficiency opportunities.

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 Budget provides 185.8 FTE positions in FY2013 and 191.4 FTE positions in FY2014.

Information Technology	General Revenue
FY2013 Enacted	\$20,215,153
<i>Target and Other Adjustments</i>	<i>383,686</i>
RIFANS - Payroll	546,707
Technology Initiative Expenditures	(1,552,324)
RIFANS Systems Maintenance	(150,000)
Turnover	(150,000)
FY2014 Enacted	\$19,293,222

Payroll - RIFANS \$546,707

The Budget includes \$546,707 in general revenue to fully restore funding to 5.6 FTE unidentified positions that was inadvertently unfunded by the Budget Office in the FY2013 Budget as Enacted.

Technology Initiative Expenditures (\$1.6 million)

The Budget shifts \$1.6 million in general revenue expenditures to restricted receipt expenditures in the Division of Information Technology (DoIT) to fund various technology initiatives for the State during

FY2014. The Budget shifts the proposed general revenue appropriation from being a general revenue appropriation to a restricted receipt appropriation from the Technology Investment Fund. There is a corresponding increase in restricted receipt expenditures under the Technology Investment Fund.

Analyst's Note: The General Assembly established the Technology Investment Fund for information technology purchases. The Fund allows for the acquisition of technology improvements including, but not limited to, hardware, software, consulting services, and ongoing maintenance and upgrade contracts.

RIFANS Systems Maintenance **(\$150,000)**

The Budget removes \$150,000 in general revenue for RIFANS System Maintenance.

Turnover **(\$150,000)**

The Budget includes a decrease of \$150,000 in general revenue based on anticipated turnover savings for the Program.

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

The Budget provides 38.4 FTE positions in FY2013 and in FY2014 including a 0.4 FTE position cost allocation from the Central Management program.

<u>Planning</u>	<u>General Revenue</u>
FY2013 Enacted	\$3,960,126
<i>Target and Other Adjustments</i>	<i>(9,032)</i>
Housing Resources - Supportive Housing	750,000
FY2014 Enacted	\$4,701,094

Housing Resources – Supportive Housing **\$750,000**

The Budget includes \$750,000 in general revenue to provide rental assistance for individuals and families, as part of the State's effort to provide a more long-term solution to ending homelessness.

LIBRARY AND INFORMATION SERVICES

The Office of Library and Information Services (OLIS) coordinates inter-library cooperation, maintains and develops the Rhode Island Library Network, operates the Regional Library for the Blind and Physically Handicapped, and promotes overall library development through various grant-in-aid programs for public and institutional libraries. The Budget provides 13.0 FTE positions in FY2013 and FY2014, consistent with the FY2013 enacted level.

Library and Information Services	General Revenue
FY2013 Enacted	\$933,989
<i>Target and Other Adjustments</i>	<i>73,476</i>
FY2014 Enacted	\$1,007,465

RHODE ISLAND HEALTH BENEFIT EXCHANGE

In response to passage of the federal Affordable Care Act, the Governor created the Rhode Island Health Benefits Exchange by Executive Order in 2011, to connect individuals to quality affordable healthcare. The Exchange was originally a funded program within the Office of the Governor beginning with the FY2013 Budget as Enacted. As part of the FY2014 Budget, the Governor recommended a transfer of the program to the Department of Administration, and added 15.0 FTE positions. The Exchange recently changed its name to HealthSource RI, and it is expected to become operative during the fall of 2013.

RI Health Benefits Exchange	Other Funds Changes
FY2013 Enacted	-
<i>Target and Other Adjustments</i>	
Transfer from Office of the Governor (federal funds)	28,348,926
FY2014 Enacted	\$28,348,926

Transfer from the Office of the Governor (federal funds) \$28.3 million

The Budget includes the transfer of \$28.3 million in federal funds to provide personnel, consultant and operational support for the program. In addition, the Budget adds 15.0 FTE positions into the Department associated with the Health Benefits Exchange. Approximately 10.0 percent of the appropriation will be applied to personnel and operating expenses, while the remaining 90.0 percent of the appropriation will go to purchase service expenditures, as shown in the following table:

Purchased Service Expenses	
Accounting/Auditing	\$115,000
Actuary	250,000
Communications and Media	2,189,980
Financial Services	7,000
Information Technology Services	1,140,068
IT System Design	10,817,368
IT System Support	1,081,860
Legal Services	93,750
Legal: General/Other	968,906
Management Consultants	7,458,703
Other Professional Services	1,084,774
Seminars and Conferences	63,412
Training and Education Services	200,000
Total	\$25,470,821

SELECTED CAPITAL PROJECTS***Other Funds (RICAP)******(\$1.6 million)***

The Budget decreases RICAP funding by \$1.6 million in FY2014 based on current expenditures and projections on various projects. The Department has indicated that because of project delays, the following expenditure authorizations can be shifted or eliminated:

- Add \$1.0 million for renovations to Harrington Hall at the Pastore Center. The renovations include HVAC system update, a new kitchen, and painting. The total project cost is \$1.5 million and the Budget adds \$500,000 in FY2015.
- Add \$250,000 for renovations or to acquire a new building for the Board of Elections.
- Decrease \$400,000 for the Chapin Health Laboratory project.
- Add \$1.6 million in new RICAP funds to renovate the Mathais Building at the Pastore Center Campus. The renovations include roof repairs and upgrading the HVAC and telecommunication systems. The renovations need to be complete prior to the demolition of the Varley Building.
- Add \$75,000 for ongoing restoration and preservation work at the Old Colony House in Newport.
- Add \$100,000 for the Old State House renovations.
- Add \$1.6 million reflecting a shift of \$1,595,486 in unexpended funds from FY2013 to FY2014 and adding \$4,514 to provide \$1.6 million to purchase a black start generator for the Pastore Center. The project was delayed in FY2013 and required a rebid of the project. The black start generator will enable the Pastore Power Plant to restart generation in the event of a total utility failure from the electrical grid.
- Decrease \$695,000 in funds for the Pastore Center Medical Center Rehabilitation project in FY2014. In addition, the Governor recommends adding \$800,000 in FY2016 and \$400,000 in FY2017 for roof, masonry and window replacement at the Hazard Building.
- Add \$500,000 for the Pastore Center Cottages Rehabilitation project in FY2014 and add \$430,000 in FY2015 to reflect the more extensive renovation project on these structures.
- Decrease \$2.6 million for the State House Renovations project from FY2014 to later years due to the rescheduling of the HVAC project and an expanded scope of work for fire sprinklers, IT server rooms, and electrical upgrades.
- Eliminate \$585,000 for the State Office Building project, leaving \$715,000 which the Department deems sufficient to fund existing renovations in the current fiscal year.
- Eliminate \$350,000 towards the purchase of the adjacent vacant land on Francis Street for a possible future patron parking area.
- Add \$1.0 million in new funding to replace the roof on the Virks Building at the Pastore Campus.
- Increase the Washington County Government Center by \$162,000 to design and install an emergency back-up generator.
- Add \$2.1 million for the William Powers renovation work.
- Reduce \$1.8 million for Zambarano utilities to reflect an amended scope of work to upgrade the waste water treatment system to have the facility comply with state regulations.

Department of Business Regulation

Expenditures by Program	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted		FY2014 Enacted	Change from Enacted	
Central Management	\$1.1	\$1.1	\$1.1	(\$0.0)	-3.6%	\$1.2	\$0.1	4.6%
Banking Regulation	1.4	1.8	1.7	-0.1	-4.6%	1.8	0.1	4.4%
Securities Regulation	0.8	1.1	0.9	-0.2	-23.1%	1.0	(0.1)	-8.1%
Insurance Regulation	4.7	5.2	5.2	0.0	-0.5%	5.1	(0.1)	-1.7%
Board of Accountancy	0.1	0.1	0.1	0.0	-3.7%	0.1	(0.0)	-1.8%
Commercial Licensing, Racing & Athletics	0.9	1.2	1.2	0.0	-0.2%	1.2	0.0	2.4%
Boards for Design Professionals	0.3	0.2	0.2	0.0	-0.6%	0.3	0.0	1.6%
Office of Health Insurance Commissioner	3.2	3.3	7.5	4.3	56.6%	2.3	(1.0)	-29.7%
Total	\$12.6	\$14.0	\$17.9	\$3.9	28.0%	\$13.0	(\$1.0)	-7.1%
Expenditures by Source								
General Revenue	\$8.4	\$9.4	\$8.9	(\$0.4)	(0.0)	\$9.2	(\$0.1)	-1.2%
Federal Funds	2.7	2.7	7.0	4.3	157.5%	1.7	(1.0)	-35.7%
Restricted Receipts	1.5	1.9	2.0	0.1	0.0	2.0	0.1	5.3%
Total	\$12.6	\$14.0	\$17.9	\$3.9	28.0%	\$13.0	(\$1.0)	-7.1%
Authorized FTE Level	95.0	95.0	95.0	-	-	94.0	(1.0)	-1.1%

\$ 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 FY2014

The Department of Business Regulation (DBR) is primarily a regulatory agency, with the bulk of funding (86.6 percent) going towards personnel expenses. Of the total budget, 78.6 percent is salaries and wages, and another 15.4 percent is contracted professional services. The Budget reduces total funding by \$1.0 million from the FY2013 Budget as Enacted.

The Budget does not include any major policy initiative changes for the DBR. For FY2014, personnel is reduced by 1.0 FTE federally-funded position (Director of Consumer Protection/Education). The Budget includes authorization for 94.0 FTE positions in FY2014.

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 FY2014, the Budget includes a staffing level of 9.0 FTE positions in FY2013 and FY2014 for the program, unchanged from the FY2013 enacted levels.

Central Management	General Revenue
FY2013 Enacted	\$1,145,060
<i>Target and Other Adjustments</i>	23,120
FY2014 Enacted	\$1,197,671

BANKING REGULATION

Banking Regulation provides regulatory oversight of state-chartered financial institutions, credit unions, Rhode Island bank holdings companies, and licensees through financial examinations and reviews to determine compliance with state banking laws, financial solvency, and safety and soundness operations. The Budget includes 16.0 FTE positions in FY2013 and FY2014 for the program.

Banking Regulation	General Revenue
FY2013 Enacted	\$1,637,766
<i>Target and Other Adjustments</i>	77,459
FY2014 Enacted	\$1,715,225

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 FY2014, the Budget funds 9.0 FTE positions in both FY2013 and FY2014 for the program.

Securities Regulation	General Revenue
FY2013 Enacted	\$1,068,375
<i>Target and Other Adjustments</i>	(86,085)
FY2014 Enacted	\$980,090

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 FY2014, the Budget includes 11.0 FTE positions in FY2013 and FY2014, consistent with the FY2013 enacted level.

Commercial Licensing Racing & Athletics	General Revenue
FY2013 Enacted	\$719,111
<i>Target and Other Adjustments</i>	(11,170)
FY2014 Enacted	\$707,941

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 FY2014, the Budget includes 38.0 FTE positions in FY2013 and 37.0 FTE positions in FY2014 for the program, and reflects a reduction of 1.0 FTE Director of Consumer Protection/Education federally-funded position.

Insurance Regulation	General Revenue
FY2013 Enacted	\$3,916,525

<i>Target and Other Adjustments</i>	51,358
Personnel	(200,000)
FY2014 Enacted	\$3,767,883

Personnel **(\$200,000)**

The Budget includes a decrease of \$200,000 in personnel savings in the Insurance Regulation division to reflect anticipated turnover.

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.

The Budget includes 9.0 FTE positions in both FY2013 and FY2014 for the Office.

Office of Health Insurance Commissioner	General Revenue
FY2013 Enacted	\$542,929

<i>Target and Other Adjustments</i>	(749)
FY2014 Enacted	\$542,180

BOARD OF ACCOUNTANCY

The Board of Accountancy is an autonomous board that is responsible for the licensing of certified public accountants, public accountants, partnerships, corporations, and sole proprietorships. It processes applications and fees, and issues initial certificates and permits to regulated businesses, occupations and professions. The Board of Accountancy is 100.0 percent financed with general revenues. The Budget includes 1.0 FTE in FY2013 and FY2014.

Board of Accountancy	General Revenue
FY2013 Enacted	\$82,483

<i>Target and Other Adjustments</i>	(1,449)
FY2014 Enacted	\$81,034

DESIGN PROFESSIONALS

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

The Budget includes 2.0 FTE positions FY2013 and 2.0 FTE positions in FY2014 for the program.

Design Professionals	General Revenue
FY2013 Enacted	\$249,799
<i>Target and Other Adjustments</i>	<i>4,055</i>
FY2014 Enacted	\$253,854

Department of Labor and Training

Expenditures by Program	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted		FY2014 Enacted	Change from Enacted	
Central Management	\$0.6	\$1.8	\$1.7	(\$0.1)	-5.6%	\$1.2	(\$0.6)	-33.3%
Income Support	758.3	616.6	670.2	53.6	8.7%	545.5	(71.1)	-11.5%
Injured Workers Services	8.6	8.8	9.1	0.3	3.4%	9.1	0.3	3.4%
Labor Relations Board	0.4	0.3	0.3	-	0.0%	0.4	0.1	33.3%
Workforce Development Services	31.0	31.1	39.3	8.2	26.4%	33.3	2.2	7.1%
Workforce Regulation and Safety	2.9	3.0	3.0	-	0.0%	3.0	-	0.0%
Total	\$801.8	\$661.6	\$723.6	\$62.0	9.4%	\$592.5	(\$69.1)	-10.4%
Expenditures by Source								
General Revenue	\$7.5	\$7.9	\$7.7	(\$0.2)	-2.5%	\$9.1	\$1.2	15.2%
Federal Funds	205.1	111.7	166.3	54.6	48.9%	95.7	(16.0)	-14.3%
Restricted Receipts	23.7	36.3	60.8	24.5	67.5%	43.1	6.8	18.7%
Other Funds	565.5	505.7	488.8	(16.9)	-3.3%	444.6	(61.1)	-12.1%
Total	\$801.8	\$661.6	\$723.6	\$62.0	9.4%	\$592.5	(\$69.1)	-10.4%
Authorized FTE Levels	470.1	462.5	423.0	(39.5)	-8.5%	392.0	(70.5)	-15.2%

\$ 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 FY2014

The Budget includes 392.0 FTE positions in FY2014, 70.5 FTE positions less than the FY2013 Budget as Enacted, reflecting a projected loss in federal funding in FY2014. The most significant impacts occur within the Workforce Development Services program with a loss of 29.5 FTE positions, and within the Income Support program with a loss of 39.7 FTE positions.

FTE Positions	FY2013 Enacted	FY2014 Recommended	Change to Enacted
Central Management	3.0	2.8	(0.2)
Workforce Development Services	152.0	122.5	(29.5)
Workforce Regulation and Safety	28.2	29.4	1.2
Income Support	233.9	194.2	(39.7)
Injured Workers Services	43.4	41.1	(2.3)
Labor Relations Board	2.0	2.0	0.0
Total	462.5	392.0	(70.5)

CENTRAL MANAGEMENT

The Central Management program is responsible for supervising, coordinating, and monitoring all departmental functions. The Central Management program provides leadership, management, strategic planning, and control of departmental activities. The Budget provides 2.8 FTE positions in FY2013 and in FY2014, a decrease of 0.2 FTE position from the FY2013 Budget as Enacted. The decrease reflects a minor change in the FTE cost allocation between programs in the Department.

Central Management	General Revenue
FY2013 Enacted	\$107,310
<i>Target and Other Adjustments</i>	<i>11,450</i>
FY2014 Enacted	\$118,760

WORKFORCE DEVELOPMENT SERVICES

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

The Budget provides 123.5 FTE positions in FY2013 (a reduction of 28.5 FTE positions from the FY2013 Budget as Enacted) and 122.5 FTE positions in FY2014 (a reduction of 29.5 FTE positions from the FY2013 Budget as Enacted), reflecting the projected reductions in federal funds to support workforce development services.

Workforce Development Services	General Revenue
FY2013 Enacted	
<i>Target and Other Adjustments</i>	
Workforce Development Initiative	1,250,000
FY2014 Enacted	\$1,250,000

Workforce Development Services	Other Fund Changes
FY2013 Enacted	\$31,137,003
<i>Target and Other Adjustments</i>	<i>(76,637)</i>
Operating Transfers	(230,441)
Workforce Assistance Grants	(681,890)
Human Resources Investment Council	1,929,433
FY2014 Enacted	\$32,077,468

Workforce Development Initiative **\$1.3 million**

The Budget includes \$1.3 million in general revenue to establish a Statewide Work Immersion program and a Non-trade Apprenticeship program, to be administered by the Human Resource Investment Council in partnership with the Governor's Workforce Board. Funding will be applied to:

- Provide a 50.0 percent state match to businesses that hire youth and adults for a 10-week work immersion program.
- Increase the state match to 75.0 percent to businesses that hire unemployed workers or provide full-time employment to youth and adults completing the 10-week work immersion program.

Participating businesses are required to compensate participants at the minimum wage and provide 200 hours of work. In addition, funding is provided to develop a non-trade apprenticeship program that will award at least one grant up to \$250,000 to Governor's Workforce Board industry partners for non-trade apprenticeship programs.

In addition, the Budget adds language that establishes the Back to Work Rhode Island Program designed to match unemployed individuals and employers in a job training program, enhance child care to families participating in job training programs, and to require the Department of Labor and Training to implement an enhanced job match system to increase opportunities for employers to match job needs to the unemployed

Operating Transfers (federal funds) (\$230,441)

The Budget includes a reduction of \$230,441, reflecting a \$320 increase in federal Workforce Investment Act (WIA) funds for the federal Adult Program and Dislocated Workers Programs, and a reduction of \$230,761 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 Budget reflects a \$219,786 reduction in program transfers to the Community College of Rhode Island, an increase of \$62,421 to the University of Rhode Island, and a reduction of \$73,076 to Rhode Island College.

Workforce Assistance Grants (federal funds) (\$681,890)

The Budget reduces the Workforce Development Services assistance and grant expenditures \$681,890 reflecting a reduction of \$1.8 million in federal Workforce Investment Act (WIA) funds offset by an increase of \$1.1 million in federal funds for the Transitional Assistance for Needy Families (TANF) Summer Youth Program and Hurricane Sandy related workforce training opportunities.

Human Resources Investment Council (restricted receipts) \$1.9 million

The Budget includes a restricted receipt increase of \$1.9 million in the Human Resource Investment Council (HRIC) – Phase II program. The change reflects the projected increase in Job Development Fund collections for FY2014. 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.

WORKFORCE REGULATION AND SAFETY

The Workforce Regulation and Safety Program enforce laws relating to professional regulation, labor standards, occupational health and safety, and certification of weights and measures. The Budget provides 30.3 FTE positions in FY2013 (an increase of 2.1 FTE positions from the FY2013 Budget as Enacted) and 29.4 FTE positions in FY2014 (an increase of 1.2 FTE positions from the FY2013 Budget as Enacted), reflecting minor a minor change in the FTE cost allocation between programs in the Department.

Workforce Regulation and Safety	General Revenue
FY2013 Enacted	\$2,994,552
<i>Target and Other Adjustments</i>	<i>7,856</i>
FY2014 Enacted	\$3,002,408

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 Budget provides 223.3 FTE positions in FY2013 (a reduction of 10.6 FTE positions from the FY2013 Budget as Enacted) and 194.2 FTE positions in FY2014 (a reduction of 39.7 FTE positions from the FY2013 Budget as Enacted), reflecting the projected reductions in federal funds.

Income Support	General Revenue
FY2013 Enacted	\$4,370,518
<i>Target and Other Adjustments</i>	<i>2,587</i>
Police and Firefighters' Relief Fund	(73,948)
FY2014 Enacted	\$4,299,157

Income Support	Other Fund Changes
FY2013 Enacted	\$612,182,160
<i>Target and Other Adjustments</i>	
Employment Security Trust Funds (other funds)	(61,365,199)
Employment Security Trust Funds (federal funds)	(14,554,000)
UI Trust Fund Interest Payment (other funds)	3,927,507
FY2014 Enacted	\$541,155,206

Police and Firefighters' Relief Fund **(\$73,948)**

The Budget decreases the Police and Firefighters' annuity and tuition benefits \$73,948 in general revenue, reflecting a decline in services. The decrease is \$24,089 for tuition benefits paid to the families of deceased or injured police officers and firefighters, and \$49,859 in annuity benefit payments.

	FY2013 Enacted	FY2014 Enacted	Change
Police Officers' Relief Fund			
Police Officer Annuities	\$944,475	\$949,875	\$5,400
Tuition Benefits	257,184	235,422	(21,762)
Supplemental Pension	5	5	-
Total	\$1,201,664	\$1,185,302	(\$16,362)
Firefighters' Relief Fund			
Firefighter Annuities	\$2,617,050	\$2,561,783	(\$55,267)
Tuition Benefits	494,521	492,194	(2,327)
Supplemental Pension	-	8	8
Total	\$3,111,571	\$3,053,985	(\$57,586)
Grand Total	\$4,313,235	\$4,239,287	(\$73,948)

Employment Security Trust Fund (other funds) **(\$61.4 million)**

The Budget includes a \$61.4 million net decrease in expenditures from the Employment Security Trust Fund as compared to the FY2013 Budget as Enacted. The Governor's budget recommendation included a \$68.1 million reduction in other fund expenditures from the Employment Security Trust Fund as compared to the FY2013 Budget as Enacted. The Governor's recommendation included a \$56.0 million decrease in unemployment insurance (UI) benefit payments, a decrease of \$10.0 million in Temporary Disability Insurance (TDI) payments, and a decrease of \$2.1 million for federal civilian employee layoffs and for former military personnel as troops return from the wars in Iraq and Afghanistan. However, the Budget includes the Governor's a budget amendment dated May 20, 2013 recommendation, increasing the Employment Security Trust Fund appropriation \$6.6 million in other funds and includes \$104,801 reflecting the receipt of a federal Workforce Development Services Self Employment Assistance program to educate unemployed individuals on becoming self-employed and starting new businesses. The result is a net decrease of \$61.4 million in other funded Employment Security Trust Fund benefits as compared to the FY2013 Budget as Enacted.

Employment Security Trust Fund (federal funds) **(\$14.6 million)**

The Budget includes a \$14.6 million net decrease in expenditures from the Employment Security Trust Fund as compared to the FY2013 Budget as Enacted. The Governor's budget recommendation included a \$69.3 million reduction in federal fund expenditures from the Employment Security Trust Fund as compared to the FY2013 Budget as Enacted. However, following the Governor's budget recommendation, the State was notified that \$54.7 million in additional federal support is available through the end of CY2013 for extended unemployment benefits (Emergency Unemployment Compensation, or EUC) allowing additional unemployment benefits to individuals until they exhaust their

EUC tier level of benefits and return to the regular Unemployment Insurance program. The result is a net decrease of \$14.6 million in federally funded Employment Security Trust Fund benefits as compared to the FY2013 Budget as Enacted.

UI Trust Fund Interest Payment (other funds) **\$3.9 million**

The Budget adds \$3.9 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 FY2013 Budget as Enacted included \$18.6 million for the interest payment. The Budget provides a payment of \$22.5 million in the FY2014 Budget, reflecting an increase of \$3.9 million. The interest payments are derived from a portion of the 0.51 percent Job Development Assessment.

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 Budget provides 41.1 FTE positions in FY2013 and FY2014, reflecting a reduction of 2.3 FTE positions from the FY2013 Budget as Enacted.

Injured Workers Services	Other Fund Changes
FY2013 Enacted	\$8,775,718
<i>Target and Other Adjustments</i>	<i>(58,518)</i>
Contracted Professional Services	152,591
Claims and Settlements	269,856
FY2014 Enacted	\$9,139,647

Contracted Professional Services (restricted receipts) **\$152,591**

The Budget includes an increase of \$152,591 in restricted receipts for contracted services including \$67,784 for medical services, \$63,387 for lecturers and training consultants, \$15,558 for other professional services, and \$5,862 in other contract service adjustments.

Claims and Settlements (restricted receipts) **\$269,856**

The Budget includes an increase of \$269,856 in restricted receipts for claims and settlements reflecting the projected claims for FY2014 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 Budget provides 2.0 FTE positions in FY2013 and FY2014, consistent with the enacted level.

Labor Relations Board	General Revenue
FY2013 Enacted	\$386,790
<i>Target and Other Adjustments</i>	<i>6,946</i>
FY2014 Enacted	\$393,736

Department of Revenue

Expenditures by Program	FY2012	FY2013	FY2013	Change from		FY2014	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Director of Revenue	\$0.8	\$0.8	\$0.9	\$0.1	13.8%	\$1.2	\$0.4	56.1%
Lottery Division	244.4	232.7	238.2	5.4	2.3%	245.5	12.7	5.5%
Municipal Finance	3.0	2.6	2.4	-0.2	-7.1%	2.4	(0.2)	-8.3%
Office of Revenue Analysis	0.4	0.5	0.5	-0.1	-12.7%	0.5	(0.0)	-1.8%
Registry of Motor Vehicles	18.2	19.7	19.8	0.1	0.6%	20.8	1.1	5.7%
State Aid	58.0	56.0	58.1	2.0	3.5%	61.9	5.9	10.5%
Taxation	20.4	21.1	20.8	-0.3	-1.6%	21.1	(0.0)	-0.1%
Total	\$345.2	\$333.5	\$340.6	\$7.1	2.1%	\$353.4	\$19.9	6.0%
Expenditures by Source								
General Revenue	\$95.7	\$95.3	\$96.5	\$1.1	0.0	\$102.0	\$6.7	7.0%
Federal Funds	1.5	2.5	2.9	0.4	18.2%	3.0	0.6	24.4%
Restricted Receipts	2.0	1.8	1.8	(0.0)	-1.3%	1.8	(0.0)	-1.3%
Other Funds	246.0	233.9	239.4	5.6	0.0	246.6	12.7	5.4%
Total	\$345.2	\$333.5	\$340.6	\$7.1	2.1%	\$353.4	\$19.9	6.0%
Authorized FTE Level	449.0	458.0	489.0	31.0	6.7%	492.0	34.0	7.4%

\$ 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 FY2014

The FY2014 Budget as Enacted increases general revenue expenditures to \$102.0 million, an increase of \$6.7 million over the FY2013 Budget as Enacted. An increase of \$19.9 million in all funds is partially due to an increase state aid to the municipalities under the Municipal Incentive Aid program and Payment In Lieu of Taxes (PILOT) program. Proposed by the Governor, Municipal Incentive Aid is designed to help stabilize locally-administered pension obligations through incentive payments made to communities that meet program objectives over three years.

In an effort to meet budget reduction targets, the Budget eliminates the requirement that drivers file accident reports with the Division of Motor Vehicles and postpones issuance of new, fully-reflective license plates until September 1, 2015.

The Division of Taxation will assign 2.0 FTE positions as part of a reorganization to create a Special Investigations Unit which would investigate and prosecute tax fraud as warranted.

The Division of Lottery, funded through Lottery receipts, requested \$4.7 million in additional funding to implement table gaming security, compliance and monitoring at Twin River. Voters approved a referendum in November 2012 that authorized table gaming at the facility. The funds are for 31.0 FTE Lottery personnel and reimbursement for 8.0 State Police FTE positions, as well as expenses to operate and regulate the facility. The Division began table gaming at the Twin River Casino on July 1, 2013.

DIRECTOR OF REVENUE

The Office of the Director is responsible for the administration of the Department. Functions include personnel management and legal support for the Department of Revenue. The Budget includes 7.1 FTE positions in FY2013 and 8.3 FTE positions in FY2014 for the program, an increase in 1.2 FTE positions from FY2013.

Director of Revenue	General Revenue
FY2013 Enacted	\$783,388
<i>Target and Other Adjustments</i>	
Personnel	142,989
FY2014 Enacted	\$1,222,847

Personnel **\$296,470**

The Governor recommended an increase of \$296,470 for personnel costs in the Director's Office, which includes funding for 1.0 new FTE position (Senior Internal Auditor and Chief Financial Officer). The Department requested funding for 40.0 percent of the cost of the Chief Financial Officer, currently shared with the Department of Administration. The Budget includes full funding of this FTE position to serve the Department exclusively.

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 Budget includes 4.0 FTE positions in FY2013 and FY2014 for the program, consistent with the FY2013 Budget as Enacted.

Office of Revenue Analysis	General Revenue
FY2013 Enacted	\$538,285
<i>Target and Other Adjustments</i>	
Contract Services	20,436
FY2014 Enacted	(\$30,000)

Contract Services **(\$30,000)**

The Governor recommended a \$30,000 reduction in contract service funding for the Office in FY2014. The Office will forgo an update to the Rhode Island Sales and Use Tax Simulation Model, which is used to forecast tax policy changes. The Department has indicated that eliminating this model update is consistent with the biennial updating process of their tax simulation model. The Budget includes this reduction.

LOTTERY DIVISION

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

The Budget includes the Governor's recommendation to add 31.0 FTE positions in FY2013 to operate and regulate table gaming at Twin River. These additional FTE positions will increase the Lottery Division's staffing from 53.7 to 84.7 FTE positions.

Lottery Division	Other Funds
FY2013 Enacted	\$232,744,968
<i>Target and Other Adjustments</i>	<i>12,515,155</i>
State Police Operating Transfer	1,191,735
Net Terminal Income - State Share	(1,000,000)
FY2014 Enacted	\$245,451,858

State Police Operating Transfer (other funds) **\$1.2 million**

The Budget includes funding of \$1.2 million for 8.0 FTE troopers assigned to the Lottery Division, including six police detectives, one sergeant, and one lieutenant. The services of the State Police troopers are billed through an operating transfer.

Net Terminal Income – State Share (other funds) **(\$1.0 million)**

The General Assembly enhanced the share of video lottery terminal proceeds for the Newport Grand casino for revenues gained during the operation of the facility. The General Assembly extended a 2.0 percent enhanced share increase to aid in operations of the casino in both FY2014 and again in FY2015. The Budget reduces \$1.0 million for the FY2014 enhanced share.

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. Both the City of Woonsocket and the City of East Providence have budget commissions.

The Budget includes 17.0 FTE positions in FY2013 and FY2014, which is 1.0 FTE above the FY2013 enacted level. The Budget includes this 1.0 FTE for a staffing change to assist with the Government Oversight unit by shifting one vacant and unfunded FTE position from the Division of Motor Vehicles to the Division of Municipal Finance in order to hire a Human Resource Coordinator.

Municipal Finance	General Revenue
FY2013 Enacted	\$2,564,780
<i>Target and Other Adjustments</i>	<i>(33,576)</i>
Personnel	119,969
Central Falls Receivership Legal Expenses	(300,000)
FY2014 Enacted	\$2,351,173

Personnel **\$119,969**

The Governor recommends a \$119,969 increase in general revenue funding for personnel expenditures. This increase is due, in part, for 1.0 FTE Human Resource Coordinator for the Government Oversight unit that will assist with human resource issues in communities that are being monitored by the State under the Fiscal Stability Act.

Central Falls Contract Services **(\$300,000)**

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.” Central Falls moved out of bankruptcy and the receivership officially ended on April 15, 2013. The Budget includes a \$300,000 reduction in general revenue associated with reduced legal expenses for the Central Falls Receivership.

DIVISION OF TAXATION

The Division of Taxation assesses, collects and enforces the State’s tax laws. It is responsible for promulgating rules and regulations and preparing taxpayer forms and instructions; registering and recording taxpayer accounts; assessing and collecting taxes due; and, enforcing non-compliance through audits and liens. The Budget includes funding for 206.0 FTE positions in FY2013 and 208.0 FTE positions in FY2014, with two new positions added to create a Special Investigations Unit to investigate and help prosecute tax laws violations.

Taxation	General Revenue
FY2013 Enacted	\$17,904,225
<i>Target and Other Adjustments</i>	<i>(52,374)</i>
Special Investigations Unit	176,000
FY2014 Enacted	\$18,027,851

Special Investigations Unit **\$176,000**

The Budget includes the creation of a Special Investigations unit consisting of 2.0 FTE positions (Chief of Special Investigations and Revenue Agent I) to investigate and prosecute tax law violations. The Department estimates that this unit could increase revenue by \$2.1 million.

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 opened on May 21, 2012. Additionally, AAA offers some license and registration DMV services at select branch locations. Article 6 of the FY2014 Budget as Enacted amended State law to require the Division of Motor Vehicles to issue new license plates for all passenger vehicles by September 1, 2015. The Budget includes 172.0 FTE positions in FY2012 and FY2013 for the program, a 14.5 FTE position increase from the FY2012 Budget as Enacted.

Division of Motor Vehicles	General Revenue
FY2013 Enacted	\$18,475,667
<i>Target and Other Adjustments</i>	<i>(141,246)</i>
Validation Stickers	280,500
License Plate Reissuance	Informational
Rhode Island Motor Vehicle System (RIMS)	Informational
FY2014 Enacted	\$18,895,421

Validation Stickers **\$280,500**

The Governor proposed eliminating the requirement that the Division of Motor Vehicles issue license plate registration validation stickers, saving \$280,500 in FY2014. The General Assembly did not concur with the proposal and replaces \$280,000 of general revenue funding.

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. Funding for the plate reissuance is not included in the FY2014 Budget as legislation extended the required full reissuance to begin in FY2015.

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). 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 FY2013, 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 indicated that the system is scheduled to be online in May 2014.

STATE AID

The budget for the Department of Revenue includes funding for a number of State Aid payments that were previously budgeted (2012) in the Department of Administration. No FTE positions are associated with the program.

State Aid	General Revenue
FY2013 Enacted	\$55,075,899
<i>Target and Other Adjustments</i>	
Municipal Incentive Aid	5,000,000
PILOT	2,000,000
Property Revaluation Program	(1,094,417)
FY2014 Governor	\$60,981,482

Municipal Incentive Aid**\$5.0 million**

The General Assembly concurs with the Governor's FY2014 Budget proposal to create a Municipal Incentive Aid Program. For FY2014, The Governor proposed \$10.0 million for the program to be appropriated and distributed to municipalities that comply with certain requirements and provisions. Article 11 of the FY2014 Budget as Enacted also states that an appropriation of \$10.0 million will be requested for the program in FY2015 and FY2016. By providing additional state aid, this article intends to encourage municipalities to improve the sustainability of their retirement plans and to reduce unfunded

liabilities. However, there is no requirement that the additional state aid be spent for this purpose. The General Assembly accepted the program but funded the first year of this program at \$5.0 million.

Payment in Lieu of Taxes (PILOT)

\$2.0 million

The FY2013 and FY2014 budget proposal includes \$35.1 million in general revenue to fund the Payment in Lieu of Taxes (PILOT) program. This is an increase of \$2.0 million over the FY2013 Budget as Enacted. This program reimburses cities and towns for property taxes that would have been due on real property owned by nonprofit higher education institutions and nonprofit hospitals if they were subject to taxation. The objective is to offset the costs to the community of providing public safety and other municipal services to the properties and facilities covered by the statute. Full funding for this program at the current law rate of 27.0 percent reimbursement would require \$43.0 million in FY2014. The Budget amount is \$7.9 million less than the current law level, and equates to 22.0 percent reimbursement.

Property Revaluation Program

(\$1.1 million)

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. For FY2013, the Revised Budget includes \$1.6 million for property revaluation reimbursement, the same amount as the FY2013 Budget as Enacted.

The General Assembly recommends funding of \$516,615 for the Property Revaluation program in FY2014, a decrease of \$1.1 million based on anticipated reimbursements. The following communities will be performing statistical updates in FY2014: Bristol, Coventry, Gloucester, Portsmouth, Richmond, and West Greenwich.

Property Revaluation Reimbursement		
Fiscal Year	State Reimbursement	% Change
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	0.9	25.3%
2013	1.6	79.0%
2014	0.5	-69.0%

\$ in millions.

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

Legislature

Expenditures by Program	FY2012	FY2013	FY2013	Change from		FY2014	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
General Assembly	\$5.9	\$5.1	\$6.7	\$1.6	31.1%	\$5.3	\$0.2	3.8%
Fiscal Advisory Staff	1.4	1.7	1.7	0.0	0.2%	1.7	0.03	1.9%
Legislative Council	4.1	5.1	4.6	(0.5)	-9.9%	4.5	(0.5)	-10.6%
Joint Comm. on Legislative Services	19.2	21.6	23.8	2.2	9.2%	20.9	(0.7)	-3.4%
Auditor General	4.7	5.3	5.1	(0.3)	-5.0%	5.3	(0.0)	-0.3%
Special Legislative Commissions	0.0	0.0	0.0	-	0.0%	0.0	-	0.0%
Total	\$35.3	\$38.8	\$41.9	\$3.1	7.3%	\$37.8	(\$1.1)	-2.7%
Expenditures By Source								
General Revenue	\$33.7	\$37.2	\$40.4	\$3.2	8.5%	\$36.2	(\$1.0)	-2.8%
Restricted Receipts	1.6	1.6	1.5	(0.1)	-6.2%	1.6	(0.02)	-1.4%
Total	\$35.3	\$38.8	\$41.9	\$3.1	7.9%	\$37.8	(\$1.1)	-2.7%
Authorized FTE Levels	298.5	298.5	298.5	-	-	298.5	-	-

\$ 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 FY2014

The Budget includes \$37.8 million for the General Assembly, including \$36.2 million in general revenues and \$1.6 million in restricted receipts. The FY2014 budget funds 298.5 FTE positions, consistent with FY2013.

Lieutenant Governor

Expenditures by Program	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted		FY2014 Enacted	Change from Enacted	
Lt. Governor's Office - General	\$1,068,715	\$1,092,692	\$1,738,416	\$645,724	59.1%	\$2,095,378	\$1,002,686	91.8%
Expenditures by Source								
General Revenue	\$948,391	\$962,955	\$945,311	(\$17,644)	-1.8%	\$986,890	\$23,935	2.5%
Federal Funds	120,324	129,737	793,105	663,368	511.3%	1,108,488	978,751	754.4%
Total	\$1,068,715	\$1,092,692	\$1,738,416	\$645,724	59.1%	\$2,095,378	\$1,002,686	91.8%
Authorized FTE Levels	8.0	8.0	8.0	-	-	8.0	-	-

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

The Office of the Lieutenant Governor is one of the five general offices subject to voter election under the Constitution of Rhode Island. The Lieutenant Governor fulfills the executive responsibilities of the Governor upon his/her death, resignation, impeachment or inability to serve. The Lieutenant Governor also chairs and serves on various commissions and advisory boards, and the Office initiates legislation and assumes advocacy and leadership roles in a number of policy areas. The Lieutenant Governor was appointed by the Governor to Chair the Rhode Island Healthcare Reform Commission. The Budget includes 8.0 FTE positions for FY2013 and FY2014.

MAJOR ISSUES AND TRENDS FOR FY2014

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.

For FY2014, the Budget allocates \$986,890 in general revenue funds, an increase of \$23,935 from the FY2013 enacted level, for personnel costs due to employee step increases and retirement contributions.

Office of the Lieutenant Governor	General Revenue
FY2013 Enacted	\$962,955
<i>Target and Other Adjustments</i>	23,935
FY2014 Enacted	\$986,890

Grant Adjustment	Other Funds Changes
State Innovation Model Grant	\$969,380
State Innovation Model Grant (federal funds)	\$969,380

The Office of the Lieutenant Governor was awarded a \$1.6 million State Innovation Model grant, a CMMI Innovation Grant focused on healthcare payment and delivery system reform. Work from this grant began on April 1, 2013, with \$661,666 spent in FY2013. The Office will utilize the balance of \$969,380 in FY2014.

Office of the Secretary of State

Expenditures by Program	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted		FY2014 Enacted	Change from Enacted	
Administration	1.9	1.9	2.0	0.1	4.7%	2.1	17.1%	9.0%
Corporations	2.1	2.1	2.1	0.0	0.9%	2.2	8.4%	4.0%
State Archives	0.5	0.6	0.6	(0.0)	-2.1%	0.6	-0.3%	-0.5%
Elections and Civics	1.3	1.9	1.7	(0.2)	-11.0%	1.2	-73.8%	-38.8%
State Library	0.6	0.6	0.6	0.0	0.5%	0.6	1.3%	2.2%
Office of Public Information	0.3	0.4	0.4	0.0	2.6%	0.4	0.7%	2.0%
Total	6.7	7.4	7.3	(0.1)	-1.4%	7.0	-46.5%	-6.3%
Expenditures by Source								
General Revenue	6.3	6.9	6.8	(0.1)	-1.2%	6.5	-41.5%	-6.0%
Federal Funds	0.1	-	0.0	-	-	-	-	-
Restricted Receipts	0.4	0.5	0.5	(0.0)	-4.6%	0.5	-5.0%	-9.9%
Total	6.7	7.4	7.3	(0.1)	-1.4%	7.0	-46.5%	-6.3%
Authorized FTE Levels	57.0	57.0	57.0	-	-	57.0	-	-

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

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

MAJOR ISSUES AND TRENDS FOR FY2014

The proposed budget for the Secretary of State has no significant new initiatives. The Budget concurred with the Governor's proposal to reduce general revenue funding by \$691,600 to reflect non-recurring November 2012 general election costs, offset by \$325,556 to fill 4.0 vacant FTE positions: 2.0 FTE positions in the Elections and Civics program (1.0 FTE Administrative Assistant, 1.0 FTE Director of Elections), 1.0 FTE Administrative Assistant in the Corporations division, and 1.0 FTE Executive Assistant in the Administration division. The Budget includes 57.0 FTE positions, consistent with the enacted level, in both FY2013 and FY2014 and includes \$100,000 in turnover savings as the Director of Elections position is unlikely to be filled in FY2014. The Office has averaged 2.5 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 Budget includes 14.3 FTE positions in both FY2013 and FY2014 for the program.

Administration	General Revenue
FY2013 Enacted	\$1,907,105
Target and Other Adjustments	171,437
FY2014 Enacted	\$2,078,542

CORPORATIONS

The Corporations Division is the official State repository for business and commercial records, and maintains a searchable database that includes articles of incorporation and entity annual reports. The Division also houses the First Stop Information Center, a referral service for existing and potential small business owners; the Uniform Commercial Code Unit for tangible property lien tracking; and a Notary and Trademark application program. The Division also manages an online master permit application system (Quick Start) for small business start-ups. The Budget includes 20.4 FTE positions in both FY2013 and FY2014 for the Division, consistent with the FY2013 Budget as Enacted.

Corporations	General Revenue
FY2013 Enacted	\$2,068,731
<i>Target and Other Adjustments</i>	<i>83,693</i>
FY2014 Enacted	\$2,152,424

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 (77.4 percent in FY2014) with the Historical Records Trust restricted receipt account. The Budget includes a staffing level of 3.4 FTE positions in both FY2013 and FY2014 for the Division, consistent with the FY2013 Budget as Enacted.

State Archives	General Revenue
FY2013 Enacted	\$79,385
<i>Target and Other Adjustments</i>	
Historical Records Trust	52,320
FY2014 Enacted	\$131,705

Historical Records Trust **\$52,320**

In FY2014, the State Archives expenditures are expected to exceed Historical Records Trust restricted receipts, which help to fund operating costs. Due to the decline in the account, an increase of \$52,320 in general revenue is recommended to cover the rent for the facility at the State Archives Building on 337 Westminister Street in Providence. The Historical Records Trust account is funded by collecting a fee from municipalities to provide aid, advice, and assistance to local governments concerning the proper management and preservation of the public records in their custody or care.

STATE LIBRARY

The State Library provides reference and research services about law, legislation, rules and regulations, government reports, and state history. The Library is an official Federal Government Publications Depository and State Publications Clearinghouse. The Budget includes 4.0 FTE positions in both FY2013 and FY2014 for the Library, consistent with the FY2013 Budget as Enacted.

State Library	General Revenue
FY2013 Enacted	\$598,381
<i>Target and Other Adjustments</i>	<i>12,937</i>
FY2014 Enacted	\$611,318

ELECTIONS AND CIVICS

The Elections Division promotes voter registration and turnout; maintains the State's central voter registration system; publishes guides and handbooks; explains how to run for office and how to register and vote; and provides descriptions of state referenda questions. The Division is charged with developing, printing, and distributing ballots, including candidate certification. Increases in operating supplies and expenses, primarily printing, postage and postal services, are expected during a general election year. The Budget includes a staffing level of 7.0 FTE positions in both FY2013 and FY2014 for the Division, consistent with the FY2013 Budget as Enacted.

Elections & Civics	General Revenue
FY2013 Enacted	\$1,900,552
<i>Target and Other Adjustments</i>	53,869
Non-recurring Elections Costs	(691,600)
Personnel	(100,000)
FY2014 Enacted	\$1,162,821

Non-recurring Election Costs **(\$691,600)**

The Budget includes the Governor's recommendation to decrease general revenue by \$691,600 for FY2014 in the Elections Division for the following non-recurring expenses related to the November 2012 (FY2013) general election:

Non-recurring Elections Costs	FY2013
Ballot Printing	541,500
Legal Expenses	50,000
Interpreter Expenses	5,000
Postage	95,100
Total	691,600

Personnel **(\$100,000)**

The Budget reflects \$100,000 in personnel savings in the Elections and Civics program to reflect anticipated turnover.

OFFICE OF PUBLIC INFORMATION

The Office of Public Information is designed to make government more open and accessible. State law requires many documents to be filed with the Office, including lobbying disclosures, public meeting notices and minutes, disclosure of state government consultants, and appointments to boards and commissions. The Budget includes 3.0 FTE positions in both FY2013 and FY2014 for the Office, consistent with the FY2013 Budget as Enacted.

Office of Public Information	General Revenue
FY2013 Enacted	\$358,884
<i>Target and Other Adjustments</i>	2,139
State House Visitor's Center & Gift Shop	Informational
FY2014 Enacted	\$361,023

State House Visitor's Center & Gift Shop (other funds) **Informational**

In 2012, the Governor signed into law the establishment of a visitor's center in the State House, also authorizing the Secretary of State to operate and create a restricted receipt account. The Secretary of State created the account, but did not receive any funds initially. The 2013 General Assembly allocated \$5,000 of general funds to begin the fund. All revenue generated from the visitor center and souvenir shop is

deposited into an approved restricted receipt revolving fund, which is used to defray the cost of visitor center staffing and go toward the purchase of inventory, fixtures and supplies. According to estimates from Secretary of State A. Ralph Mollis, the State House attracts about 10,000 visitors each year. His office, on average, conducts approximately 400 tours annually. The new visitor center will serve as a starting point for those tours, with the prospect of a self-guided tour in the future.

RECORDS CENTER

The Records Center is an internal service program funded with internal service funds: no general revenues fund program activities. Inactive records of state agencies are stored at the State Records Center, administered by the Public Records Administration. Inactive records are records that departments and agencies no longer require immediate access to, but that are not yet eligible for disposal because of administrative, fiscal or legal requirements. Access to these records is provided only through the expressed permission of the originating state agency. The Budget includes 4.9 FTE positions in both FY2013 and FY2014 for the program, consistent with the FY2013 Budget as Enacted.

Office of the General Treasurer

Expenditures by Program	FY2012	FY2013	FY2013	Change from		FY2014	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Crime Victims Compensation Program	\$2.1	\$2.1	\$2.1	\$0.0	0.0%	\$2.1	\$0.0	0.0%
General Treasury	2.8	2.7	3.0	0.3	11.1%	3.0	0.3	11.1%
Employees' Retirement System	7.0	12.0	9.9	(2.1)	-17.5%	11.7	(0.3)	-2.5%
Unclaimed Property	27.8	20.7	30.7	10.0	48.3%	18.6	(2.1)	-10.1%
Total	\$39.7	\$37.5	\$45.7	\$8.2	21.9%	\$35.4	(\$2.1)	-5.6%
Expenditures by Source								
General Revenue	\$2.5	\$2.5	\$2.8	\$0.3	12.0%	\$2.7	\$0.2	8.0%
Federal Funds	1.2	1.1	1.1	-	0.0%	1.1	-	0.0%
Restricted Receipts	35.8	33.6	41.6	8.0	23.8%	31.4	(2.2)	-6.5%
Other Funds	0.2	0.3	0.2	(0.1)	-33.3%	0.2	(0.1)	-33.3%
Total	\$39.7	\$37.5	\$45.7	\$8.2	21.9%	\$35.4	(\$2.1)	13.3%
Authorized FTE Levels	82.0	82.0	82.0	-	0.0	83.0	1.0	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 FY2014

The General Treasurer operations, excluding the State House office, are located at the state-owned building at 50 Service Road, Warwick. The major project underway in Treasury is the replacement of the Retirement System's antiquated Anchor computer system. During 2012, Treasury issued a request for proposal (RFP) to replace the computer system. There were three responses to the RFP; Morneau Shepell, Ltd., ACS/Xerox, and Mercer. In December 2012, staff from Treasury informed the State Retirement Board that Morneau Shepell, Ltd. was selected to replace the Retirement System's Anchor computer system. Treasury projects that the change in computer systems will take two years to complete. The approximate contract and equipment costs are projected to be \$20.0 million and will be paid over a 10-year period.

GENERAL TREASURY

The General Treasury program provides administrative support to the entire agency to ensure operational efficiency and fiscal integrity. The Budget provides a staffing level of 21.0 FTE positions in FY2013 and 20.9 in FY2014. The reduction is an adjustment to the internal FTE cost allocation amongst Treasury programs.

General Treasury	General Revenue
FY2013 Enacted	\$2,096,374
<i>Target and Other Adjustments</i>	74,820
Bank Fees	300,000
FY2014 Enacted	\$2,471,194
Bank Fees	\$300,000

The House increases general revenue funding within the Office of the General Treasurer by \$300,000 for bank fees incurred by the Office of the General Treasurer for short-term investment of State funds.

Currently, these fees are deducted from the departmental receipt account for interest earnings. This deduction from interest earnings masks the actual banking costs of the investment accounts. The State Auditor General recommended to the General Treasurer that the bank fees should be stated within a separate expenditure account to create better transparency of the actual costs. Because the fees will not be deducted from the interest earnings, creating the separate expenditure account will increase the amount of the reported interest earnings by the same amount.

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 Budget provides a staffing level of 46.7 FTE positions in FY2013 and 47.9 FTE positions in FY2014.

Employees' Retirement System	General Revenue
FY2013 Enacted	\$311,760
<i>Target and Other Adjustments</i>	
Defined Contribution Plan - Administration Costs	(311,760)
FY2014 Enacted	\$0
Defined Contribution Plan Funding	(\$311,760)

The FY2013 Budget as Enacted included a one-time appropriation of \$311,760 in general revenues for expenses associated with the administration of the newly established 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). The general revenue appropriation was required because the DC Plan would not collect sufficient receipts during the first year to fund the plan's administration. The DC Plan is fully funded through plan receipts and further general revenues are not required in FY2014.

Employees' Retirement System	Other Fund Changes
FY2013 Enacted	\$11,712,291
<i>Target and Other Adjustments</i>	
Personnel	273,752
Actuarial and Legal Services	285,022
Information Technology	245,000
New Computer System	150,000
	(1,000,000)
FY2014 Enacted	\$11,666,065
Personnel (restricted receipts)	\$285,022

The Budget includes \$285,022 for personnel expenses within the State Retirement System. This includes approximately \$179,290 for two Senior Accountant positions and \$105,732 for an additional Legal Counsel position. The two Senior Accountant positions are added to enhance the regular financial control and reporting requirements and are included per recommendations made by the State Auditor General. The additional Legal Counsel position will assist with the legal review and compliance issues in the Defined Benefit Program.

Actuarial and Legal Services (restricted receipts) \$245,000

The FY2013 Budget as Enacted included \$320,000 for actuarial services and \$235,000 for special legal services regarding litigation associated with the recent pension reform. The Budget anticipates that

actuarial and litigation costs associated with the recent legislative changes to the state retirement system, could be higher in FY2014 and includes \$500,000 for actuarial services and \$300,000 for legal service costs. This provides an additional \$180,000 for actuarial services and \$65,000 for legal services.

Information Technology (restricted receipts) **\$150,000**

The Budget includes \$150,000 for information technology consultant services to assist Treasury in the upgrade of the current Anchor computer system to a new system.

New Computer System (restricted receipts) **(\$1.0 million)**

The Budget includes \$3.0 million in restricted receipt expenditures in the FY2014 Budget to replace the 10-year-old state retirement computer system. This is \$1.0 million less than the amount appropriated in the FY2013 Budget as Enacted, reflecting a lower anticipated expenditure in FY2014. 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.

UNCLAIMED PROPERTY

The Unclaimed Property program is responsible for collecting abandoned property and acts as custodian for both tangible and intangible property. The mission of the program is to return the abandoned property to its rightful owners. The Budget provides a staffing level of 10.2 FTE positions in FY2013 and 10.0 FTE positions in FY2014, reflecting a change in the internal FTE cost allocation among Treasury programs.

Unclaimed Property	Other Fund Changes
FY2013 Enacted	\$20,733,930
<i>Target and Other Adjustments</i>	
Auditor Fees	30,784
November 2012 Revenue Estimating Conference Adjustments	(286,060)
FY2014 Enacted	(\$1,919,562)
	\$18,559,092

Auditor Fees (restricted receipts) **(\$286,060)**

The Budget reduces audit costs \$286,060 in other funds. Treasury uses audit firms to recover unclaimed property from businesses, insurance companies and financial institutions. The audit fees are charged as a rate of \$0.11 to \$0.13 per dollar value of identified unclaimed property remitted to the State. The FY2013 Budget as Enacted included \$586,060 for the payment of audit fees. Based on testimony received at the November 2012 Revenue Estimating Conference, Treasury indicated that the audit fees are projected to decline to \$300,000 for FY2014, reflecting an audit fee rate closer to the five year average.

November 2012 Revenue Estimating Conference Adjustments (restricted receipts) **(\$1.9 million)**

The Budget decreases Unclaimed Property \$1.9 million based on the November 2012 Revenue Estimating Conference recommendation. The Conference adjusted the projected revenue collections and expenditures to the Unclaimed Property Program impacting claim payments, change in liability and the surplus transfer to the General Fund. Based on the Conference projections, the transfer to the General Fund increases \$1.7 million, claim payouts decrease \$5.0 million, and the change in liability (the amount required by general accounting rules that the fund must carry forward to the next fiscal year for claim payouts) increases \$1.3 million, resulting in a net decrease of \$1.9 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 Budget provides a staffing level of 4.1 FTE positions in FY2013 and 4.2 FTE positions in FY2014, reflecting a change in the internal FTE cost allocation among Treasury programs.

Crime Victims Compensation	General Revenue
FY2013 Enacted	\$133,981
<i>Target and Other Adjustments</i>	4,517
Crime Victims - Personnel	45,000
FY2014 Enacted	\$183,498

Crime Victims Compensation	Other Funds Changes
FY2013 Enacted	\$2,015,543
<i>Target adjustments and statewide changes</i>	(3,481)
Crime Victims - Personnel	(46,472)
FY2014 Enacted	\$1,965,590

Personnel **\$45,000**

The program has maximized its full potential of deriving administrative costs from federal sources and from court ordered restricted receipts. The Budget adds \$45,000 for personnel expenses in the FY2014 budget, to compensate for a similar reduction in other funds.

Board of Elections

Expenditures by Program	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted		FY2014 Enacted	Change from Enacted	
Board of Elections	\$1.7	\$2.0	\$1.9	(\$0.1)	-5.0%	\$1.7	(\$0.3)	-15.0%
Expenditures by Source								
General Revenue	\$1.6	\$2.0	\$1.9	(\$0.1)	-5.3%	\$1.7	(\$0.3)	-15.0%
Federal Funds	0.1	-	-	-	-	-	-	-
Total	\$1.7	\$2.0	\$1.9	(\$0.1)	-5.0%	\$1.7	(\$0.3)	-15.0%
Authorized FTE Levels	11.0	11.0	11.0	-	0.0%	11.0	-	-

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 FY2014

The Budget provides a total appropriation of \$1.7 million for FY2014, which is \$212,755 less than funding appropriated in the FY2013 Budget as Enacted. The Governor recommends 11.0 FTE positions in FY2013 and FY2014, consistent with the enacted level.

Board of Elections	General Revenue
FY2013 Enacted	\$1,952,116
<i>Target and Other Adjustments</i>	6,245
General Election Adjustments	(369,000)
Information Technology Programs	150,000
FY2014 Enacted	\$1,739,361

General Election Adjustments **(\$369,000)**

The Budget reduces general revenue expenditures by \$369,000 from the previous year. The reduction reflects personnel, purchased services, and operating expenditures that are not required in FY2014, as it is not a General Election year. The reduction includes \$120,000 for seasonal employees who perform the election work, \$50,000 to print election and voter registration-related material, \$120,000 to transport the election equipment to and from polling stations, \$60,000 in legal expenses, and \$19,000 in other costs.

Information Technology Programming **\$150,000**

Public Law 2012 Chapter 446 (House Bill 2012-7859 Sub B) requires the Board of Elections to accept electronic filings from persons, business entities and political action committees, who provide an independent expenditure, election communications, or fund transfers in the aggregate exceeding \$1,000 be able to file an electronic campaign finance report with the Board. The Budget provides \$150,000 to obtain software programming necessary to implement the new campaign reporting statute requirements.

CAPITAL PROJECTS

The capital budget includes \$1.3 million in Rhode Island Capital Plan (RICAP) funds in FY2014, to make HVAC mechanical repairs, upgrade the electrical system, and to install security cameras. The Board of Elections is located at 50 Branch Avenue in Providence.

Ethics Commission

Expenditures by Program	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted		FY2014 Enacted	Change from Enacted	
RI Ethics Commission	\$1.4	\$1.6	\$1.5	(\$0.1)	-6.3%	\$1.6	\$0.0	0.0%
Expenditures by Source								
General Revenue	\$1.4	\$1.6	\$1.5	(\$0.1)	-6.3%	\$1.6	\$0.0	0.0%
Authorized FTE Levels	12.0	12.0	12.0	-	0.0%	12.0	-	0.0%

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

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

MAJOR ISSUES AND TRENDS FOR FY2014

The Budget includes \$1.6 million for FY2014, which essentially provides level funding from the FY2013 Budget as Enacted. The Budget provides 12.0 FTE positions in FY2013 and FY2014, consistent with the enacted level. The Commission's office is located at 40 Fountain Street in the City of Providence. The lease was renewed on April 30, 2011 and expires on November 30, 2021. The lease expense for FY2013 and FY2014 is \$107,000 per year.

Ethics Commission	General Revenue
FY2013 Enacted	\$1,557,881
<i>Target and Other Adjustments</i>	19,323
FY2014 Enacted	\$1,577,204

Office of the Governor

Expenditures by Program	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted	FY2014 Enacted	Change from Enacted
Central Management	\$4.1	\$4.4	\$4.3	(0.1) -2.1%	\$4.4	\$0.0 0.6%
Office of Economic Recovery and Reinvest	0.6	-	-	- -	-	- -
Rhode Island Health Benefits Exchange	-	22.2	-	(22.2) -100.0%	-	(22.2) -100.0%
Total	\$4.6	26.6	4.3	(22.3) -514.6%	\$4.4	(\$22.1) -83.3%

Expenditures by Source	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted	FY2014 Enacted	Change from Enacted
General Revenue	\$4.1	\$4.4	\$4.3	(\$0.1) -2.1%	\$4.4	\$0.0 0.6%
Federal Funds	(0.0)	22.2	-	(22.2) -100.0%	-	(22.2) -100.0%
Restricted Receipts	0.6	-	-	- -	-	- -
Total	\$4.6	\$26.6	\$4.3	(\$22.3) -83.7%	\$4.4	(\$22.1) -83.3%

Authorized FTE Levels	45.0	45.0	45.0	-	-	45.0	-	-
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\$ 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. The FY2013 Budget as Enacted included funding for the Rhode Island Health Benefits Exchange program in the Office, however, the FY2014 Budget as Enacted moved the program under the Department of Administration. The Governor signed Executive Order 11-09 creating the Exchange on September 19, 2011.

MAJOR ISSUES AND TRENDS FOR FY2014

In FY2014, the budget for the Office of the Governor is \$4.5 million, all in general revenue. The budget recommends 45.0 FTE positions in both FY2013 and FY2014. One noticeable change is the move of the Health Benefits Exchange program to the Department of Administration.

Office of the Governor	General Revenue
FY2013 Enacted	\$4,418,290
<i>Target and Other Adjustments</i>	25,223
Personnel	<i>Informational</i>
FY2014 Enacted	\$4,443,513

Personnel **Informational**

The Office has averaged 6.3 vacant FTE positions for FY2013, equivalent to 14.0 percent of the Office's FTE positions. The average cost per FTE position is \$92,340 for FY2013.

Office of the Governor	Other Funds Changes
Rhode Island Health Benefits Exchange (Federal Funds)	(\$22,163,245)
Rhode Island Health Benefits Exchange (federal funds)	(\$22.2 million)

The Governor created the Rhode Island Health Benefits Exchange as a program of the Office beginning in the FY2012 Supplemental Budget proposal. The \$22.2 million reduction reflects the Governor's proposal to reassign the program to the Department of Administration.

Rhode Island Commission for Human Rights

Expenditures by Program	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted		FY2014 Enacted	Change from Enacted	
Commission for Human Rights	\$1.4	\$1.4	\$1.4	\$0.0	0.0%	\$1.5	\$0.1	7.1%
Expenditures by Source								
General Revenue	\$1.1	\$1.1	\$1.1	\$0.0	0.0%	\$1.2	\$0.1	9.1%
Federal Funds	0.3	0.3	0.3	-	0.0%	0.3	-	0.0%
Total	\$1.4	\$1.4	\$1.4	\$0.0	0.0%	\$1.5	\$0.1	7.1%
Authorized FTE Levels	14.5	14.5	14.5	-	0.0%	14.5	-	0.0%

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

MAJOR ISSUES AND TRENDS FOR FY2014

The Commission receives a \$650 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 Department of Housing and Urban Development (HUD). The Commission receives on average approximately 400 cases per year and projects an average number of processed cases to be the same each year. It takes the Commission, on average, 365 days to process a case. Annual federal receipts are used to estimate the following federal fiscal year appropriation to the Commission. When fewer EEOC or HUD cases are processed, the Commission receives a lower federal reimbursement, resulting in the need to appropriate additional general revenues to cover annual operating costs.

The Budget maintains 14.5 FTE positions in FY2013 and in FY2014, consistent with the enacted level, including keeping a Senior Compliance Officer (0.5 FTE position) vacant in FY2013 and in FY2014, which has been vacant since August 2009. The annualized savings of the vacant position is approximately \$20,859 in general revenue for FY2014. Other than the statewide target adjustments and FTE vacancy issue, the Budget includes no significant changes to the Commission's budget request.

Federal Sequester

Approximately 21.0 percent of the Commission's annual budget for FY2014 relies on federal funds. In addition, a significant portion of the Commission 14.5 FTE positions are fully funded by federal receipts. The Budget assumes the Commission will receive \$308,638 in federal funds in FY2014. A 9.0 to 10.0 percent sequester decrease would reduce the Commission's federal receipts \$27,777 to \$30,863. According to the Commission if this loss is realized, the Commission would be forced to reduce its staff by at least 0.5 FTE investigative position. Such a reduction could diminish the Commission's ability to conduct efficient and thorough investigations of charges of discrimination, and could extend the processing time of cases before the Commission.

RI Commission for Human Rights	General Revenue
FY2013 Enacted	\$1,137,768
<i>Target and Other Adjustments</i>	<i>13,017</i>
FY2014 Enacted	\$1,150,785

Public Utilities Commission

Expenditures by Program	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted		FY2014 Enacted	Change from Enacted	
Public Utilities Commission	\$6.3	\$8.2	\$8.5	\$0.3	3.7%	\$8.4	\$0.2	2.4%
Expenditures by Source								
Federal Funds	0.3	0.3	0.4	0.1	33.3%	0.2	(0.1)	-33.3%
Restricted Receipts	6.0	7.9	8.1	0.2	2.5%	8.2	0.3	3.8%
Total	\$6.3	\$8.2	\$8.5	\$0.3	3.7%	\$8.4	\$0.2	2.4%
Authorized FTE Levels	46.0	47.0	48.0	1.0	0.02	49.0	2.0	4.3%

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. The Division carries out laws relating to public utilities and carriers, and 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 FY2014

The Budget includes a total operating budget of \$8.4 million, including \$8.2 million in restricted receipts and \$166,818 in federal funds. The agency does not receive any general revenue funding. The Budget as Enacted represents an increase of \$173,585 (2.1 percent) over the FY2013 Budget as Enacted. The Budget includes a staffing level of 48.0 FTE positions in FY2013 and 49.0 FTE positions in FY2014 for this agency.

Investigative Auditor and Consumer Agent Positions (restricted receipts) \$177,332

The Budget adds 1.0 FTE Investigative Auditor position as requested by the PUC. The position would augment the other Investigative Auditor position within the Division of Public Utilities and Carriers to address audit and accounting backlogs. The Budget also includes an increase of 1.0 FTE Consumer Agent position for the Commission to address the backlog of cases within the Consumer Section related to an increase in consumer billing issues, service quality, and utility termination proceedings. Funding for the positions is financed by assessments on all 66 utility companies doing business in Rhode Island.

Analyst Note: The proposed Investigative Auditor position is currently filled. Recently, a Budget Analyst was transferred from the Department of Administration to the Commission to fill the position.

Lastly, the Budget shifts 2.0 FTE positions that were formerly funded under the federal American Recovery and Reinvestment Act of 2009 to restricted receipts in FY2014. The positions are a Special Projects Coordinator and a Staff Attorney II. The Governor recommended transitioning these positions to restricted receipt funds to augment the Commission's personnel.

Office of Health and Human Services

Expenditures by Program	FY2012	FY2013	FY2013	Change		FY2014	Change	
	Actual	Enacted	Revised	from Enacted		Enacted	from Enacted	
Central Management	\$17.1	\$101.7	\$105.4	\$3.8	3.7%	\$117.3	\$15.6	15.3%
Medical Assistance	-	1,650.7	1,575.0	(75.7)	-4.6%	1,750.7	100.0	6.1%
Total	\$17.1	\$1,752.4	\$1,680.4	(\$71.9)	-4.1%	\$1,867.9	\$115.6	6.6%
Expenditures by Source								
General Revenue	\$9.7	\$825.1	\$778.9	(\$46.1)	-5.6%	\$843.2	\$18.2	2.2%
Federal Funds	6.5	914.8	888.3	(26.6)	-2.9%	1,014.7	99.9	10.9%
Restricted Receipts	0.9	12.5	13.2	0.8	6.2%	10.0	(2.5)	-19.8%
Total	\$17.1	\$1,752.4	\$1,680.4	(\$71.9)	-4.1%	\$1,867.9	\$115.6	6.6%
Authorized FTE Levels	158.0	168.0	169.0	1.0	0.6%	184.0	16.0	9.5%

\$ 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.

MAJOR ISSUES AND TRENDS FOR FY2014

While overall general revenue medical assistance expenditures increase \$18.2 million or 2.2 percent above the FY2013 enacted levels due to program cost inflation and a lower federal match in FY2014, the Budget also includes \$13.5 million in general revenue savings through a reduction to managed care rates and the suspension of rate increases to nursing homes and hospitals.

Federal funds in support of the medical assistance program increase \$99.9 million in FY2014 due to the implementation of the Patient Protection and Affordable Care Act (ACA). The Budget expands Medicaid eligibility to non-disabled childless adults with incomes up to 133 percent of the federal poverty level (FPL) (\$85.2 million federal funds) and increases Medicaid payments to primary care physicians (\$17.0 million federal funds).

The FY2014 Budget as Enacted expands staff from an enacted level of 168.0 to 184.0 FTE positions, adding 7.0 FTE positions for the Unified Health Infrastructure Project, transferring 5.0 FTE positions from other departments, and adding 4.0 FTE positions for program oversight.

CENTRAL MANAGEMENT

OHHS is responsible for consolidating and coordinating core functions of the four health and human services agencies, including budget, finance, and legal. The Budget includes 184.0 FTE positions for FY2014, an increase of 16.0 FTE positions from an enacted level of 169.0 FTE positions.

Central Management	General Revenue
FY2013 Enacted	\$25,434,668
<i>Target and Other Adjustments</i>	
Unified Health Infrastructure Project (UHIP)	3,567,375
Personnel	1,173,710
Affordable Care Act Savings – Ryan White HIV Care Program	(952,384)
HIV Drug Costs to ADAP Rebate Account	(922,000)
Turnover	(250,000)
Coordinated Health Planning Project	150,000
FY2014 Enacted	\$27,699,190

Unified Health Infrastructure Project (UHIP)**\$3.6 million**

The FY2014 Budget as Enacted funds the Unified Health Infrastructure Project (UHIP) which will integrate the State's human services eligibility and enrollment functions with the State's Health Benefits Exchange. General revenues of \$3.6 million (\$20.3 million all funds) will finance 7.0 FTE positions, contract services, capital purchases and operating costs, with an effective Medicaid matching rate of 82.0 percent.

In order to implement the Affordable Care Act and to simultaneously take advantage of time-limited opportunity for enhanced federal funding to replace InRhodes, the State's current human services eligibility system, the Office of Health and Human Services, Department of Health, Office of the Health Insurance Commissioner, Department of Administration, and the Governor's Office have jointly undertaken the Unified Health Infrastructure Project (UHIP). UHIP is a two-phase, \$151.0 million multi-year, IT project that will support the Affordable Care Act's health insurance marketplace while seamlessly integrating a single electronic eligibility system for all of the State's human service programs. It will allow Rhode Islanders to enroll in public and private health insurance plans and in other state social service programs through a single web portal.

For a further description and analysis of the project, refer to the Special Reports section of this publication.

Personnel**\$1.2 million**

The Budget includes \$1.8 million in new spending for personnel, exclusive of UHIP personnel discussed above. The recommendation includes the transfer of 5.0 finance FTE from other departments and an increase of 4.0 FTE positions for program oversight.

This increase furthers the Office's establishment of itself as the Medicaid single state agency by consolidating senior level finance personnel within the Office. It also allows the Office to fulfill its recently expanded scope, which now includes a number of information technology initiatives including the Data Warehouse and recent enhancements to the Medicaid Management Information Systems (MMIS). Furthermore, it will provide staffing for new initiatives such as the integration of long term care, acute care and primary care within Medicaid managed care.

Affordable Care Act Savings – Ryan White HIV Care Program**(\$952,384)**

Implementation of the Affordable Care Act on January 1, 2014 will allow for full Medicaid coverage for adults without dependent children with incomes up to 133 percent of the FPL. This provides an opportunity for general revenue savings as services within the Ryan White HIV Care Program formerly provided with the regular federal participation of 50.4 percent will now be provided at 100 percent federal participation.

The Ryan White HIV Care Program provides medications, clinical services and supportive services to HIV positive individuals with annual income up to 400 percent of the FPL, or about \$46,000 for a single adult.

HIV Drug Costs to ADAP Rebate Account **(\$922,000)**

The FY2014 Budget as Enacted includes \$922,000 in general revenue savings due to the shift of a portion of the cost for pharmaceuticals for the Ryan White HIV Care Program from general revenue to surplus funds within the restricted receipt rebate account.

Turnover **(\$250,000)**

The Budget includes \$250,000 in general revenue savings from anticipated turnover among the Office's 184.0 FTE positions.

Coordinated Health Planning Project **\$150,000**

The Coordinated Health Planning Project is funded in FY2014 with \$150,000 general revenue to be used to profile the State's behavioral health care capacity, spending and outcomes as well as to quantify and analyze statewide all-payer healthcare spending.

This project, also funded in FY2013, is the work of the Health Care Planning & Accountability Advisory Council, co-chaired by the Secretary of OHHS and the Health Insurance Commissioner. In FY2013, the project analyzed Rhode Island's inpatient hospital service market and reviewed the Certificate of Need and Hospital Conversion Act programs. It found that hospital utilization in the State has been falling at the same time as bed supply has been steady-to-rising and concluded that there is the potential for an excess supply of hospital beds. It also performed a gap analysis of primary care providers in the State and found that primary care physician (PCP) supply is the 8th highest ratio in the nation, 80 PCPs per 100,000 residents.

MEDICAL ASSISTANCE

The Medical Assistance program, transferred from the Department of Human Services in FY2013 to further consolidate 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 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.

Medical Assistance	General Revenue
FY2013 Enacted	\$799,631,035
Caseload Estimating Conference	28,375,999
Assisted Living and Home Care Waiver Services from DHS	5,493,073
Suspension of Hospital Rate Increase	(5,227,786)
Managed Care Rate Reduction	(4,412,717)
Affordable Care Act - Changes to the Medicaid Program	(3,950,808)
Suspension of Nursing Facilities Rate Increase	(3,880,336)
Medicaid Recoveries from Fraud, Waste and Abuse	(500,000)
FY2014 Enacted	\$815,528,460

Caseload Estimating Conference **\$28.4 million**

The May 2013 Caseload Estimating Conference reviewed and revised medical assistance expenditures for FY2014. In comparison to the FY2013 Budget as Enacted, the adopted estimate increased total general

revenue expenditures for FY2014 by \$28.4 million. The CEC estimates human services medical entitlement expenditures in November and May of each year; these adopted expenditure levels determine the budget's appropriation for medical assistance entitlement programs. Conferees include the State Budget Officer, the House Fiscal Advisor, and the Senate Fiscal Advisor.

The increase in general revenue medical assistance expenditures adopted for FY2014 is primarily due to an increase in managed care capitation rates and to higher utilization and cost inflation of nursing home care.

Higher caseload expenditures in FY2014 are also due to a decrease in the Federal Medical Assistance Percentage (FMAP) from 51.5 percent in FY2013 to 50.4 percent in FY2014, which increases the State's share of medical assistance expenses by a total of \$14.4 million across all Medicaid programs. The FMAP represents the federal government's share of Medicaid spending and is determined individually for each state using a formula that compares the state's average per capita income to the national average per capita income using a three year rolling average. States with lower income compared to the national average receive more federal financial participation through a higher FMAP. Rhode Island's FMAP decreased 108 basis points in FY2014, resulting in an increase in the state share of Medicaid spending.

Finally, expenditures increase in FY2014 due to the expiration of enhanced federal funding for a Medicaid health home demonstration project. The FY2013 Budget as Enacted included \$1.7 million general revenue savings from delivery of services to disabled children through the health home model, through which expenditures qualify for eight quarters of 90 percent federal participation. This opportunity, provided through the Affordable Care Act, is set to expire in FY2014, after which program expenditures will be reimbursed by the federal government at the State's regular FMAP.

Integrated Care Initiative

\$5.5 million

The Budget as Enacted transfers the Assisted Living and Homemaker programs of the Department of Human Services' Division of Elderly Affairs to the Office of Health and Human Services' Medical Assistance Program. This transfer is consistent with the FY2014 implementation of the Integrated Care Initiative, which will integrate the care and financing of those eligible for both Medicaid and Medicare.

Service delivery to these individuals known as "duals" and "dually eligibles", are predominately adults with developmental disabilities and the elderly. Their health care is complicated by the existence of two separate sets of complex rules, requirements and payment schemes. This fragmented delivery system is further complicated by cross-incentives between Medicaid (which is cost shared between the State and the federal government) and Medicare (which is entirely federally funded).

The Integrated Care Initiative seeks to transform the delivery system of services to these populations through the purchase of person-centered, comprehensive, coordinated, quality health care and support services, thus achieving better health outcomes and lower costs.

Managed Care Rate Reduction

(\$4.4 million)

Capitated payments made to Medicaid managed care organizations are reduced 2.75 percent in FY2014 for general revenue savings of \$4.4 million (\$8.9 million all funds). These savings will be realized through a reduction in utilization driven by OHHS' continued focus on care management and patient centered medical homes. The rate reduction is made to RItE Care, the managed care plan for parents and children, and to Rhody Health, the managed care plan for adults with developmental disabilities.

Analyst's Note: The Office notes that its managed care rates are set annually and subject to federal review and must be found to be based upon actual cost experience. Utilization in FY2010 and FY2011 trended well below historic norms but more recent cost experience upon which FY2014 rates are set may vary from this trend.

Affordable Care Act – Changes to the Medicaid Program**(\$4.0 million)**

The FY2014 Budget as Enacted shifts coverage for certain low income parents from the State's Medicaid program to subsidized health insurance available through the Health Benefits Exchange (Exchange). Associated savings are achieved through the shift of these parents from the Medicaid program, where costs are shared between the State and the federal government, to the Exchange, where costs are born fully by the federal government. In order to ensure that healthcare is affordable for families, the Budget eliminates premiums for children remaining in the Medicaid program and provides premium assistance to parents purchasing insurance through the Exchange.

The Budget also shifts coverage for some participants in optional, limited Medicaid programs to fuller healthcare coverage through either Medicaid or the Exchange. General revenue savings are achieved through the transition of participants from programs that are 50 percent federally-funded to those that are 100 percent federally-funded. In order to ensure that these participants do not experience any gaps in coverage, the Budget establishes a \$2.0 million transition fund.

ACA - Changes to the Medicaid Program	General Revenue Savings
Families	
Transfer Low Income Parents to Exchange	(5.6)
Eliminate Rte Care Premiums for Children	1.2
Premium Support for Parents	1.4
Optional Populations	
Transfer Optional Populations to Medicaid	(3.0)
Transition Fund for Optional Populations	2.0
Total	(\$4.0)

in millions

The Budget expands Medicaid eligibility to non-disabled childless adults with income up to 133 percent of the federal poverty level (\$15,282 for an individual in 2013), a population historically ineligible for the program. This expansion is fully funded by \$85.2 million in federal funds in FY2014 and will continue to be funded 100 percent with federal matching funds in CY2014 through CY2016, after which federal participation is scheduled to decrease incrementally to 90 percent by CY2020.

Analyst's Note: While this ACA expansion of Medicaid to adults without dependent children has no general revenue impact in FY2014, the Budget Office projects an additional \$15.3 million general revenue spending in FY2017 through FY2018 to accommodate the incremental loss of federal funding after FY2016.

ACA Expansion - General Revenue Impact	FY2015	FY2016	FY2017	FY2018
Medicaid Expansion to Childless Adults	\$0.0	\$0.0	\$4.5	\$10.8

in millions

Medicaid coverage for children with family income under 250 percent FPL, parents with income under 133 percent of the FPL, the disabled, and the elderly remains unchanged in FY2014.

For a complete analysis of the ACA's impact on Medicaid eligibility and the FY2014 Budget as Enacted, refer to the Special Reports section of this publication.

Suspension of Hospital Rate Increase**(\$5.2 million)**

The Budget holds constant the base rate multiplier for the diagnosis-related group (DRG) payment system which is used to determine the rates paid to hospitals for services to Medicaid participants, for general revenue savings of \$5.2 million (\$10.5 million all funds).

This initiative suspends the scheduled rate increase for inpatient and outpatient hospital services in both the fee-for-service and managed care environments. Typically, the base price for hospital services is annually adjusted for trends in a nationally recognized price index. For FY2014, however, this adjustment is suspended and charges for hospital services are limited to the rates in effect for FY2013.

Suspension of Nursing Home Rate Increase ***(\$3.9 million)***

This initiative reduces the rate for both nursing home care and home and community based supports. The FY2014 Budget as Enacted includes general revenue savings of \$3.9 million (\$7.8 million all funds) for this initiative.

Payments made to skilled nursing facilities and associated hospice organizations that provide services to Medicaid-eligible individuals will not be adjusted by the change in the national nursing home inflation index. This adjustment was to be made on October 1, 2013 but has been suspended for FY2014 and reinstated for FY2015, to be applied to rates on October 1, 2014.

This initiative requires a category II change to the Global Waiver, which must be applied for and approved by the Centers for Medicare and Medicaid.

Medicaid Recoveries from Waste, Fraud and Abuse ***(\$500,000)***

The Budget includes \$500,000 in general revenue savings (\$1.0 million all funds) from the recoupment of payments to traditional and non-traditional Medicaid providers through cooperation with MMIS contractors, the new Medicaid Fraud Control Unit, and state licensing agencies.

Department of Children, Youth, and Families

Expenditures by Program	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted		FY2014 Enacted	Change from Enacted	
Central Management	\$6.0	\$7.2	\$7.2	(\$0.0)	0.0%	\$7.1	(\$0.1)	-1.8%
Children's Behavioral Health Services	17.3	18.9	12.5	(6.4)	-33.9%	10.6	(8.3)	-43.8%
Juvenile Correctional Services	32.6	32.5	28.2	(4.3)	-13.2%	27.7	(4.7)	-14.5%
Child Welfare	160.5	157.8	166.0	8.2	5.2%	168.2	10.4	6.6%
Higher Education Incentive Grants	0.2	0.2	0.2	-	0.0%	0.2	-	0.0%
Total	\$216.6	\$216.6	\$214.1	(\$2.5)	-1.2%	\$213.9	(\$2.7)	-1.3%
Expenditures by Source								
General Revenue	\$154.4	\$152.6	\$151.9	(\$0.7)	-0.5%	\$153.0	\$0.4	0.3%
Federal Funds	59.3	58.4	57.0	(1.4)	-2.5%	56.7	(1.7)	-3.0%
Other Funds	0.3	2.8	2.5	(0.2)	-8.4%	1.6	(1.2)	-42.6%
Restricted Receipts	2.7	2.8	2.7	(0.1)	-4.6%	2.6	(0.2)	-7.5%
Total	\$216.6	\$216.6	\$214.1	(\$2.5)	-1.2%	\$213.9	(\$2.7)	-1.3%
Authorized FTE Levels	662.5	665.5	671.5	6.0	0.9%	670.5	5.0	0.8%

\$ 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 Central Management division also exists to provide the overall administration and coordination of its three operational divisions.

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 FY2014

The FY2014 budget for DCYF includes an increase of \$390,539 (0.3 percent) in general revenue expenditures compared to the FY2013 Budget as Enacted. Department-wide, DCYF's budget is comprised 71.5 percent of general revenues, an increase of 1.0 percent, however the department experiences significant fluctuations within and between programs from the enacted level due to the consolidation of funding for provider contracts within the Child Welfare division. Federal funding, including support for foster care and adoption assistance programs, has decreased \$1.7 million from the enacted (3.0 percent).

For FY2014, DCYF projects a decrease of the Federal Medical Assistance Percentage (FMAP) from 51.26 percent in FY2013 to 50.30 percent in FY2014. DCYF also projects a trend rate growth for costs associated with Medicaid and Title IV-E by 7.80 percent. The decrease in the FMAP and increase in costs associated with Medicaid and Title IV-E result in an increase in general revenues of \$2.8 million.

The Budget as Enacted adds a total of \$3.0 million (\$500,000 in general revenues), increasing support for the System of Care initiative to \$74.3 million in FY2014. The General Assembly provides the funding as a response to a higher-than-anticipated need for residential and other, more costly placements. Both the Department and the networks have indicated that a greater number of youth are in residential and more intensive placements when compared to the initial estimates used to build the FY2013 Budget as Enacted. There are approximately 40 more youth than projected in need of residential or other, higher end treatment with a per diem cost ranging from approximately \$100 to \$300.

Analyst's Note: As of the date of this publication, the Department is in the process of renegotiating its contracts with OSN and RICMN to determine the specific allocation of funding between and within the networks.

CENTRAL MANAGEMENT

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

The Budget includes 45.0 FTE positions in FY2013, an increase of 7.0 FTE positions from the enacted level and 44.0 FTE positions in FY2014 for the program, an increase of 6.0 FTE positions from the enacted level. In FY2014 this increase is slightly offset by the transfer of 1.0 director of financial management position to the Executive Office of Health and Human Services (OHHS), resulting in a 6.0 FTE position increase from the current level. This increase includes 1.0 associate director of child welfare position and 1.0 assistant director position.

Central Management	General Revenue
FY2013 Enacted	\$4,674,549
<hr/>	
<i>Target and Other Adjustments</i>	<i>183,885</i>
Personnel and Contracted Services	502,586
National Accreditation	(450,000)
FY2014 Enacted	\$4,911,020

Personnel and Contracted Services \$502,586

The Budget includes an increase of approximately \$500,000 in general revenues to support 6.0 additional FTE positions as well as to provide funding for contracted services for information technology (IT) improvements. The increase in contracted services supports billing system IT improvements associated with the System of Care.

The additional staff will serve primarily administrative functions and include 1.0 associate director, 1.0 assistant director, 2.0 human service policy systems specialists, and 2.0 word processing typists, offset by the transfer of the Associate Director of Financial Management to the Executive Office of Health and Human Services (OHHS). CFOs from the Department of Children, Youth and Families, Department of Health, and the Department of Human Services are also being transferred to OHHS in FY2014 in order to centralize finance and budget personnel within the Executive Office.

National Accreditation (\$450,000)

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

Enacted during the 2010 legislative session, RIGL 42-72-5.3 mandates DCYF to begin the application process by July 1, 2011, and submit an accreditation plan by July 1, 2012. During the 2012 legislative session, the General Assembly shifted \$450,000 from FY2012 to FY2013 as accreditation had yet to begin.

At the recommendation of COA, DCYF conducted a readiness assessment to determine if the pursuit of accreditation is worthwhile. At a cost of \$16,000 in FY2013, a COA consultant declared that the Department is prepared to undergo public child welfare agency accreditation.

According to DCYF, the process takes one year to complete and the application fee will cost an estimated \$150,000 to \$200,000. In addition to the application fee, an additional \$198,570 would be required to support 2.0 new FTE positions (both term limited to the application process, approximately one year), \$16,000 to \$22,000 for site visits, and \$25,000 for incidental costs. DCYF also notes that the

aforementioned costs do not include structural barriers (additional staff to meet compliance, update record maintenance system, etc.) DCYF may have to overcome to obtain accreditation.

Analyst's Note: Although the Department indicates the process is currently on hold as no funds were appropriated for accreditation in FY2014, it intends to pursue accreditation in FY2015.

CHILD WELFARE

The Child Welfare division has two major sub-programs:

- **Child Protective Services (CPS):** Includes child protective investigators, who specialize in the investigation of suspected child abuse and neglect. If an investigator deems a child to be in imminent risk of harm, he or she may be removed from the home and placed in the care of the state for up to 48 hours, pending petitions before the Rhode Island Family Court. The Screening/Intake function reviews all CPS investigations where abuse or neglect is indicated, and handles all other referrals to the Department.
- **Family Services:** Staff 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 Budget includes 384.0 FTE positions for the program in FY2013 and FY2014, an increase of 1.5 FTE positions from the enacted level. The increase is attributable the addition of 2.0 FTE positions, 1.0 licensing aid and 1.0 community service provider, one of which is federally-funded by the Race to the Top grant, offset by the departure of 0.5 chief case work supervisor position.

Child Welfare	General Revenue
FY2013 Enacted	\$107,430,414
<i>Target and Other Adjustments</i>	
System of Care Contract Consolidation	1,071,206
System of Care - Networks of Care Support	8,114,650
Regional Office Consolidation	500,000
Turnover	(503,159)
Increased Funding for Special Education Costs	(500,000)
Contract Reductions	500,000
Community Service Grant - Youth Pride	(166,278)
FY2014 Enacted	\$116,496,833

System of Care Contract Consolidation

\$8.1 million

The Budget consolidates funding associated with the System of Care within Child Welfare, transferring \$2.7 million in general revenues from Juvenile Corrections and \$5.4 million in general revenues from Children's Behavioral Health Services. Following the implementation of Phase II of the System of Care in which DCYF networked with two lead agencies, the Department shifted contracts that were previously associated with Juvenile Corrections and Children's Behavioral Health Services to Child Welfare. The Governor's proposal includes shifting the funding associated with the aforementioned contracts.

Networks of Care

\$500,000

The Budget adds \$500,000 in general revenue (\$3.0 million all funds) to further support the two networks of care (RI Care Management Network and Ocean State Network), the second phase of the Department's System of Care initiative, which in part seeks to reduce the number of youth in residential placements and increase the use of community and home-based supports.

In 2012, the Department contracted with two independent organizations (lead agencies) that network with individual providers of residential and community-based services: Ocean State Network (OSN) and

Rhode Island Care Management Network (RICMN). Each network contracts with providers and establishes the rate structure for each type of service or treatment. DCYF entered into two separate agreements with each network for a three-year term from July 2012 through June 2015. The initial contract awards \$71.3 million, to be allocated evenly between the two networks. Following the initial term through FY2015, each contract can be renewed for three one-year terms, potentially extending contracts through June 2019.

Analyst's Note: As of the date of this publication, the Department is in the process of renegotiating its contracts with OSN and RICMN to determine the specific allocation of funding between and within the networks.

Regional Office Consolidation

(\$503,159)

The Budget includes a total of \$503,159 in general revenue savings associated with the closure of the Department's Region 2 office in Bristol (\$269,787 general revenue) and the transfer of its Region 3 offices to a state-owned building in Wakefield from a rented facility in North Kingstown (\$233,372 general revenue).

Analyst's Note: The Department has indicated that although the General Assembly included savings associated with the closure of its regional office in Bristol, the office will remain open in FY2014 and the savings of approximately \$270,000 will be achieved in a yet-to-be-determine area of the Department's budget.

Turnover

(\$500,000)

The FY2014 Budget as Enacted includes \$500,000 in general revenue turnover savings within the Family Service regional office in Providence.

Increased Funding for Special Education Costs

\$500,000

Consistent with the five-year transition plan developed collaboratively by the Rhode Island Department of Education (RIDE), Department of Children, Youth, and Families, and the State Budget Office, the Budget adds \$500,000 in general revenue for educating students with special needs under the custody of DCYF. This increase brings the total funding provided to DCYF to \$1.0 million in FY2014. RIDE is transitioning to a new methodology to set the tuition rates paid by school districts to DCYF.

Currently, districts must pay DCYF a share of 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 a reduction of roughly \$2.7 million to DCYF. As a result, the FY2013 Budget as Enacted included \$500,000 to offset the cost associated with the transition in methodology.

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 Plan (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.

Beginning in FY2013, DCYF, RIDE and the Budget Office agreed to begin the phase-in of the headcount method over five years, which equates to an increase of \$500,000 each year. Consequently, the General Assembly adds \$500,000 in FY2014, the second year of the transition plan.

Contract Reductions

(\$166,278)

The Budget reduces unspecified provider contracts to achieve \$166,278 in general revenue savings. The General Assembly does not identify which contracts or providers should be affected, but rather permits DCYF to make that determination.

Analyst's Note: According to the Department, it is unclear whether or not the reduction will need to be applied to provider contracts. Alternative cost savings in this amount may be possible within the Department to prevent provider rate reductions.

In February 2012, the Department instituted a series of rate reductions to both community and residential providers. Initially, rates were set to decrease across-the-board by 6.0 percent, however, some providers experienced a reduction and others experienced an increase. For providers experiencing a reduction, rates decreased from a low of 1.0 percent to a high of 22.7 percent by provider type for the remainder of FY2012 and into FY2013. With regards to Bradley Hospital group homes, rates decreased by 15.0 percent. This change occurred in accordance with the implementation of Phase II of the System of Care in FY2013.

Community Service Grant - Youth Pride Inc.

\$50,000

The FY2014 Budget as Enacted awards a \$50,000 community service grant to Youth Pride Inc. (YPI), which provides support services to lesbian, gay, bisexual, and transgender youth as well as leadership skills training opportunities. YPI is headquartered in Providence and provides services to youth ages 13 through 23.

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 Budget authorizes and funds 22.0 FTE positions for the program in FY2013 and FY2014, an increase of 5.0 FTE positions from the enacted. The additional 5.0 FTE positions are supported by a new federal Substance Abuse and Mental Health Services Administration (SAMHSA) grant to further implement the System of Care initiative. Specifically, this grant will provide for 1.0 assistant administrator position, 1.0 chief business officer position, 1.0 information services technician position, 1.0 chief of program development, and 1.0 human service policy systems specialist position.

Analyst's Note: The Department anticipates that at the expiration of this grant, the aforementioned administrative positions will be eliminated as they are federally funded, unless a new funding source is identified.

Children's Behavioral Health	General Revenue
FY2013 Enacted	\$10,077,912
<i>Target and Other Adjustments</i>	<i>45,632</i>
System of Care Contract Consolidation	(5,382,103)
Bradley Group Homes Reduction	(250,000)
FY2014 Enacted	\$4,491,441

System of Care Consolidation – Transfer to Child Welfare

(\$5.4 million)

The Budget transfers \$5.4 million from Children's Behavioral Health to Child Welfare in FY2014. Following the implementation of Phase II of the System of Care in which DCYF networked with two lead

agencies, the Department shifted contracts that were previously associated with Children’s Behavioral Health Services to Child Welfare. This initiative consolidates the funding associated with the aforementioned contracts within Child Welfare.

Bradley Group Homes Reduction **(\$250,000)**

For FY2014, the Budget instructs the Department to renegotiate costs associated with placements of DCYF youth placed in Bradley Group Homes by Bradley Hospital. The Budget includes \$250,000 in savings provided that a reduction is renegotiated by July 1, 2013. Bradley Group Homes, which is not part of the System of Care initiative and bills the Department directly (rather than through one of the two lead networks), experienced a 15.0 percent rate reduction as of February 1, 2012, from \$515 to \$438.

Analyst’s Note: According to the Department, the per diem cost for children placed within Bradley Group Homes has been reduced to achieve \$250,000 in general revenue savings. Effective as of July 1, 2013, rates paid to Bradley Group Homes were reduced by 10.0 percent, or an average reduction of approximately \$50.00 in the per diem cost.

HIGHER EDUCATION INCENTIVE GRANTS

The Post-Secondary Tuition Assistance Program provides tuition assistance to 116 youth formerly in foster care to attend a wide range of post-secondary institutions. This represents an increase of 45 youth from the prior academic year. Of the 116 students receiving assistance in during the 2012-2013 academic year, 108 attended URI, RIC, or CCRI. General revenue funding for the incentive program is set by statute at \$200,000.

Higher Education Incentive Grants	General Revenue
FY2013 Enacted	\$200,000
FY2014 Enacted	\$200,000

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 Budget includes 220.5 FTE positions for the program in FY2013 and FY2014, a reduction of 7.5 FTE positions from the enacted, accounting for a reduction in the number of youth at the RITS.

Juvenile Corrections	General Revenue
FY2013 Enacted	\$30,203,577
<i>Target and Other Adjustments</i>	<i>(33,132)</i>
System of Care Contract Consolidation	(2,732,547)
Training School Personnel	(560,201)
FY2014 Enacted	\$26,877,697

System of Care Consolidation – Transfer to Child Welfare **(\$2.7 million)**

The Budget transfers \$2.7 million from Juvenile Corrections to Child Welfare in FY2014. Following implementation of Phase II of the System of Care initiative, the Department shifted contracts that were previously associated with Children’s Behavioral Health Services to Child Welfare. This initiative consolidates the funding associated with the aforementioned contracts within Child Welfare.

Training School Personnel**(\$560,201)**

The Budget increases overtime expenditures within the RITS by \$100,000 from the enacted level for overtime expenses associated with staff at the RITS, offset by a 7.5 FTE position decrease, resulting in a net savings of \$560,201 in FY2014. The General Assembly projects the need for staff will be less due to a decline in the training school census. However, there remains a concern that overtime expenditures will continue to be a significant driver of costs within the program as a number of current staff are on leave (military, maternity, long-term sick, or administrative). As a result, the Budget includes an additional \$107,901 in general revenue to support overtime expenditures.

CAPITAL PROJECTS

The Budget authorizes \$5.6 million in RICAP funded capital projects between FY2013 and FY2016, including:

- \$909,000 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, in conjunction with the Department of Administration and the Attorney General's Office, unsuccessfully attempted to recuperate some or all of the costs associated with these defects through legal remedy.
- \$1.8 million from FY2013 to FY2016 for fire code upgrades at youth group homes.

Approximately \$960,000 between FY2013 and FY2014 for electrical and fire safety repairs at the North American Family Institute (NAFI) state-owned group home facility.

Department of Health

Expenditures by Program	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted		FY2014 Enacted	Change from Enacted	
Central Management	\$11.9	\$13.1	\$13.6	\$0.5	4.0%	\$13.4	\$0.3	2.4%
State Medical Examiner	2.3	2.5	2.5	0.0	0.1%	2.5	0.1	2.6%
Environmental and Health Services Regulation	15.6	19.2	19.3	0.1	0.5%	19.5	0.3	1.7%
Health Laboratories	7.5	8.1	8.1	(0.0)	-0.6%	7.7	(0.4)	-5.1%
Public Health Information	2.4	2.9	4.9	2.1	42.4%	2.5	(0.4)	-13.4%
Community and Family Health and Equity	60.4	68.7	73.7	5.0	7.3%	70.5	1.8	2.6%
Infectious Disease and Epidemiology	4.0	5.1	4.6	-0.5	-9.9%	4.8	-0.3	-5.1%
Total	\$104.1	\$119.5	\$126.7	\$7.2	6.0%	\$121.0	\$1.5	1.2%
Expenditures by Source								
General Revenue	\$23.5	\$24.8	\$24.4	(\$0.4)	-1.5%	\$24.3	(\$0.5)	-2.1%
Federal Funds	55.4	65.0	70.7	5.6	8.7%	62.0	(3.0)	-4.6%
Restricted Receipts	25.1	29.5	31.5	2.0	6.8%	34.6	5.1	17.3%
Other Funds	0.0	0.2	0.1	(0.0)	-26.6%	0.0	(0.1)	-79.5%
Total	\$104.1	\$119.5	\$126.7	\$7.2	6.0%	\$121.0	\$1.5	1.2%
Authorized FTE Levels	422.3	497.3	498.0	0.7	0.1%	494.1	(3.2)	-0.6%

\$ 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 FY2014

The Department ended FY2012 with a federal funds surplus of \$18.4 million, or 24.9 percent of the \$73.8 million in federal funds appropriated. This accounts for the overstatement of federal revenues in FY2013 Revised Budget. Contributing to the year-end surplus in federal funds, the Department has previously cited challenges in the ability to hire new staff when new federal grants have been awarded as well as the exclusion of any adjustment to federal funds that span two state fiscal years. The FY2014 Budget as Enacted decreases the proportion of federal funds to 51.2 percent (\$62.0 million) from the FY2013 enacted level.

The FY2014 Budget as Enacted adds approximately \$160,000 in general revenue to fully fund the Department's Childhood Lead Poisoning Prevention program, offsetting the loss of federal funding in FY2014 due to the expiration of a grant from the Centers for Disease Control. This will bring total funding for the program to approximately \$600,000 in FY2014.

For FY2014, the General Assembly maintains the FY2013 staffing level, which increased the Department's FTE authorization by a net 71.0 FTE positions over the FY2012 budget. A majority of the FTE position additions are primarily supported with federal funds. To date, the Department has successfully hired 59.0 FTE positions.

This increase was to include the conversion of 39.0 current contract staff to state employees. The Department indicates that due to the availability of federal funds only 34.0 positions were converted, a reduction of 5.0 FTE positions from the initial projection. The following table summarizes the changes:

Department of Health Staffing - FTE Position Cap Increase	FY2013 Enacted	FY2014 Projection
Convert contract staff to full-time state employees	39.0	34.0
Federally-funded non-specific positions	20.0	20.0
Community and Family Health and Equity staff	7.0	7.0
Total	66.0	61.0

The FY2013 Budget as Enacted also included an initiative to restructure 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. This change is projected to increase revenues by \$2.6 million in FY2014 from the FY2013 enacted level. The impact of the fee restructure is magnified in FY2014 and subsequent even out-years as many big-ticket fees (primarily physicians and nurses) are renewed in even numbered years.

Analyst's Note: Initial projections for FY2014 departmental revenue collections due to health professional licensing fees included in the May 2013 Revenue Estimating Conference estimates appear to be on par with previous estimates. These projections will continue to be amended throughout FY2014 as data regarding actual collections is made available.

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 Budget includes an additional 22.8 FTE and an additional 3.3 FTE positions in FY2014 from the enacted level for a total of 99.1 FTE positions. The increase in FY2013 includes 20.0 FTE positions associated with new federal grant opportunities and part of the FTE authorization increase granted to the Department during the 2012 legislative session.

Central Management	General Revenue
FY2013 Enacted	\$1,173,946
<i>Target and Other Adjustments</i>	<i>(128,987)</i>
Personnel and Operations - Shift to Restricted Receipts	<i>(500,000)</i>
FY2014 Enacted	\$544,959
<i>Personnel and Operations – Shift to Restricted Receipts</i>	<i>(\$500,000)</i>

The Budget shifts \$500,000 in personnel and operating expenditures to restricted receipts.

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 FY2014 Budget as Enacted authorizes a staffing level of 13.5 FTE positions in FY2013 and FY2014 for the program, a reduction of 1.9 FTE positions from the FY2013 enacted level. There is no change in the actual number of FTE positions staffing the Office, however the funding for some personnel has been shifted to a separate account not reflected in expenditures for the Office in order to achieve general revenue savings within the program.

State Medical Examiner	General Revenue
FY2013 Enacted	\$2,259,943
<hr/>	
<i>Target and Other Adjustments</i>	255,285
Shift Medical Examiner Personnel Expenditures	(217,738)
Overtime and Holiday Pay	105,000
Contracted Professional Service Reductions	(101,473)
Malpractice Insurance and Medical Supplies	64,020
FY2014 Enacted	\$2,365,037

Shift Medical Examiner Personnel Expenditures **(\$217,738)**

The FY2014 Budget as Enacted shifts \$217,378 in personnel expenditures from the Office of the Medical Examiner (Office) to indirect cost accounts for 1.9 FTE positions. The General Assembly instructs the Department to transfer costs associated with clerical staff to a separate account not reflected in expenditures for the Office. The staff member will continue to perform the same functions within the Office.

Overtime and Holiday Pay **\$105,000**

The FY2014 Budget as Enacted restores \$105,000 in FY2014 to provide for overtime and holiday pay. In an effort to achieve savings, the FY2013 Budget as Enacted did not provide for overtime and holiday pay, though, in recent years, the Department has spent on average \$100,000 within the Office for holiday and overtime pay.

Contracted Professional Service Reductions **(\$101,473)**

The Budget reduces contracted service expenditures throughout the Department, including changes to contract staff for legal, clerical, and other services, achieving \$101,473 in general revenue savings. The Department is anticipated to have a lesser need for contract forensic pathologists to perform autopsies due to the expectation that the Office of the Medical Examiner will be fully staffed.

Malpractice Insurance and Medical Supplies **\$64,020**

An additional \$64,020 in general revenue is allocated in FY2014 for costs associated with the Office's malpractice insurance premium as well as medical supplies for autopsies and examinations. In FY2013, the Department filled 2.0 vacant forensic pathologist positions and, as a result, experienced an increase in its malpractice insurance premium. Operating expenses also increased due to a need for additional medical supplies as the Office experienced an unanticipated increase in caseload.

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 FY2014 Budget as Enacted includes 137.0 FTE positions in FY2013 and 137.1 FTE positions in FY2014. This represents an increase of 4.6 FTE positions from the enacted level in FY2013 and an addition of 0.1 FTE position in FY2014.

Environmental and Health Services Regulation	General Revenue
FY2013 Enacted	\$9,145,421
<i>Target and Other Adjustments</i>	<i>(149,583)</i>
Food Protection Staffing	348,890
Personnel and Operations - Shift to Available Restricted Receipts	(125,000)
Health Professionals and Assisted Living Regulation Personnel	271,538
FY2014 Enacted	\$9,491,266

Food Protection Staffing **\$348,890**

The FY2013 Budget as Enacted added a total of 6.0 food inspector positions and staggered hiring throughout FY2013 with 3.0 FTE positions to be filled for the entirety of FY2013 and 3.0 FTE positions to be filled as of April 1, 2013. The Budget includes an additional \$348,890 in FY2014 to fully fund these positions.

The FY2013 Budget as Enacted assumed the newly hired staff would remain at the same pay grade following completion of all required training; however, staff transition to a higher level pay grade following the training, an increase that was not initially accounted for in FY2013. This increase is offset by a slight reduction in contracted staff.

Personnel and Operations – Shift to Restricted Receipts **(\$125,000)**

The Budget shifts \$125,000 in personnel and operating expenditures to restricted receipts.

Health Professionals, Health Care Facilities, and Assisted Living Regulation Personnel **\$271,538**

The Budget provides for 1.0 new nursing care evaluator and to provide promotional opportunities for 1.0 principal nursing care evaluator position and 1.0 senior nursing care evaluator position. Responsibilities of staff include the regulatory enforcement and monitoring activities associated with a number of licensed health care facilities in the state.

The Budget also funds two positions: 1.0 director of nursing education and training and 1.0 chief of health professions position. Responsibilities of staff within this division include the processing of professional license applications and communicating with local and state law enforcement to ensure compliance with state and federal regulation. Increases within this program are offset by a reduction of 1.0 currently vacant FTE position, that is responsible for enforcing and monitoring the State's licensed assisted living facilities.

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 FY2014 Budget as Enacted authorizes a staffing level of 59.8 FTE positions in FY2013, an increase of 3.4 FTE positions from enacted and 59.5 FTE positions in FY2014.

Health Laboratories	General Revenue
FY2013 Enacted	\$6,300,363
<i>Target and Other Adjustments</i>	<i>(170,868)</i>
Personnel and Operations - Shift to Available Restricted Receipts	(125,000)
Contracted Professional Service Reductions	(91,720)
Blood Lead Testing and Breath Analysis Personnel	69,745
FY2014 Enacted	\$6,199,240

Personnel and Operations – Shift to Restricted Receipts **(\$125,000)**

The Budget shifts \$125,000 in personnel and operating expenditures to restricted receipts.

Contracted Professional Service Reductions **(\$91,720)**

Department-wide reductions are included for contracted service expenditures. Savings are achieved by several changes to contract staff for legal, clerical, and other services. Within the State Health Laboratories, the Budget achieves \$91,720 in general revenue savings by renegotiating the contract and establishing new rates for billing services related to revenue generated by the Department's water testing program. A third party billing agency assesses a fee of 10.0 percent of revenues collected to the Department.

Analyst's Note: The Health Laboratories division assesses fees for a number of water testing services, including the testing of both public water systems and private wells. Formerly, the Department billed for these services, but transitioned to a third-party billing agency to achieve savings. The Health Laboratories complete 15,000 to 20,000 tests per year, and generate about \$250,000 in revenue per year. Actual revenue collections vary as annual testing of some of the larger systems within the Health Laboratories division is not required.

Blood Lead Testing and Breath Analysis Personnel **\$69,745**

The FY2014 Budget as Enacted includes nearly \$70,000 in additional general revenue to support staff within the Blood Lead Testing and Breath Analysis programs. The Department is projecting a loss in federal funding due to the expiration of the federal Childhood Lead Poisoning Prevention grant; additional general revenue offsets this loss.

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 FY2014 Budget as Enacted authorizes a staffing level of 22.4 FTE positions in FY2013, a decrease of 2.5 FTE positions from the FY2013 enacted level, and 18.5 FTE positions in FY2014.

Public Health Information	General Revenue
FY2013 Enacted	\$1,741,431
<i>Target and Other Adjustments</i>	<i>(106,050)</i>
Personnel	(111,290)
FY2014 Enacted	\$1,524,091

Personnel **(\$111,290)**

The FY2014 Budget as Enacted eliminates 1.0 health policy analyst and transfers a portion of the cost (equivalent to 1.4 FTE position) of a project manager, human services and policy systems specialist, and public health epidemiologist to other funds sources in other programs within the Department to achieve general revenue savings. This reduction is offset by slight increases in general revenue funding for other staff, necessary to offset losses in federal funds.

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 FY2014 Budget as Enacted includes 143.0 FTE positions in FY2013, a reduction of 7.9 FTE positions from the enacted and 140.1 FTE positions in FY2014, the majority of which are primarily federally funded. In FY2013, 108.1 FTE positions (75.6 percent) of staff within the Division are federally-funded. In FY2014, federal funds provide for 105.4 FTE positions (75.2 percent of staff) within the Division.

Community and Family Health and Equity	General Revenue
FY2013 Enacted	\$2,418,974
<i>Target and Other Adjustments</i>	<i>(128,398)</i>
Lead Poisoning Prevention Initiative	157,710
FY2014 Enacted	\$2,448,286
<i>Lead Poisoning Prevention Initiative</i>	<i>\$157,710</i>

The FY2014 Budget as Enacted adds approximately \$160,000 in general revenue to support the Department's Childhood Lead Poisoning Prevention program, bringing total funding for the program to \$600,000. The Department has indicated that this level of funding is necessary to ensure the program will operate successfully in FY2014. A federal lead prevention grant previously used to support a majority of the program's activities was eliminated, thereby creating a need for support from general revenue.

The Department engages in a number of lead abatement activities and programs, including the prevention and treatment of lead poisoning for both children and adults. The Department seeks to eliminate lead poisoning through lead screenings, education and policy development, and referrals for medical treatment for identified cases.

Blood specimen testing to determine blood lead levels occurs within the State Health Laboratories, and prevention efforts are housed within the Health Homes and Environment program in Community and Family Health and Equity. In 2012, approximately 28,000 children under 36 months of age were screened (an increase of nearly 8,000 children from the prior year). Of the children screened, 6.6 percent of which were determined to have elevated blood lead levels and 4.5 percent were determined to have lead poisoning.

According to the Department, a grant from the Centers for Disease Control recently expired and resulted in a loss of \$594,000 in funding for the Lead Poisoning Prevention Initiative.

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 FY2014 Budget as Enacted authorizes 26.5 FTE positions in FY2013, a decrease of 3.8 FTE positions from the enacted, and 26.3 FTE positions in FY2014.

Infectious Disease and Epidemiology	General Revenue
FY2013 Enacted	\$1,781,758
<i>Target and Other Adjustments</i>	<i>(46,636)</i>
FY2014 Enacted	\$1,735,122

CAPITAL PROJECTS

The Budget allocates \$753,000 in federal funds in FY2013 to bring the State's electronic birth registration system in the Vital Records division into federal compliance, the system was last updated in December 2000. This will provide for the system upgrade at an estimated \$499,500 to provide for one full-time certified information technology project manager at a cost of \$224,900; and to purchase equipment necessary to perform the upgrades.

Analyst's Note: The General Assembly appropriated \$3.1 million in RICAP funding to the Department of Administration in FY2014 and FY2015 for capital projects for infrastructure updates at the Department of Health's 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	FY2012	FY2013	FY2013	Change		FY2014	Change	
	Actual	Enacted	Revised	from Enacted		Enacted	from Enacted	
Central Management	\$10.7	\$10.9	\$11.0	0.1	1.1%	\$11.2	\$0.3	2.9%
Child Support Enforcement	8.1	8.3	8.5	0.2	2.3%	8.5	0.1	1.5%
Health Care Eligibility	65.3	17.8	16.1	(1.7)	-9.6%	19.2	1.4	7.6%
Individual and Family Support	114.3	144.8	158.8	14.0	8.8%	166.3	21.5	14.9%
Rhode Island Works	88.4	89.9	87.9	(2.0)	-2.3%	90.0	0.1	0.1%
State Funded Programs	293.1	301.7	300.9	(0.8)	-0.3%	300.5	(1.2)	-0.4%
Supplemental Security Income Program	18.5	18.2	18.2	(0.0)	-0.2%	18.2	(0.0)	0.0%
Veterans' Affairs	26.3	28.9	31.3	2.4	7.8%	30.1	1.3	4.3%
Elderly Affairs	27.8	29.7	29.5	(0.2)	-0.6%	18.0	(11.7)	-39.4%
Medical Benefits	1,553.6	-	-	-	-	-	-	-
Total	\$2,206.2	\$650.3	\$662.3	\$12.0	1.8%	\$662.1	\$11.8	1.8%
Expenditures by Source								
General Revenue	\$844.4	\$97.0	\$95.7	(\$1.4)	-1.4%	\$93.5	(\$3.5)	-3.7%
Federal Funds	1,345.0	539.7	550.0	10.3	1.9%	554.4	14.6	2.7%
Restricted Receipts	12.6	9.1	12.1	2.9	32.3%	9.8	0.7	7.1%
Other Funds	4.3	4.4	4.6	0.2	4.0%	4.5	0.1	2.1%
Total	\$2,206.2	\$650.3	\$662.3	\$12.0	1.9%	\$662.1	\$11.8	1.8%
Authorized FTE Levels	949.2	940.7	933.1	(7.6)	-0.8%	959.1	18.4	2.0%

\$ 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 FY2014

The FY2014 Budget as Enacted funds ongoing reforms and initiatives within the Department of Human Services. Through Phase II of its Ford Foundation Work Strategies grant, DHS continues to redesign and modernize its service delivery system, addressing its siloed, fragmented, redundant, inefficient and costly programs and processes in order to maximize participation in and outcomes of its programs.

The Budget adds \$500,000 in additional funding for community service grants, restoring reductions made to community action programs in the FY2013 Budget as Enacted as well as making new grants to the John Hope Settlement House and other organizations.

Personnel changes within the Department include 18.0 new FTE positions in support of the Unified Health Infrastructure Project (UHIP) as well as annualized personnel costs associated with the Veterans Home census expansion from 165 long term care residents to a planned 205 long term care residents.

Funding for home and community based services for the elderly is transferred from the Division of Elderly Affairs to OHHS, where these long term support services will be more fully coordinated with acute and primary care through the Office's Integrated Care initiative.

CENTRAL MANAGEMENT

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

The Budget authorizes 60.0 FTE positions in FY2014 for Central Management, consistent with the enacted level.

Central Management	General Revenue
FY2013 Enacted	\$5,052,482
<i>Target and Other Adjustments</i>	<i>(75,750)</i>
Community Service Grant Adjustments	566,389
FY2014 Enacted	\$5,543,121

Community Service Grant Adjustments **\$566,389**

The Budget as Enacted restores grants to community action programs in multiple communities that were subject to an across-the-board cut within the FY2013 Budget as Enacted. In addition, it provides an additional \$150,000 to the Institute for the Study and Practice of Nonviolence, and establishes a new grant to John Hope Settlement House of \$300,000. These adjustments bring total grants within DHS to \$3.2 million general revenue.

INDIVIDUAL AND FAMILY SUPPORT

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

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

The Budget authorizes 457.0 FTE positions in FY2014, consistent with the enacted level.

Individual and Family Support (IFS)	General Revenue
FY2013 Enacted	\$20,616,357
<i>Target and Other Adjustments</i>	<i>110,539</i>
Turnover	<i>(225,000)</i>
Urban Institute Work Support Strategies Grant	420,509
FY2014 Enacted	\$20,922,405

Turnover **(\$225,000)**

The FY2014 Budget as Enacted includes \$225,000 in turnover savings in the IFS program, where personnel are predominately field staff such as case workers, counselors and eligibility technicians.

Urban Institute Work Support Strategies Grant **\$420,509**

Two new time-limited FTE positions will support the administration of Phase II of the Ford Foundation/Urban Institute's Work Support Strategies grant, which will provide personnel, technical assistance and other resources for the design and implementation of a data-driven plan for streamlined access to work support benefits such as child care, SNAP, subsidized employment and workforce training. Through this grant, DHS will redesign and modernize its service delivery system, addressing its siloed, fragmented, redundant, inefficient and costly programs and processes in order to maximize participation in and outcomes of its programs. In addition to consulting services and other resources, this grant funds two currently vacant, time-limited FTE positions.

The initiative's action plan, which was developed using a Phase I grant, includes:

- Information and communication strategies for our low income and multilingual and multicultural individuals and families.

- Reengineered business processes that include a triage service delivery model and redesigned field office lobbies.
- Streamlined verification, application and renewal procedures that are aligned across programs.
- Technology improvements that will allow for data sharing and program oversight.

Analyst's Note: This grant funding supplements SNAP carry forward funds for a total of approximately \$750,000 to modernize DHS's program delivery systems and address the SNAP program's error rate which resulted in a second consecutive annual penalty from the USDA.

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.

Rhode Island Works	General Revenue
FY2013 Enacted	\$9,668,635
Caseload Estimating Conference	-
TANF - Job Preparation Programs	Informational
FY2014 Enacted	\$9,668,635

Caseload Estimating Conference

The May 2013 Caseload Estimating Conference (CEC) estimated a caseload average of 15,500 recipients and total program cost of \$38.9 million for FY2014, 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 FY2014 estimate of 7,025 child care subsidies at a total cost of \$49.6 million (\$9.7 million in general revenue).

Despite caseload and expenditure changes to Rhode Island Works in FY2014, the general revenue Maintenance of Effort remains unchanged at \$9.7 million.

TANF – Job Preparation Programs

Informational

The FY2014 Budget as Enacted includes \$1.5 million in federal TANF block grant carry forward funds to expand the Department's current job preparation program.

The program, initially funded in FY2013, provides subsidized employment for those TANF participants not yet employment-ready. For these, the State has contracts with two organizations through which it pays 100 percent of wages for participants to gain experience and skills at community-based, nonprofit organizations. For TANF participants with more readiness skills, the State reimburses private sector employers 50 percent of wages paid to participants during a training period.

The Budget also includes \$1.5 million to extend child care benefits to those earning up to 225 percent of the federal poverty level (up from the current 185 percent). The funds establish a Child Care Subsidy Transition Program, a 12-month pilot program beginning October 1, 2013 which will address the child care "cliff" by allowing families to retain eligibility for child care subsidies until their annual income exceeds 225% of the federal poverty level, or \$43,000 for a family of three. Currently, families lose eligibility for subsidies when their annual income exceeds 180% of the federal poverty level, or \$34,000 for a family of three.

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 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 by half, to \$210,000, in the FY2012 Budget as Enacted. The Budget authorizes level funding for FY2014.

The Supplemental Nutrition Assistance Program (SNAP), formerly called Food Stamps, is a federal nutrition program that provides food assistance to low-income households. SNAP benefits are 100 percent or fully federally funded (\$298.2 million in FY2014).

State Funded Programs	General Revenue
FY2013 Enacted	\$2,572,658
Affordable Care Act Savings	(356,338)
Caseload Estimating Conference	(309,520)
FY2014 Enacted	\$1,906,800

Affordable Care Act Saving ***(\$356,338)***

The FY2014 Budget as Enacted includes \$356,338 in general revenue savings associated with the January 1, 2014 implementation of the Affordable Care Act (ACA).

The GPA program provides limited medical coverage to very low income individuals. It is anticipated that savings will result in FY2014 as Medicaid eligibility is expanded to adults without children and necessity of medical coverage provided through the GPA program is diminished.

Caseload Estimating Conference ***(\$309,520)***

At the May 2013 Caseload Estimating Conference, the estimators projected a decrease in General Public Assistance in FY2014 due to both a small decrease in enrollment and a small decrease in cost per person. All funds expenditures, including monthly cash payments, indigent burials, and limited medical benefits, are estimated to be \$2.5 million in FY2014, a decrease of \$309,520 in general revenue from FY2013.

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.

Supplemental Security Income (SSI)	General Revenue
FY2013 Enacted	\$18,240,600
Caseload Estimating Conference	(6,086)
FY2014 Enacted	\$18,234,514
<i>Caseload Estimating Conference</i>	<i>(\$6,086)</i>

The May 2013 CEC estimated an SSI caseload average of 33,515 in FY2014 with individuals receiving an estimated average monthly payment of \$45.19, and a total program general revenue cost of \$18.2 million. Fees associated with the SSI program are expected to be \$60,000, bringing total program costs to \$18.2 million in FY2014. This results in a general revenue decrease of approximately \$6,000.

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. Since 2011, the State has made the supplemental payments directly to a majority of beneficiaries, 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 whom it also determines eligibility.

HEALTH CARE ELIGIBILITY

In past years, the Health Care Quality, Financing, and Purchasing (HCQFP) program was charged with overseeing the acute and long term care systems, overseeing the State's Medicaid managed care plans, and developing payment methodologies and financing strategies for the Medicaid programs. Consistent with the mission of the Executive Office of Health and Human Services (OHHS) as the single state Medicaid agency, these functions were transferred from HCQFP to OHHS in FY2013, after which HCQFP has been responsible only for casework and eligibility functions.

For FY2014, the program is renamed the Health Care Eligibility program.

The Budget authorizes 111.0 FTE positions for FY2014, an increase of 18.0 FTE from the enacted level of 93.0, reflecting new FTE in support of UHIP.

Health Care Eligibility	General Revenue
FY2013 Enacted	\$8,314,370
<i>Target and Other Adjustments</i>	<i>(354,620)</i>
Unified Health Infrastructure Project (UHIP)	181,627
FY2014 Enacted	\$8,141,377

Unified Health Infrastructure Project (UHIP) ***\$181,627***

The Budget adds 18.0 FTE positions in FY2014 to support the development of a new eligibility processing system for SNAP, TANF and other DHS programs that will coordinate with Medicaid eligibility and enrollment functions and with the Health Benefits Exchange. These positions are term-limited and many are eligible for 90.0 percent federal matching funds in FY2014.

For a detailed description and analysis of UHIP, refer to the Special Reports section of this publication.

VETERANS' AFFAIRS

The Division of Veterans' Affairs serves Rhode Island's veteran population of 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 FY2014 Budget as Enacted includes 238.6 FTE positions for the Division, consistent with the enacted level.

In the November 2012 general election, voters approved the issuance of \$94.0 million in general obligation bonds to construct a new Veterans Home on the grounds of the existing home in Bristol.

Veterans Affairs	General Revenue
FY2013 Enacted	\$19,568,977
<i>Target and Other Adjustments</i>	<i>(373,978)</i>
Turnover	(175,000)
Veterans Home Staffing	1,973,994
Construction of a New Veterans Home	Informational
FY2014 Enacted	\$20,993,993
<i>Veterans Home Turnover</i>	<i>(\$175,000)</i>

The Budget includes \$175,000 in turnover savings in FY2014.

Veterans Home Staffing **\$2.0 million**

The FY2014 Budget as Enacted includes annualized personnel costs associated with the expansion of the residential census at the Veterans' Home from 165 long term care residents to a planned 205 long term care residents. The FY2013 Budget as Enacted included the fourth quarter hiring of 9.0 FTE positions and 26.0 seasonal positions in anticipation of the census increase in FY2014. The Budget includes the annualized personnel costs of \$211,000.

Additionally, \$872,000 is added for overtime costs which were underfunded in the FY2013 as the Home was not able to achieve savings from planned efficiencies, and \$890,000 is added for contract nursing services in anticipation of the census increase.

Construction of a New Veterans Home ***Informational***

In November 2012, voters approved a \$94.0 million bond issue to construct a new skilled nursing facility for veterans and to repurpose the existing facility. Proceeds will be used to address the current home's outdated design and systems with a long term strategy that will provide the full range of support programs required by veterans both now and in the future. The new facility will be constructed immediately behind and connected to the existing facility in Bristol.

	Beds	Cost	Construction
Phase 1 Long Term Care Facility	225	\$49.2 million	2013 through 2016
Phase 2 Assisted Living Wing	75	21.6 million	2017 through 2020
Phase 3 Renovation of Existing Facility	-	29.9 million	2019 through 2022

Actual costs are dependent upon the construction schedule and potential savings of bidding Phase 1 and Phase 2 as a single project and upon the receipt of federal reimbursement in time to fund Phase 3. The bond referendum amount of \$94.0 million is based upon these factors. The total cost of the bond is shown below. It assumes an interest rate of 6.0 percent, with bonds amortized with level payments over twenty years.

	Principal	Interest	Total
Project Costs	\$93,624,000	\$69,627,339	\$163,251,339
Cost of Issuance	376,000	279,628	655,628
Total	\$94,000,000	\$69,906,967	\$163,906,967

The existing facility will be repurposed to meet currently unmet needs of veterans with traumatic brain injury and post-traumatic stress disorder as well as the need for adult day services and outpatient rehabilitation services not offered by the VA Hospital.

The Budget includes bond proceeds of \$8.0 million in FY2014 for the construction of the new home. The FY2013 Capital Budget had included \$700,000 in FY2014 for renovation to nursing units N-2 and N-3 of

the existing facility. This project is not included in the FY2014 Capital Budget, since the construction of a new facility negates the need for these renovations.

CHILD SUPPORT ENFORCEMENT

The Office of Child Support Enforcement assists families by ensuring payment of court-ordered child support payments. The Office provides the following services: location of non-custodial parents, establishment of paternity, establishment and modification of child support orders, and enforcement, through the use of license suspensions, credit bureau reporting, tax refund intercepts, and liens. Collections recovered for families that receive state support through Rhode Island Works or Medicaid are retained by the State; other collections are distributed directly to families.

The Budget authorizes 61.2 FTE positions for FY2014, consistent with the enacted level.

Child Support Enforcement	General Revenue
FY2013 Enacted	\$2,305,759
<i>Target and Other Adjustments</i>	<i>64,453</i>
FY2014 Enacted	\$2,370,212

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 has significantly reduced RIPAE utilization.

The Budget authorizes 31.0 FTE positions for FY2014, one FTE position over the enacted level due to the addition of staff for the Money Follows the Person initiative, which seeks to rebalance the State's long term care system through the development of more robust home and community-based services.

Elderly Affairs	General Revenue
FY2013 Enacted	\$10,684,129
<i>Target and Other Adjustments</i>	<i>904,573</i>
Transfer Assisted Living and Home Care Waiver Services to OHHS	(5,493,073)
Indirect Cost Recovery	(397,491)
Rhode Island Pharmaceutical Assistance for the Elderly (RIPAE) Update	Informational
FY2014 Enacted	\$5,698,138

Transfer Assisted Living and Home Care Waiver Services to OHHS (\$5.5 million)

The FY2014 Budget as Enacted transfers \$5.5 million (\$11.1 million all funds) for assisted living and home care waiver services to OHHS, consistent with the Office's Integrated Care Initiative.

The Integrated Care Initiative will coordinate care of the elderly and the disabled, many of whom are eligible for both Medicare and Medicaid and who navigate disjointed payment and delivery systems. Beginning in FY2014, a single system that integrates long term, acute and primary care will be available to dually-eligible individuals.

Indirect Cost Recovery

(\$397,491)

The FY2014 Budget as Enacted includes \$397,491 general revenue savings through the recovery of indirect costs associated with the administration of federal programs.

According to federal law, the State is permitted to assess the federal government a predetermined fee for direct and indirect costs of administering federal grant programs. Direct costs of grant administration such as salaries and equipment are regularly recovered by DHS. Indirect or overhead costs incurred by the Department such as payroll services and purchasing have not historically been recovered.

In FY2014, the indirect costs of federal programs such as those funded through the Title III Older Americans Act that are paid from state funds will be reimbursed by the federal government, reducing general revenue expenditures accordingly.

Rhode Island Pharmaceutical Assistance for the Elderly (RIPAE) Update

Informational

The RIPAE program, which provides income-scaled pharmaceutical subsidies for low- and middle-income seniors, is budgeted at \$174,484 in the FY2014 Budget as Enacted.

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.” Program expenses peaked in FY2001 at \$9.9 million general revenue.

Since that peak, however, the program has become smaller, particularly since passage of the federal Affordable Care Act, which has been gradually decreasing drug costs for enrollees in the donut hole and reducing the need for RIPAE-funded services. The following table evidences this reduced the need for RIPAE-funded services.

	Number of Claims	Unique Clients	Avg Cost per Claim	Total Cost
FY2007	73,922	6,425	\$24.12	\$1,783,010
FY2008	80,382	6,485	24.64	1,980,222
FY2009	65,488	5,968	23.23	1,521,270
FY2010	51,773	5,051	22.72	1,176,261
FY2011	48,485	4,591	21.01	1,018,723
FY2012	22,360	3,481	7.97	178,279

Analyst's Note: Though program assistance and grants have declined to \$178,000 or by 90.0 percent, annual contracts for the program's administration stand at \$130,000.

CAPITAL PROJECTS

The Budget authorizes funding for eight capital projects in FY2014, 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 construction of a new columbarium at the Veterans Cemetery, which is eligible for full federal reimbursement.

With voter approval of a \$94.0 million bond referendum in the November 2012 general election, the Department plans to issue \$8.0 million in general obligation bonds to begin the construction of a new Veterans Home on the grounds of the existing home in Bristol. This 10-year project includes three phases: the construction of a new 225 bed nursing facility, the construction of a new 75 bed assisted living facility, and the renovation of the existing facility to address the needs of spouses, homeless veterans, and those veterans requiring rehabilitation.

Though this construction and renovation will be financed initially through bonds, the Department of Human Services (DHS) anticipates reimbursement of \$21.2 million from the U.S. Department of Veterans Affairs (VA), resulting in a net cost to the State of \$72.8 million, excluding debt service.

Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals

Expenditures by Program	FY2012	FY2013	FY2013	Change from		FY2014	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Central Management	\$0.9	\$1.2	\$1.2	\$0.0	2.3%	\$1.2	\$0.1	7.4%
Hospital & Community System Support	3.4	4.8	3.5	(1.2)	-25.9%	3.6	(1.2)	-25.2%
Service for the Developmentally Disabled	216.5	224.4	222.9	(1.5)	-0.7%	224.3	(0.1)	0.0%
Behavioral Healthcare Services	99.8	110.9	95.1	(15.8)	-16.6%	94.3	(16.6)	-15.0%
Hospital & Community Rehabilitation Svcs	107.3	104.4	106.3	1.9	1.8%	114.4	10.0	9.5%
Total	\$428.0	\$445.7	\$429.0	(\$16.6)	-3.9%	\$437.8	(\$7.8)	-1.8%
Expenditures by Source								
General Revenue	\$190.9	\$193.1	\$193.2	\$0.1	0.1%	\$202.1	\$9.0	4.6%
Federal Funds	225.9	234.1	223.8	(10.3)	-4.4%	217.8	(16.4)	-7.0%
Restricted Receipts	7.0	7.2	7.2	(0.0)	-0.2%	7.4	0.2	2.9%
Other Funds	4.3	11.2	4.8	(6.4)	-57.2%	10.6	(0.6)	-5.5%
Total	\$428.0	\$445.7	\$429.0	(\$16.6)	-3.7%	\$437.8	(\$7.8)	-1.8%
Authorized FTE Levels	1,383.2	1,383.2	1,424.4	41.2	3.0%	1,423.4	40.2	2.9%

\$ 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.

MAJOR ISSUES AND TRENDS FOR FY2014

BHDDH continues its efforts to better manage personnel and overtime costs at the Eleanor Slater Hospital and at Rhode Island Community Living and Supports (RICLAS), the state-run system of residential services for the developmentally disabled, through implementation of a continuous recruitment program. For FY2014, the Budget includes an additional \$3.1 million for overtime and raises the FTE position cap in order to establish and maintain an ongoing applicant pool to fill vacant positions more quickly and thus lower the overtime costs associated with high FTE position vacancy levels in the Department's 24-7 programs.

A decrease in the Federal Medical Assistance Percentage (FMAP) from 51.5 percent in FY2013 to 50.4 percent in FY2014 increases the general revenue share of medical expenses in FY2014 across all BHDDH programs by a total of \$2.2 million. The FMAP represents the federal government's share of Medicaid spending and is determined individually for each state using a formula that compares the state's average per capita income to the national average per capita income: states with lower income compared to the national average receive more federal financial participation through a higher FMAP. Rhode Island's FMAP decreased 108 basis points in FY2014, resulting in an increase in the state share of Medicaid spending.

The Department's FY2014 Budget includes \$4.1 million in general revenue savings associated with the implementation of the Affordable Care Act (ACA). As of January 1, 2014, childless adults with income up to 133.0 percent of the federal poverty level will be eligible for publicly-financed healthcare through the State's Medicaid program. Certain services currently provided to this uninsured population through the Global Waiver as a Cost Not Otherwise Matchable (CNOM) at the State's regular FMAP will now be

covered 100.0 percent by federal funding. These savings are within the behavioral health and substance abuse programs.

For a more detailed discussion of these savings and ACA implementation, see the Special Report section.

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 FY2014, the Budget authorizes 8.0 FTE positions, consistent with the FY2013 Budget as Enacted.

Central Management	General Revenue
FY2013 Enacted	\$797,214
<i>Target and Other Adjustments</i>	
	<i>18,831</i>
FY2014 Enacted	\$816,045

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.

The FY2014 Budget as Enacted authorizes 24.0 FTE positions, a decrease of 1.0 FTE position compared to the FY2013 Budget as Enacted, due to the transfer of the program's Associate Director of Financial Management to the Executive Office of Health and Human Services.

Hospitals and Community System Support	General Revenue
FY2013 Enacted	\$2,527,114
<i>Target and Other Adjustments</i>	
	<i>(26,672)</i>
Indirect Cost Recovery	<i>(734,152)</i>
Personnel	<i>(174,074)</i>
FY2014 Enacted	\$1,592,216
<i>Indirect Cost Recovery</i>	<i>(\$734,152)</i>

The FY2014 Budget as Enacted includes \$734,152 general revenue savings through the recovery from the federal government of indirect costs associated with the administration of federal programs.

According to federal law, the State is permitted to assess the federal government a predetermined fee for direct and indirect costs of administering federal grants programs. Direct costs of grant administration such as salaries and equipment are regularly recovered by the State. Indirect or overhead costs incurred by the Department such as payroll services and purchasing have not historically been recovered by BHDDH.

In FY2014, indirect costs of federal programs, such as those funded through the Data Infrastructure Grant, that are paid initially from state funds will be reimbursed by the federal government, reducing general revenue expenditures accordingly.

Personnel**(\$174,074)**

The Budget includes \$174,074 in savings from the transfer of the Associate Director of Financial Management to the Executive Office of Health and Human Services (OHHS). CFOs from the Department of Children, Youth and Families, Department of Health, and the Department of Human Services are also being transferred to OHHS in FY2014 in order to centralize finance and budget personnel within the Executive Office.

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 the Ladd School prior to the closure of the facility in 1993 to those with mild functional disabilities in need of daytime supports and vocational training to function within the community.

The Developmental Disabilities (DD) program serves 4,200 individuals through state-run programs and community-based providers, 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) currently supports approximately 220 persons. Private residential providers operate 339 facilities and support approximately 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 Budget authorizes 447.4 FTE positions, an increase of 4.0 FTE positions over the enacted level, to allow for the Department's continuous recruitment initiative noted above. These new FTE positions are unfunded.

Service for the Developmentally Disabled	General Revenue
FY2013 Enacted	\$105,259,461
<i>Target and Other Adjustments</i>	<i>2,426,049</i>
RICLAS Personnel - Overtime	1,281,811
Project Sustainability Increase	1,000,000
Turnover	(300,000)
Employment First	(199,337)
FY2014 Enacted	\$109,467,984

RICLAS Personnel – Overtime**\$1.3 million**

The enacted budget includes \$1.3 million in additional overtime funding for RICLAS, where hiring has not kept pace with attrition resulting in deficits in overtime costs in FY2012 and FY2013. The Department reports that as of June 30, 2012, RICLAS employed 16 fewer FTEs than on July 1, 2011, despite having hired 21 FTE during that time period.

In order to address this deficit, continuous recruitment was implemented in May 2013 whereby the Department is authorized to hire both a seasonal and a permanent FTE position when a permanent direct care FTE position resigns. Despite this initiative, however, the Department maintains that additional overtime funding is required.

Project Sustainability Increase**\$1.0 million**

The Budget adds \$1.0 million (\$2.0 million all funds) to Project Sustainability in FY2014, to address funding concerns for programs that serve the developmentally disabled.

Project Sustainability reformed the funding methodology of privately-run residential, day and family support programs to the developmentally disabled beginning in FY2012. As the final stage of Project Sustainability is implemented, the Supports Intensity Scale (SIS), a nationally-recognized assessment tool, is used to set annual resources limits to each individual since February 2013, with each individual's resource allocation determined by the SIS upon his/her anniversary date.

Prior to FY2012, providers of services to the developmentally disabled (DD) were paid a monthly bundled rate 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 rate for each service that is applied to every private provider.

The FY2012 Budget as Enacted included \$20.0 million savings from a number of initiatives including Project Sustainability and the consolidation of public DD facilities. Private providers of DD services, who were also impacted by changes to the funding for non-emergency transportation, found these reforms to be disruptive. In particular, providers found that the funding reductions, billing requirements (which require providers track and bill the services they provide in 15 minute increments), and additional regulations (which now include minimum staffing requirements) have required them to reduce services and staff.

In response to providers' concerns, the FY2014 Budget as Enacted includes an additional \$1.0 million (\$2.0 million all funds) to further restore spending for direct services to developmentally disabled individuals in community-based settings. This increase is in addition to the \$4.7 million (\$9.6 million all funds) funding restoration included in the FY2013 Budget as Enacted.

Turnover ***(\$300,000)***

The FY2014 Budget as Enacted includes \$300,000 in general revenue turnover savings within the state-run RICLAS system.

Employment First ***(\$199,337)***

The Budget revises BHDDH's Medicaid payments to service providers in order to incentivize employment as the primary expected goal for development disabilities clients in publicly-funded day services. The initiative makes changes to the rates paid for day services in order to incentivize employment for those with mild and moderate needs. Under this initiative, payments for services provided through center-based day programs are reduced while funding for day programs with a 1:8 staffing ratio is eliminated in order to incentivize its funding equivalent of five hours of 1:1 supported employment services.

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 Budget includes 37.0 FTE positions for FY2014, consistent with the enacted level.

Behavioral Healthcare Services	General Revenue
FY2013 Enacted	\$34,859,214
<i>Target and Other Adjustments</i>	
Expiration of SPMI Health Home Initiative	(1,606,982)
Affordable Care Act Savings - Behavioral Health	11,025,000
Municipal Substance Abuse Task Forces	(4,092,387)
Emergency Room Diversion (one-time)	(500,000)
Employment First	250,000
Turnover	(164,638)
FY2014 Enacted	\$39,670,207

Expiration of SPMI Health Home Initiative ***\$11.0 million***

The FY2013 Budget as Enacted included general revenue savings from the health home initiative which were realized through an enhanced federal match for case management and care coordination services delivered to those with Serious and Persistent Mental Illness (SPMI) through state-licensed facilities. Since the FY2013 savings were derived exclusively from cost-shifting due to an enhanced federal match, there were no all funds savings from these initiatives, nor were there any service impacts to clients.

The enhanced federal match for the SPMI health home project expires September 30, 2013, after which the State will receive federal reimbursement according to the regular Federal Medical Assistance Percentage of 50.4 percent, resulting in a general revenue increase of \$11.0 million for behavioral healthcare in FY2014 to maintain the current level of services.

The federal Affordable Care Act (ACA) offers states up to eight quarters of 90 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.

Affordable Care Act Savings – Behavioral Health ***(\$4.1 million)***

The FY2014 Budget as Enacted includes savings from the implementation of the Affordable Care Act, which will allow for increased federal funding for certain Medicaid-optional behavioral health services. On January 1, 2014, Medicaid coverage will be extended to childless adults with incomes up to 133 percent of the federal poverty level. Certain behavioral health services for these newly eligible Medicaid participants, which are now provided at the State's regular FMAP of 50.4 percent, will be fully federally funded in CY2014.

Municipal Substance Abuse Task Forces ***(\$500,000)***

The FY2014 Budget as Enacted reduces funding for municipal substance abuse tasks forces.

In accordance with RIGL 16-21.2, the Rhode Island Substance Abuse Prevention Act, funding for community-level prevention programming has been appropriated by the General Assembly. This funding establishes municipal substance abuse task forces that plan, implement and evaluate long term programs designed to reduce substance use and abuse. In FY2013, thirty-five municipal task forces provided programming to all of the State's 39 cities and towns.

Emergency Department Diversion ***\$250,000***

A one-time \$250,000 appropriation establishes a pilot program that diverts chronic inebriates from frequent non-emergency use of hospital emergency departments (ED) and instead transports them to a sobering center for short-term recovery programs, detoxification services and/or referral arrangements.

This pilot program is a result of the findings and recommendations of the Special Senate Commission to Study Rhode Island Emergency Department Room Diversion. The Commission found that 4.0 percent of high utilization Medicaid ED users accounted for over 40.0 percent of Medicaid ED costs, or more than \$20.0 million in 2008. Likewise, the City of Providence, which ranks first among RI municipalities for rescue runs (244 runs per 1000 residents), estimated that only approximately 10.0 percent of ambulance transports were for actual medical emergencies.

The program, Sobering Treatment Opportunity Program (STOP), is modeled after those in existence in other cities across the country, including Boston. Under STOP, first responders will be authorized to transport inebriated individuals to an alternative treatment center where licensed clinical staff and peer specialists will be utilized and where length of stay is typically 48 to 72 hours.

Employment First Initiative

(\$164,638)

The Budget reforms BHDDH's Medicaid payments to service providers in order to incentivize employment as the primary expected goal for behavioral health clients in publicly-funded day programs.

The Employment First initiative will promote the use of the Individualized Placement and Support (IPS) model in collaboration with the Opportunities Industrialization Centers of Rhode Island. In this federally recognized, evidence-based model, employment specialists provide coaching, job search training, and on-the-job support, while also working to develop relationships with employers who may have job openings that align with client preferences. Unlike traditional vocational rehabilitation programs, the IPS model focuses on work as integral to both treatment and recovery and does not require clients to complete training, workshops, or intermediate work experiences before pursuing competitive employment.

The initiative's goal is to place 40 mental health clients in employment in FY2014. To incentivize this initiative, the current payment rate for traditional, center-based workshops is reduced by 20 percent. Associated savings are net of the costs associated with providing additional customized employment support services.

Turnover

(\$100,000)

The FY2014 Budget as Enacted includes \$100,000 in general revenue turnover savings within the behavioral healthcare program.

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 developmental disability 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 FY2014 Budget authorizes 1,423.4 FTE positions, an increase of 37.8 FTE positions above the current enacted level. These unfunded FTE positions are added in order to implement the Department's continuous recruitment efforts.

Hospital and Community Rehabilitation Services	General Revenue
FY2013 Enacted	\$49,694,992
<i>Target and Other Adjustments</i>	
Overtime - Eleanor Slater Hospital	21,246
Turnover	1,875,135
Close a Zambarano Group Home (Southwick)	(600,000)
Increase Third Party Billing at Eleanor Slater Hospital	(346,443)
FY2014 Enacted	\$50,544,930

Overtime – Eleanor Slater Hospital **\$1.9 million**

As noted above, delays in hiring at the Eleanor Slater Hospital have resulted in substantial overtime expenses in FY2012 and FY2013. The Budget adds \$1.9 million in general revenue (\$3.8 million all funds) for overtime at the Eleanor Slater Hospital in FY2014.

In order to address the systemic issues leading to large overtime expenses, the Department has implemented a program of continuous recruitment, maintaining an ongoing applicant pool to fill vacant positions more quickly and thus lower overtime costs.

Turnover – Eleanor Slater Hospital **(\$600,000)**

The FY2014 Budget as Enacted includes \$600,000 in turnover savings at the Eleanor Slater Hospital.

Close a Zambarano Group Home (Southwick) **(\$346,443)**

The Budget removes funding for the Southwick group home for the developmentally disabled. Its four residents will be transferred to one of the three remaining Zambarano group homes, allowing for more efficient staffing and reduced overtime.

The Southwick group home, located in Lincoln, is one of four Zambarano state-run group homes. It currently houses a population of four mostly older developmentally disabled individuals who were institutionalized at the Zambarano Hospital's pediatric ward as children and moved to community-based settings in the 1980's and 1990's.

Increase Third Party Billing at Eleanor Slater Hospital **(\$100,000)**

The Budget includes savings of \$100,000 from an increase in third party billing to Medicare and other insurers for services provided through the Eleanor Slater Hospital.

CAPITAL PROJECTS

The FY2014 Budget as Enacted funds 13 capital projects totaling \$10.6 million from all funding sources for FY2014. The single largest project included in capital budget is a hospital consolidation project, which has a total project cost of \$34.7 million and which is funded with \$3.0 million in RICAP funds for FY2014. Though the project originally involved the restructuring of the Eleanor Slater Hospital through the renovation of the Mathias and Varley buildings, the current project funds the construction of a new facility. This new facility will consolidate the Pastore Center hospital system, which is currently scattered in buildings throughout the complex, into one building, making operations more efficient and cost effective.

Other projects funded in the FY2014 Capital Budget include:

- Renovations to the Department's administrative buildings, located at the Pastore Complex, Cranston (\$3.0 million).
- Capital repairs to residential facilities for the developmentally disabled (\$925,000).
- Development of housing opportunities for mental health independent and shared living (\$800,000).

Governor's Commission on Disabilities

Expenditures by Program	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted		FY2014 Enacted	Change from Enacted	
Governor's Commission on Disabilities	\$597,971	\$751,439	\$599,003	(\$152,436)	-20.3%	\$1,455,336	\$703,897	93.7%
Expenditures by Source								
General Revenue	\$381,164	\$371,096	\$324,421	(\$46,675)	-12.6%	\$357,711	(\$13,385)	-3.6%
Federal Funds	70,987	120,649	215,368	94,719	78.5%	129,989	9,340	7.7%
Restricted Receipts	7,442	9,694	9,214	(480)	-5.0%	10,365	671	6.9%
Other Funds	138,378	250,000	50,000	(200,000)	-80.0%	957,271	707,271	282.9%
Total	\$597,971	\$751,439	\$599,003	(\$152,436)	-20.3%	\$1,455,336	\$703,897	93.7%
Authorized FTE Levels	4.0	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 FY2014

The Commission provides fellowship opportunities to disabled college students attending the State's higher education institutions. The Budget as Enacted funds 5.0 fellowship opportunities, an increase of 2.0 from the prior year. Fellowships include 3.0 Mary Brennan Fellowships, 1.0 outreach and accessibility fellowship, and 1.0 disability business enterprise fellowship. Each semester-long fellowship provides students an opportunity to focus on a specific area of disability policy as part of a broader effort by the Commission to increase work readiness and employment opportunities for the disabled.

The Budget maintains 4.0 FTE positions in FY2013 and FY2014, consistent with the enacted level.

Governor's Commission on Disabilities	General Revenue
FY2013 Enacted	\$371,096
<i>Target and Other Adjustments</i>	<i>(13,385)</i>
FY2014 Enacted	\$357,711

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 (ADA). The Commission notes in its FY2014 capital plan request that at the current rate of investment in infrastructure improvements, the State will not reach compliance until 2101.

The Budget includes a total of \$10.4 million in RICAP funds from FY2013 through post-FY2018, and approximately \$1.0 million spent to date, for a total of \$11.3 million in RICAP funds to improve handicapped accessibility at state facilities. The General Assembly reduces RICAP funding by \$235,465 in FY2013. This reduction eliminates funding for the construction of a new elevator at the Groden Center in Providence due to project delays and increases in projected expenditures.

Commission on the Deaf and Hard of Hearing

Expenditures by Program	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted		FY2014 Enacted	Change from Enacted	
Commission on the Deaf and Hard of Hearing	\$377,005	\$390,251	\$381,701	(\$8,550)	-2.2%	\$471,609	\$81,358	20.8%
Expenditures by Source								
General Revenue	\$377,005	\$390,251	\$381,701	(\$8,550)	-2.2%	\$391,609	\$1,358	0.3%
Other Funds	-	-	-	-	-	80,000	80,000	N/A
Total	\$377,005	\$390,251	\$381,701	(\$8,550)	-2.2%	\$471,609	\$81,358	20.8%
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 FY2014

The Budget includes a staffing level of 3.0 FTE positions in FY2013 and FY2014 for the CDHH.

Commission on the Deaf and Hard of Hearing	General Revenue
FY2013 Enacted	\$390,251
<i>Target and Other Adjustments</i>	<i>1,358</i>
FY2014 Enacted	\$391,609

Commission on the Deaf and Hard of Hearing	Other Funds Changes
Emergency and Public Communication Access Program (restricted receipts)	\$80,000

Emergency and Public Communications Access Program (restricted receipts) \$80,000

The Budget establishes the Emergency and Public Communications Access Program (EPCAP) to improve emergency communication and communication access within state departments, and to support emergency responder training.

Article 17 transfers \$80,000 in restricted receipts annually from the Public Utilities Commission (PUC) to the Emergency and Public Communications Access Fund, within the Commission on the Deaf and Hard of Hearing. Currently, the PUC collects relay assessments (a \$0.09 surcharge collected from telecommunications providers on landline telephones) and reports a surplus of approximately \$300,000 within the Relay Fund.

Analyst's Note: It is unclear as to whether or not this funding mechanism will be sustainable over the long-term without any increase to the relay assessment. PUC anticipates that the relay assessment will need to be increased in out years after the Relay Fund is depleted. Revenue collections have declined over the last several years as the use of landlines has decreased. Despite the total surplus of \$300,000 within the Relay Fund, the average annual surplus over the last three years was approximately \$65,000 after accounting for other mandated transfers to the Department of Human Services.

The State's current emergency system, part of which provides emergency notifications and alerts to the deaf and hard of hearing population, is administered across multiple departments including the Rhode Island Emergency Management Agency, Department of Health, and local public safety divisions. This initiative enhances the current emergency system as it relates to deaf and hard of hearing individuals through the purchase of public communication access equipment to enable hearing impaired individuals

the ability to communicate in State-owned and operated facilities as well as during emergency situations. According to the Commission, there are approximately 90,000 individuals (approximately 9.0 percent of the population) in Rhode Island with some form of hearing loss.

This initiative will also support specialized trainings and workshops for emergency first responders and municipal police forces working with the deaf and hard of hearing in the event of an emergency. The Budget allocates approximately 75.0 percent (\$61,000) to contracted professional services to provide for staff support, with the remaining funds (\$19,000) allocated for operating and capital expenditures.

Office of the Child Advocate

Expenditures by Program	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted		FY2014 Enacted	Change from Enacted	
Child Advocate	\$558,884	\$657,572	\$636,732	(\$20,840)	-3.2%	\$648,648	(\$8,924)	-1.4%
Expenditures by Source								
General Revenue	\$512,165	\$611,469	\$590,664	(\$20,805)	0.0%	\$608,651	(\$2,818)	-0.5%
Federal Funds	46,719	46,103	46,068	(35)	0.0%	39,997	(6,106)	-13.2%
Total	\$558,884	\$657,572	\$636,732	(\$20,840)	-3.2%	\$648,648	(\$8,924)	-1.4%
Authorized FTE Levels	5.8	5.8	5.8	-	0.0%	6.0	0.2	3.4%

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 FY2014

The Budget includes a staffing level of 5.8 FTE positions in FY2013 and 6.0 FTE positions in FY2014 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.

Child Advocate	General Revenue
FY2013 Enacted	\$611,469
<i>Target and Other Adjustments</i>	3,682
Staff Conversion	(6,500)
FY2014 Enacted	\$608,651

Staff Conversion **(\$6,500)**

The Budget assumes \$6,500 in general revenue savings due to a six-week delay in filling a vacancy within the Office. The Budget also converts this currently vacant position from 0.8 Staff Attorney position to a 1.0 Legal Counsel position, increasing the position to full-time status, but assumes no increase in personnel expenditures. Despite this conversion from part to full-time employment, the Office is not anticipated to incur an increase in personnel expenditures as the Legal Counsel position is a lower grade position than the Staff Attorney position. According to the Office of the Child Advocate and the State Budget Office, this change will assist the Office with better management of its caseload.

Office of the Mental Health Advocate

Expenditures by Program	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted		FY2014 Enacted	Change from Enacted	
Mental Health Advocate	\$387,894	\$447,119	\$323,307	(\$123,812)	-27.7%	\$486,144	\$39,025	8.7%
Expenditures by Source								
General Revenue	\$387,894	\$447,119	\$323,307	(\$123,812)	-27.7%	\$486,144	\$39,025	8.7%
Authorized FTE Levels	3.7	3.7	3.7	-	0.0%	3.7	-	0.0%

The Office of the Mental Health Advocate is directed by law to ensure 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. 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 FY2014

The Budget includes a staffing level of 3.7 FTE positions in FY2013 and FY2014, consistent with the enacted level. 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 of mental health facilities and licensed mental health group homes, performing investigations only after a complaint has been filed. Currently, the Office's Compliance Unit is unstaffed and the Advocacy Unit is understaffed, with only the Mental Health Advocate fulfilling this role when time permits.

Mental Health Advocate	General Revenue
FY2013 Enacted	\$447,119
<i>Target and Other Adjustments</i>	<i>(\$584)</i>
Personnel	\$39,609
FY2014 Enacted	\$486,144
Personnel	\$39,609

The Budget authorizes and fully funds 3.7 FTE positions, 1.7 of which were vacant in FY2013: the Mental Health Advocate and staff attorney positions. The Budget adds \$39,609 in general revenue from the enacted level to fully fund the positions, which were filled as of April 2013.

In 2012, the former Mental Health Advocate, H. Reed Cospers, stepped down after serving the Office for over 20 years. Mr. Cospers officially retired as of June 1, 2012, and, the Governor's new appointee, formerly of the Office of the Child Advocate, was confirmed by the Senate during the 2013 legislative session. Following the confirmation of the new Mental Health Advocate, the formerly vacant part-time Staff Attorney III position (0.7 FTE) was posted and filled, which is responsible for staffing the Office's Compliance Review and Advocacy Units.

Elementary and Secondary Education

Expenditures by Program	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted		FY2014 Enacted	Change from Enacted	
Admin of the Comprehensive Education Strategy	\$256.7	\$254.1	\$261.6	\$7.5	3.0%	\$252.0	(\$2.1)	-0.8%
Central Falls	39.2	39.7	39.7	-	0.0%	38.4	(1.3)	-3.3%
Davies Career and Technical School	16.8	17.2	20.2	3.0	17.5%	17.8	0.6	3.4%
Metropolitan Career and Technical School	12.2	16.1	18.3	2.2	13.5%	14.6	(1.5)	-9.2%
Education Aid	641.2	709.8	710.5	0.7	0.1%	744.8	35.0	4.9%
School Construction Aid	69.6	74.6	72.0	(2.5)	-3.4%	69.9	(4.6)	-6.2%
School for the Deaf	6.6	7.0	7.0	0.0	0.3%	6.8	(0.2)	-3.2%
Teacher Retirement	80.4	79.8	76.1	(3.7)	-4.6%	81.7	1.9	2.4%
Total	\$1,122.7	\$1,198.2	\$1,205.5	\$7.2	0.6%	\$1,226.0	\$27.8	2.3%
Expenditures by Source								
General Revenue	\$860.9	\$935.4	\$928.9	(\$6.4)	-0.7%	\$964.7	\$29.3	3.1%
Federal Funds	234.7	230.8	238.1	7.3	3.2%	225.7	(5.0)	-2.2%
Restricted Receipts	23.0	25.6	26.6	1.0	3.9%	27.7	2.0	7.9%
Other Funds	4.1	6.5	11.8	5.4	83.0%	7.9	1.4	21.9%
Total	\$1,122.7	\$1,198.2	\$1,205.5	\$7.2	0.6%	\$1,226.0	\$27.8	2.3%
Authorized FTE Levels	355.4	355.4	357.4	2.0	0.6%	357.4	2.0	0.6%

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

The Rhode Island Department of Elementary and Secondary Education (RIDE), under the leadership of the Board of Education, is responsible for a strategic plan defining goals and objectives for elementary and secondary education; preparation and presentation annually of an educational budget for the Department of Elementary and Secondary Education, subordinate boards and agencies, and State aid to local school districts; approval of the basic subjects and courses of study to be taught, and instructional standards required to be maintained in the public elementary and secondary schools of the State; and adoption of standards and qualifications for the certification of teachers and provision for the issuance of certificates.

MAJOR ISSUES AND TRENDS FOR FY2014

The FY2014 budget includes an all funds increase of \$27.8 million, or 2.3 percent, above the FY2013 Budget as Enacted. The \$29.3 million increase in general revenues is due primarily to the decision to fully fund the third year of the education funding formula and the categorical aid programs. The increase in restricted receipts represents \$789,812 for the local contribution to the statewide transportation contract, \$400,000 for adult education, and \$233,000 for the E-Rate program.

Other funds increase primarily represents \$1.6 million increase Rhode Island Capital Plan (RICAP) funds for repairs to the state-owned career and technical centers to aid the transfer of the facilities to the individual school districts.

The FY2013 Budget as Enacted required the Department, in consultation with the Department of Municipal Finance, to monitor school district compliance with the approved budget model and best practices, conduct periodic reviews and analysis of district revenues and expenses, and identify districts at risk of a year-end or structural deficit. The Budget did not provide additional FTE positions or funding for the monitoring function. The FY2013 Revised Budget and the FY2014 Budget as Enacted provide 2.0 FTE positions to comply with the legislation, but do not provide any additional funding. The Department is expected to manage vacancies in order to realize the estimated \$259,535 needed to fund the new positions.

ADMINISTRATION OF THE COMPREHENSIVE EDUCATION STRATEGY (ACES)

This program encompasses the offices of Accelerating School Performance, Educator Excellence and Instruction Effectiveness, Fiscal Integrity and Efficiencies, and Legal. Through these offices, RIDE provides leadership and support for the entire elementary and secondary education system in Rhode Island.

The Budget includes 171.4 FTE positions in FY2013 and FY2014 for the program. This represents an increase of 2.0 FTE positions from the enacted level. The positions were added to comply with legislation passed by the 2012 General Assembly requiring the Department, in consultation with the Department of Municipal Finance, to monitor school district compliance with the approved budget model and best practices, conduct periodic reviews and analysis of district revenues and expenses, and identify districts at risk of a year-end or structural deficit.

Administration of the Comprehensive Education Strategy	General Revenue
FY2013 Enacted	\$18,967,968
<i>Target and Other Adjustments</i>	<i>319,069</i>
Community Service Grants	588,000
Personnel Savings	(100,000)
Municipal Oversight (2.0 FTE positions)	Informational
Vision Services	(248,334)
Grant for Channel 36 Transition	300,000
FY2014 Enacted	\$19,826,703

Administration of the Comprehensive Education Strategy	Other Funds Changes
Race to the Top Early Learning Challenge	(\$1,975,784)
Adult Education	300,000

Community Service Grants **\$588,000**

The General Assembly includes an additional \$588,000 in general revenue for three new community service grants. The grants include \$500,000 for the Woonsocket School Department, \$38,000 for Child Opportunity Zones (COZs), and \$50,000 for a one-time grant to the East Providence High School for capital improvements to the gymnasium.

Personnel Savings **(\$100,000)**

The General Assembly includes an additional \$100,000 in estimated personnel savings.

Municipal Oversight (2.0 FTE positions) **Informational**

The FY2013 Budget as Enacted required the Department, in consultation with the Department of Municipal Finance, to monitor school district compliance with the approved budget model and best practices, conduct periodic reviews and analysis of district revenues and expenses, and identify districts at risk of a year-end or structural deficit. The budget did not provide additional FTE positions or funding for the monitoring function. The General Assembly provides the FTE positions, in FY2013 and FY2014, to comply with the legislation, but does not provide any additional funding and requires the Department to manage vacancies to realize the savings needed to fund the new positions. The Department estimates the cost of the positions at \$259,535 in FY2014.

Vision Services **(\$248,334)**

Located at Rhode Island College, the Vision and Education Services Program provides teaching and consultation services to children who are blind or visually impaired, their families, and educational staff within the school environment. The array of services available includes early intervention, orientation and mobility, and the instruction of specific compensatory skills to children from birth through age 21.

Currently, the Department pays two-thirds of the service cost and the district pays one-third. The Budget shifts the Department's share of the Vision Services Program to the districts over a three-year period, consistent with the Department's original intent to move certain general revenue expenditures to the LEAs and provide state support through the high-cost special education categorical fund. Total savings to the Department, upon full transition is estimated at \$745,000. The savings estimated for FY2014, the first year of the transition plan, is \$248,334.

Grant for Channel 36 Transition

\$300,000

The Budget does not include any direct funding for the state Public Telecommunications Authority in FY2014; instead, the Governor recommended a \$400,000 grant to aid in the transition of the program and the employees from the state Public Telecommunications Authority to the private, not-for-profit Rhode Island Public Broadcasting Service (PBS) Foundation. The General Assembly decreases this grant by \$100,000, for a total of \$300,000 in FY2014.

Race to the Top - Early Learning Challenge Grant (federal funds)

(\$2.0 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 recommended \$4.1 million in FY2014 for this program, a reduction of \$2.0 million, from the FY2013 Budget as Enacted, and shifted these funds into later years. The FY2013 Budget as Enacted included an additional 13.0 limited-term, federally-funded positions to be financed through this grant. The primary reason for the shift of funds from one fiscal year to the next is a delay in the implementation of contracts. The General Assembly concurs.

Adult Education Grants (restricted receipts)

\$300,000

The Governor recommended \$3.8 million from the Governor's Workforce Board/Human Resource Investment Council (GWB/HRIC) to fund the Adult Literacy program from restricted receipts, an increase of \$300,000 from the FY2013 Budget as Enacted. The funds provided from the GWB/HRIC are to be used according to the GWB's Strategic Workforce Plan. According to the Department, the funds will be targeted to programs that offer contextualized instruction and prepare students to enter certificate programs, as well as teach the literacy and numeracy skills need to pass the General Educational Development (GED) test and receive a high school equivalency diploma. In contrast, the general revenue funds appropriated for adult education (\$2.0 million in the FY2014 Budget as Enacted) are used for a wider variety of adult education classes, including low-level literacy or math classes and English as a second language classes. The General Assembly concurs.

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.

Beginning in FY2012, the Central Falls School District is funded using the new education funding formula and the Budget includes \$38.4 million in in FY2014. (*See Education Aid in the Special Report section of this publication for further detail.*)

Central Falls	General Revenue
FY2013 Enacted	\$39,705,879
<i>Target and Other Adjustments</i>	<i>(1,306,288)</i>
FY2014 Enacted	\$38,399,591

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 vocational 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 receives funding from state and federal sources; however, beginning in FY2012, it receives its state 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 FY2014. 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 \$270,000 in FY2014.

The Budget includes \$12.8 million in general revenue funding for the Davies Career and Technical School, a decrease of \$589,491 from the FY2013 Budget as Enacted. (*See Education Aid in the Special Report section of this publication for further detail.*)

The Budget includes 126.0 FTE positions in FY2013 and FY2014 for the program, consistent with the FY2013 Budget as Enacted.

Davies Career & Technical School	General Revenue
FY2013 Enacted	\$13,381,539
<i>Target and Other Adjustments</i>	<i>(589,491)</i>
State Share of Employer Contribution to Teacher Retirement	Informational
FY2014 Enacted	\$12,792,048

State Share of Employer Contribution to Teacher Retirement **Informational**

Since the core foundation amount used in the funding formula does not include the employer contribution for teacher retirement and the local share only includes 60.0 percent of the cost, the Governor proposed to transition the other 40.0 percent, which represents the state share of teacher retirement, over the remaining eight years of the education funding formula transition. The amount included for FY2014 is \$100,000, for a total amount of \$800,000 upon full transition in FY2021. The General Assembly concurs.

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 Budget includes \$6.1 million in general revenue funding for FY2014, and 60.0 FTE positions in FY2013 and FY2014 for the program. The funding represents a decrease of \$174,687, and the FTE positions are consistent with FY2013 Budget as Enacted.

Rhode Island School for the Deaf	General Revenue
FY2013 Enacted	\$6,244,881

<i>Target and Other Adjustments</i>	(107,187)
Rental Income Offset	(67,500)
FY2014 Enacted	\$6,070,194

Rental Income Offset **(\$67,500)**

The Budget reduces general revenue expenditures by \$67,500 at the School for the Deaf. The decrease in general revenue will be offset through the collection of rental income for unused space at the school. While the School for the Deaf does not have a rental agreement in place, the State Properties Committee granted conceptual approval to rent space in the facility on May 21, 2013.

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 formerly 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 \$3.5 million in FY2014. Furthermore, the Met School is now responsible for the cost of transporting students to and from their sending districts and will no longer be reimbursed by sending districts for transportation costs. Generally, the school provides RIPTA passes to students; however, due to the lack of RIPTA services available to students in Woonsocket, the school provides a yellow bus for those students. The total estimated cost to the school is about \$177,000 annually.

The Budget includes \$11.1 million in general revenue funding for the Met, a decrease of \$563,207 from the FY2013 Budget as Enacted. (*See Education Aid in the Special Report section of this publication for further detail*)

Metropolitan Career & Technical School	General Revenue
FY2013 Enacted	\$11,648,256

<i>Target and Other Adjustments</i>	(563,207)
FY2014 Enacted	\$11,085,049

EDUCATION AID

The Department provides direct support to schools and school districts, including charter and state-owned schools, through this program. This program also provides funding for group home beds, non-public textbook reimbursement, state-level professional development, the early childhood demonstration pilot project, state E-rate reimbursement, and the State's share of the school breakfast program.

Education Aid	General Revenue
FY2013 Enacted	\$691,078,185
<i>Target and Other Adjustments</i>	
Year 3 Funding Formula	32,539,493
Categorical Funds	1,674,889
Group Home Aid	(1,050,000)
Full-Day Kindergarten Accessibility Act	250,000
Telecommunication Education Access Fund (E-Rate)	400,000
Charter School Growth	Informational
FY2014 Enacted	\$724,892,567

Year 3 Funding Formula **\$32.5 million**

The Education Adequacy Act (2010-S-2770, Substitute A as Amended) provided a new school funding formula that creates a single methodology for distributing state aid to all public schools. The core principle behind the formula is that state funding should follow the student; therefore, distribution could change annually based on shifts in enrollment. There are no changes in funding methodology for the School for the Deaf, since it is an education program that already has a state, federal and local share.

The formula establishes a per-pupil spending amount (\$8,897 in FY2014) 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, (\$3,559) 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 FY2014 Budget includes \$32.5 million to fund the third year of the funding formula for all the school districts except Central Falls, which is included as a separate budget program, and the charter schools, including the urban collaborative. The funding for third year of the education funding formula for all school districts, charter schools, Davies Career & Technical School (Davies), and the Metropolitan Career and Technical School (Met) totals \$30.1 million. The difference is due to the decrease in funding to Central Falls (\$1.3 million), Davies (\$589,491), and the Met (\$563,207) in FY2014 relative to FY2013. The General Assembly added \$2.4 million to adjust the third year formula calculation across districts, charter and state schools based on revised student enrollment and reduced lunch data in March 2013.

Categorical Funds **\$1.7 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.

Categorical	Change from	
	Enacted	Total
Transportation	\$1.1	\$3.3
Regionalization Bonus	(0.4)	-
Career & Tech. Schools	-	3.0
Early Childhood	0.5	2.0
High Cost Special Education	0.5	1.0
Total	\$1.7	\$9.2

The FY2014 Budget includes funding for all of these categories.

- **Transportation:** This fund provides funding for transporting students to out-of-district, non-public schools and for 50.0 percent of the local costs associated with transporting students within regional school districts. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget includes \$3.3 million in FY2014, an increase of \$1.1 million over the FY2013 Budget as Enacted.
- **Regionalization Bonus:** This fund provides a bonus to regionalized districts and those that regionalize in the future. In the first year, the bonus is 2.0 percent of the State's share of the total foundation aid. In the second year, the bonus is 1.0 percent of the State's share and in the third year the bonus phases out. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget does not include funding in FY2014, the third year of funding, since the existing districts are not eligible, and no new regional districts have been formed. The FY2014 Budget as Enacted represents a decrease of \$421,951 from the FY2013 Budget as Enacted.
- **Career and Technical Schools:** This fund contributes toward the initial investment needed to transform existing programs or create new programs and the costs associate with facilities, equipment maintenance and repair, and supplies of higher cost programs. FY2014 represents the second year of funding for the career and technical fund, which will be fully funded by the end of the formula transition. The Governor recommended \$3.5 million in FY2014, an increase of \$500,000 over the FY2013 Budget as Enacted. The General Assembly does not concur and maintains funding at the FY2013 level of \$3.0 million.
- **Early Childhood Education:** This fund is designed to increase access to voluntary, free, high-quality pre-kindergarten programs. The funds will be distributed through a request for proposals process targeting communities in three tiers, with the first tier having the highest concentration of children at risk for poor educational outcomes. FY2014 represents the second year of funding for the early childhood education fund, which will be fully funded by the end of the formula transition. The Governor recommended \$2.5 million in FY2014, an increase of \$1.0 million over the FY2013 Budget as Enacted. The General Assembly does not concur and provides funding of \$2.0 million, an increase of \$500,000 over the FY2013 Budget as Enacted.
- **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 (\$62,280 for FY2014). The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Governor recommended \$1.0 million in FY2014, an increase of \$500,000 over the FY2013 Budget as Enacted. The General Assembly concurs. This represents the second year of funding for the high-cost special education fund.

Group Homes

(\$1.1 million)

The FY2014 budget includes \$7.1 million to fund group home beds. This is \$1.1 million less than the FY2013 Budget as Enacted, and represents a decrease of 70 beds system wide due to a decrease in utilization. Group home aid is funded outside of the funding formula.

Group Home Aid

LEA	FY2013 Enacted	FY2013 Revised	FY2014 Enacted	Change from Enacted	
				Number of Beds	Aid
Burrillville	\$330,000	\$330,000	\$330,000	-	\$0
Coventry	120,000	120,000	120,000	-	-
Cranston	-	60,000	60,000	4	60,000
East Providence	636,000	636,000	636,000	-	-
Johnston	120,000	120,000	120,000	-	-
Lincoln	135,000	135,000	135,000	-	-
Middletown	480,000	480,000	420,000	(4)	(60,000)
Newport	360,000	360,000	270,000	(6)	(90,000)
North Providence	240,000	240,000	240,000	-	-
North Smithfield	120,000	120,000	120,000	-	-
Pawtucket	855,000	855,000	735,000	(8)	(120,000)
Portsmouth	585,000	585,000	555,000	(2)	(30,000)
Providence	2,640,000	2,640,000	2,055,000	(39)	(585,000)
Smithfield	240,000	240,000	240,000	-	-
South Kingstown	375,000	375,000	315,000	(4)	(60,000)
Warwick	360,000	360,000	330,000	(2)	(30,000)
Woonsocket	165,000	165,000	120,000	(3)	(45,000)
Bristol-Warren	210,000	210,000	120,000	(6)	(90,000)
Exeter-West Greenwich	210,000	210,000	210,000	-	-
Total	\$8,181,000	\$8,241,000	\$7,131,000	(70)	(\$1,050,000)

Full-Day Kindergarten Accessibility Act**\$250,000**

The Budget includes \$250,000 for the Full-Day Kindergarten Accessibility Act to help districts with one-time, start-up costs associated with establishing a full-day program. Allowable costs include, but are not limited to, desks, books, facility upgrades, ancillary costs associated with relocation of students, and costs associated with the development and implementation of new curriculum. If more than four eligible school districts apply in one year, or if the appropriation does not support four eligible districts, the Commissioner of Elementary and Secondary Education will determine which districts receive funding.

Telecommunications Education Access Fund (E-Rate)**\$400,000**

The purpose of the Rhode Island Telecommunications Education Access Fund (RITEAF or E-rate) is to fund a basic level of internet access for all qualified schools (kindergarten through grade 12) and libraries in the State. In the past, the state match portion of the RITEAF has been derived from two sources: a monthly E-rate surcharge on landlines of \$0.26 per line (\$2.3 million in FY2013 Budget as Enacted) and general revenues. As the number of land lines has decreased over the past several years, funding for this program has also decreased.

The 2012 General Assembly reduced general revenue funding by \$350,000 and provided the state match for the federal funding with bond proceeds from the issuance of Certificates of Participation (COPs) for improvements to the technology infrastructure of local education agencies. Subsequent to the budget enactment, the Department indicated that there had been a misunderstanding. The Department thought the intent was to purchase bandwidth for the schools and libraries; however, it was later realized that the funds were intended be used to lease the lines, as is done through the current program. Leasing of the lines for bandwidth is not an appropriate use of the COPs Tech bond funding and an alternative source of funding needed to be identified.

The Governor recommended \$400,000 in FY2013 and FY2014 as the state general revenue match for the E-Rate program. Since the Department indicated the program could be sustained in FY2013 without the additional funds, the General Assembly provided the additional funding only in FY2014.

Charter School Growth

Informational

The Budget includes \$55.1 million for public charter schools, an increase of \$8.4 million from the FY2013 Budget as Enacted. The Budget assumes the following charter school growth:

- The Greene School, which is located in West Greenwich and currently enrolls 168 students, would add a twelfth grade (42 students).
- The Highlander Charter School, which is located in Providence and currently enrolls 312 students, would add 40 students, including a pre-kindergarten class (12 students), a ninth grade (20 students) and the remaining eight students will be distributed to bring all the grades up to a maximum capacity of 36 students.
- The Nurses Institute, which is located in Pawtucket and currently enrolls 204 students, would add a twelfth plus grade (68 students).
- The Paul Cuffee School, which is located in Providence and currently enrolls 706 students, would add a twelfth grade (72 students).
- RIMA – Blackstone Valley Prep, which is located in Cumberland and currently enrolls 768 students, would add a second, fourth, and eighth grade (252 students).
- Trinity Academy for the Performing Arts, which is located in Providence and currently enrolls 102 students, would add a tenth grade (34 students).

The Budget also includes funding for new charter schools scheduled to open in FY2014.

- Achievement First, which will be located in Providence and enroll students from Cranston, North Providence, Providence, and Warwick, will have kindergarten and first grades (176 students).
- Nowell Academy, which will be located in Central Falls and have a statewide catchment area, will have ninth through twelfth grades (160 students).
- Village Green, which will be located in Providence and have a statewide catchment area, will have ninth through twelfth grades (136 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 FY2014, the minimum state share is 35.0 percent and the maximum is 95.2 percent.

The 2010 General Assembly passed legislation increasing the minimum share ratio from 30.0 percent in FY2011 to 35.0 percent in FY2012 and to 40.0 percent in FY2013. The 2012 General Assembly froze the reimbursement rate at 35.0 percent, but provided that projects completed after June 30, 2010, that received approval from the Board of Regents by June 30, 2012, receive the 40.0 percent minimum.

The 2011 General Assembly enacted legislation limiting the approval of new projects between FY2012 and FY2015, to those necessitated by immediate health and safety reasons. Any project requested during the moratorium must be reported to the chairs of the House and Senate Finance Committees. Any project

approval granted prior to the adoption of the school construction regulations in 2007, which is currently inactive, did not receive voter approval, or has not been previously financed, is no longer eligible for reimbursement.

Housing Aid/ School Construction Aid	General Revenue
FY2013 Enacted	\$74,568,906
Housing Aid	(4,194,402)
State Share of Refinancing Savings	(425,000)
FY2014 Enacted	\$69,949,504

Housing Aid **(\$4.2 million)**

The Department estimates that school housing aid will decrease by \$4.2 million in FY2014 due to projects not being completed as originally planned. The decrease in FY2013 is \$2.5 million from the FY2013 Budget as Enacted level. The General Assembly concurs.

State Share of Local Refinancing Savings **(\$425,000)**

The General Assembly reduces school housing aid reimbursements by \$425,000 to reflect estimated state savings from refinancing school housing bonds. The estimated savings reflects the 20.0 percent state share of the savings. The remaining 80.0 percent of the savings (estimated at \$1.4 million) will be distributed to each community based on the savings realized by the refinancing of each community's school bonds.

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 employees except public safety employees and judges, to shift risk to the employee by combining the attributes of both the defined benefit and defined contribution plans.

Teacher Retirement	General Revenue
FY2013 Enacted	\$79,768,447
Defined Benefit Plan	1,953,824
Defined Contribution Plan	(31,018)
FY2014 Enacted	\$81,691,253

Defined Benefit Plan **\$2.0 million**

The Budget includes total funding of \$77.9 million for the State's contribution to the teacher retirement defined benefit plan, reflecting a net increase of \$2.0 million from FY2013 Budget as Enacted due to updated teacher wage data.

Defined Contribution Plan **(\$31,018)**

The Budget includes \$3.8 million in general revenue for the State's share of the contribution to the new defined contribution portion of the hybrid pension system, reflecting a net decrease of \$31,018 from FY2013 Budget as Enacted. The key elements of the defined contribution component of the hybrid plan include the following:

- 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 period 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 Budget includes \$7.6 million in RICAP funding in FY2014, including the following:

- \$2.6 million in RICAP funding for the study, design, and construction of the East Bay Metropolitan Regional Career and Technical School and \$933,333 for HVAC repairs and asset protection projects.
- \$3.1 million in RICAP funding for capital repairs at five career and technical schools (Cranston, East Providence, Newport, Warwick, and Woonsocket).
- \$925,271 in RICAP funding for repairs and capital asset protection for the Davies Career and Technical School.

Board of Governors for Higher Education

Expenditures by Program	FY2012	FY2013	FY2013	Change from		FY2014	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Office of Higher Education	\$9.3	\$10.7	\$11.1	\$0.4	3.4%	\$11.2	\$0.5	4.4%
University of Rhode Island	678.9	711.9	715.8	3.9	0.6%	729.1	17.2	2.4%
Rhode Island College	167.6	163.9	161.7	(2.2)	-1.4%	166.2	2.3	1.4%
Comm. College of Rhode Island	154.1	145.1	147.4	2.3	1.6%	151.0	5.9	4.1%
Total	\$1,009.9	\$1,031.7	\$1,036.0	\$4.3	0.4%	\$1,057.5	\$25.8	2.5%
Expenditures by Source								
General Revenue	\$165.7	\$172.5	\$172.7	\$0.2	0.1%	\$180.0	\$7.6	4.4%
Federal Funds	23.2	4.9	5.2	0.4	7.7%	6.2	1.3	27.6%
Restricted Receipts	0.7	0.7	0.7	-	70.3%	0.7	-	0.0%
Other Funds	820.3	853.7	858.4	4.7	0.5%	870.6	16.9	2.0%
Total	\$1,009.9	\$1,031.7	\$1,037.0	\$5.3	0.5%	\$1,057.5	\$25.8	2.5%
Sponsored Research Positions	776.2	776.2	776.2	-	0.0%	776.2	-	0.0%
Authorized FTE Levels	3,438.4	3,464.8	3,464.8	-	0.0%	3,475.8	11.0	0.3%

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

Prior to January 1, 2013, Higher Education in Rhode Island functioned under the direction of the Board of Governors for Higher Education. The FY2013 Budget as Enacted established a new Board of Education consisting of 11 members appointed by the Governor with the advice and consent of the Senate, and abolished the Board of Governor's for Higher Education and the Board of Regents for Elementary and Secondary Education, effective January 1, 2013. The Board of Education 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 major responsibilities of the Board of Education (Board), pertaining to higher education, include the governance of public institutions of higher learning and the regulation of proprietary schools; the preparation of a public higher education budget and capital development program; and the development of policies in pursuit of the primary goals of excellence, opportunity and access, diversity and responsiveness, coordination and accountability in public higher education.

The system of public higher education consists of three major institutions located at eight different campuses across the State of Rhode Island: the University of Rhode Island (URI), Rhode Island College (RIC), and the Community College of Rhode Island (CCRI).

MAJOR ISSUES AND TRENDS FOR FY2014

The FY2014 Budget as Enacted includes total funding of \$1,057.5 million, representing an increase of \$25.8 million over the FY2013 Budget as Enacted, including a general revenue increase of \$7.6 million (4.4 percent). Of the \$7.6 million increase, \$6.0 million is intended to ensure that each of the three institutions maintain tuition charges and student financial aid in the 2013/2014 academic year at the same level as the 2012/2013 academic year. The Budget requires the President of each institution to certify to the Board of Education, prior to the commencement of the 2013/2014 academic year, that the tuition charges and financial aid have been maintained.

Federal funds increase for FY2014 by \$1.3 million over the FY2013 Budget as Enacted. Major changes include an increase of \$1.0 million for the College Access Challenge Grant, which fosters partnerships among federal, state, and local governments and philanthropic organizations through matching challenge grants that are aimed at increasing the number of low-income students who are prepared to enter and succeed in postsecondary education, and an increase of \$529,063 in the Gaining Early Awareness and

Readiness for Undergraduate Program (Gear Up), a discretionary grant program designed to increase the number of low-income students who are prepared to enter and succeed in postsecondary education.

Other funds increase for FY2014 by \$16.9 million over the FY2013 Budget as Enacted. Major changes include an increase of \$15.7 in RICAP funding, \$142,849 for a grant award to Rhode Island College from Rhode Island Hospital, as well as additional tuition and fee revenue of \$1.4 million at URI and \$1.3 million at CCRI, which represents an enrollment increase of 0.4 percent from FY2013.

Actual tuition and fee revenue, by institution, along with a projection for FY2013 and FY2014, are shown in the table below.

Tuition and Fee Revenue, 2008-2014				
Year	URI	RIC	CCRI	Total
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	245.3	64.1	52.5	361.9
2013 (projected)	260.3	65.5	54.8	380.6
2014 (projected)	261.7	65.5	56.1	383.3
5-Year Increase	\$60.2	\$14.0	\$13.2	\$87.4
% Increase	29.9%	27.2%	30.8%	29.5%

\$ in millions.

Source: Office of Higher Education.

College Tuition Waivers

An open-government unit, led by Attorney General Peter Kilmartin, concluded that the records of the University of Rhode Island and state college employees receiving free tuition (up to \$26,444) for themselves and their relatives is not public information. As a result the General Assembly passed 2013-S-0685 to promote transparency and prevent the issuance of waivers to those who are ineligible. This bill requires employees of the state Board of Education, their spouses, domestic partners, or any dependent, who receives a waiver of tuition as a result of employment status to disclose the existence and amount of the tuition waiver, thereby deeming the information to be public. In FY2012, the three state schools granted a total of \$9.2 million in combined tuition waivers for 3,466 students.

Nursing Education Center

The Senate passed 2013-S-1027, a resolution to encourage and support the efforts of the Rhode Island Board of Education and the Department of Administration to establish a nursing education center at the South Street Power Plant in Providence. Also known as the Dynamo House, the South Street Power Station on the Providence River has been vacant since 1999.

Over the last several years, Rhode Island College (RIC) and the University of Rhode Island (URI) have been exploring options for new nursing programs. In June 2010, the General Assembly requested that the Rhode Island Board of Governors for Higher Education (RIBGHE) conduct a detailed feasibility study for a new nursing sciences building for URI and RIC to explore the cost savings and advantages of a single joint building versus separate buildings on the URI and RIC campuses. The General Assembly also requested the study include enrollment projections, operating costs, space sharing, governance plans, and a comparison to alternate plans for separate facilities.

Based upon the results of the feasibility study prepared by Robinson Green Beretta (RGB) Architects of Providence and HO+K Architects of New York City, the RI Board of Education, URI, RIC, and the State of Rhode Island seek to develop and lease 120,000 square feet of space for a new Nursing Education Center in the South Street Power Station. Other partners in the project are Commonwealth Ventures, the private developer, and Brown University. Brown University will lease approximately 120,000 square feet

of space for academic and administrative space. The redevelopment project will also include graduate student housing, retail space, restaurants, and new parking facilities. It will include the construction of a new 150,000 square foot apartment building for 296 medical and nursing students next to the South Street Power Station, as well as 15,000 square feet of shops and restaurants on the ground floor and 20,000 square feet of offices for start-up companies.

URI, using cost data collected by RGB and HO+K for the May 2011 Feasibility Study and updated in June 2013 by the staff at URI, projects annual building and operating costs of \$4.8 million, of which \$3.0 million is for the lease payment, \$1.6 million is for operating costs, and \$192,361 is for PILOT payments to the City of Providence. The \$4.8 million amount assumes an average annual operating cost of \$1.6 million over a 25-year period. It is assumed that operating costs increase by 1.5 percent per year, with total costs projected to reach \$114.3 million over the 25 year period. For years 0-20 the URI projects a \$40 cost per year per square foot. For years 21-25, the University projects that the cost per-year, per-square foot will decrease to \$29, because tenant fit-out rent payments will phase out after year 20 as costs are fully amortized. This appears to be the lowest cost alternative for this type of project, without the additional long-term burden of ownership.

The construction of the new facilities will be supported, in part, by approximately \$34.0 million in previously approved state historic structures tax credits. Redemption of tax credits will begin in the fiscal year following the completion of each phase of construction.

Based upon discussions with the developer and the architects, URI estimates that the project construction will take 18 to 24 months to complete. Before proceeding with construction, the Board of Education will need to further refine cost estimates and engage legal services, architectural and engineering services, and project management support. The State Properties Committee and the Board of Education must approve such a lease; the State Properties Committee must request approval of the General Assembly prior to entering this agreement, pursuant to RIGL 37-6-2(d).

The FY 2014 Budget as Enacted includes \$2.5 million for the Nursing Education Center. Of this amount, \$1.4 million is for the White Hall Project on the Kingston campus and \$1.1 million is available to the engage legal services, architectural and engineering services and project management support for the new Nursing Education Center.

Higher Education Governance

The FY2013 Budget as Enacted included language to enhance coordination between K-12 and higher education to close the skills gap between what is needed by employers and what is actually possessed by recent graduates, and make high school and college graduates more competitive and marketable. The legislation included the following changes to higher education governance:

- Established a new Board of Education by January 1, 2013, consisting of 11 members appointed by the Governor with the advice and consent of the Senate. The current boards were abolished as of January 1, 2013.
- Authorized the Board of Education to appoint the Commissioner of Elementary and Secondary Education and the Commissioner of Higher Education.
- Maintained the statutory responsibilities of the Department of Elementary and Secondary Education, the Commissioner of Elementary and Secondary Education, and the Commissioner of Higher Education.
- Provided for an Executive Committee of Education, comprised of the presidents of the State's public higher education institutions, the Commissioner of Elementary and Secondary Education, and the Commissioner of Higher Education, who will serve as the Chair.
- Required the Board of Education to submit a report to the General Assembly by April 1, 2013, and quarterly for a year thereafter, on its progress toward implementation of this legislation.

- Required the newly established Board of Education to submit a plan to the Governor and the General Assembly by July 1, 2013, that restructures the administration of higher education by distributing the assets and responsibilities of the current Office of Higher Education to the institutions of higher education.
- Abolishes the Office of Higher Education by July 1, 2014.

Analyst's Note: As of August 1, 2013, the Governor and the General Assembly have not received a plan from the Board of Education that restructures the administration of higher education.

Personnel

The Budget increases the overall 4,248.0 FTE position cap, which includes the 776.2 Limited Service Employee (LSE) position cap for Higher Education, by 7.0 FTE positions.

- The Office of Higher Education includes a decrease of 3.0 FTE position to reflect that the Office will be eliminated on July 1, 2014.
- The budget also includes an additional 10.0 FTE positions in Higher Education, reflecting 1.0 FTE position for at the State Crime Lab, 5.0 FTE positions for new faculty at the University of Rhode Island, 2.0 FTE positions for new faculty at Rhode Island College, and 2.0 FTE for new staff positions at Rhode Island College.
- 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)

Expenditures by Source	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted	FY2014 Enacted	Change from Enacted
General Revenue	\$6.1	\$5.9	\$5.9	(\$0.0) -0.2%	\$5.0	(\$0.9) -14.7%
Federal Funds	3.2	4.9	5.2	0.4 7.7%	6.2	1.3 27.6%
Total	\$9.3	\$10.7	\$11.1	\$0.4 3.4%	\$11.2	\$0.5 4.4%

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

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 ensure that higher education in Rhode Island remains economically and geographically accessible.

The FY2013 Budget as Enacted requires the newly established Board of Education to submit a plan to the Governor and the General Assembly by July 1, 2013, that restructures the administration of higher education by distributing the assets and responsibilities of the current Office of Higher Education to the institutions of higher education, thereby abolishing the Office of Higher Education by July 1, 2014. The completion of this report is expected in September 2013.

The FY2014 Budget as Enacted decreases general revenue funding for the Office of Higher Education by \$1.0 million in view of the aforementioned restructure.

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. Until January 1, 2013, this oversight and coordination function was

led by 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.

Office of Higher Education	General Revenue
FY2013 Enacted	\$5,860,952
<i>Target and Other Adjustments</i>	<i>133,571</i>
Operations/Commissioner's Office	(1,000,000)
FY2014 Enacted	\$4,994,523

General revenue decreases by \$1.0 million due to savings in personnel and a reduction of 3.0 FTE positions as this is the last year of the office's existence.

Federal funds increase for FY2014 by \$1.3 million over the FY2013 Budget as Enacted. Major changes include an increase of \$1.0 million for the College Access Challenge Grant, which fosters partnerships among federal, state, and local governments and philanthropic organizations through matching challenge grants that are aimed at increasing the number of low-income students who are prepared to enter and succeed in postsecondary education, and an increase of \$529,063 in the Gaining Early Awareness and Readiness for Undergraduate Program (Gear Up), a discretionary grant program designed to increase the number of low-income students who are prepared to enter and succeed in postsecondary education.

UNIVERSITY OF RHODE ISLAND

Expenditures by Source	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted	FY2014 Enacted	Change from Enacted
General Revenue	\$74.6	\$78.2	\$78.6	\$0.4 0.5%	\$85.7	\$7.5 9.7%
Federal Funds	8.0	-	-	- 0.0%	-	- 0.0%
Other Funds	596.4	633.8	638.4	4.6 0.7%	643.4	9.6 1.5%
Total	\$678.9	\$711.9	\$716.9	\$5.0 0.7%	\$729.1	\$17.2 2.4%

\$ 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.

University of Rhode Island	General Revenue
FY2013 Enacted	\$78,153,096
<i>Target and Other Adjustments</i>	<i>2,984,559</i>
Student Aid	3,642,536
Personnel (5.0 new FTE positions)	749,968
RI State Crime Lab	168,507
Approved Bond Issues	Informational
FY2014 Enacted	\$85,698,666

Student Aid **\$3,642,536**

The Budget includes a total of \$93.8 million for student aid in FY2014, an increase of \$6.0 million from FY2013. This includes \$3.6 million from general revenue, with the balance from other unrestricted funds, including tuition and fee revenue. In an attempt to attract and retain its student population, student aid has increased, indicated by a corresponding increase in student aid as a percentage of total tuition and fee revenue.

The General Assembly seeks to ensure that internal financial aid is maintained at the level in the 2013/2014 academic year as in the 2012/2013 academic year. The budget requires the President of each institution to certify to the Board of Education, prior to the commencement of the 2013/2014 academic year, that the tuition charges and financial aid have been maintained.

Student Aid as a Percentage of Tuition and Fee Revenue

	FY2011	FY2012	FY2013	<i>Increase from FY2012</i>	FY2014 projected	<i>Increase from FY2013</i>
Student Aid	\$69.2	\$77.6	\$87.8	\$10.1	\$93.8	\$6.0
Tuition and Fee Revenue	232.0	245.3	260.3	15.1	261.7	1.4
Student Aid as a % of						
Tuition and Fee Revenue	29.8%	31.7%	33.7%	-	35.8%	-

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

Personnel (5.0 new FTE positions) **\$749,968**

The FY2014 Budget as Enacted includes an increase of 5.0 FTE positions for faculty at the University of Rhode Island in FY2014, including 3.0 FTE Assistant Professors and 2.0 FTE Lecturers. These positions are included to meet student demand and to improve student retention. Although there were 26.3 vacant FTE positions at URI as of May 18, 2013, 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 5.0 FTE faculty positions.

Rhode Island State Crime Lab **\$168,507**

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).

State Crime Lab Personnel	FTE
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
Total	9.0

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, to the Department of Health (DOH) in FY2010 and to URI in FY2012.

The FY2014 Budget as Enacted includes \$1.0 million for the SCL, an increase of 19.6 percent over the FY2013 Budget as Enacted. The increase includes funding for a new gas spectrometer and funding for a Criminalist II FTE position to decrease case backlog.

Approved Bond Issue

In November 2010, the voters approved a \$61.0 million general obligation bond issue to design and construct a new Department of Chemistry Building to accommodate teaching labs and classrooms, research labs, and faculty and administrative offices. The \$61.0 million G.O. bonds will be distributed as \$26.0 million in FY2013 and \$35.0 million in FY2014. Through FY2013, this project has received \$4.8 million in RICAP funding to complete a feasibility study and architectural and engineering plans, along with site preparation.

Two projects, the Center for Biotechnology and Life Sciences and the College of Pharmacy, funded with general obligation bonds issues approved in 2004 and 2006, respectively, were completed in FY2013.

Enrollment

Between FY2004 and FY2013, enrollment at URI has increased by 2,231 FTE students, or 18.5 percent. The increase in enrollment over the ten-year period averages 2.1 percent annually (1.5 percent based on actual headcount). The table below shows the actual student enrollment, both by headcount (all students) and by FTE (full-time students), from 2004 through 2013, and a projection for 2014.

Year	Headcount	Headcount % Change	FTE	FTE % Change
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	16,563	0.3%	14,252	0.4%
2013	16,670	0.6%	14,315	0.4%
2014 Projected	16,712	0.3%	14,367	0.4%
10-Year Average	15,730	1.5%	13,331	2.1%

Tuition and Fees

The General Assembly seeks to ensure that financial aid is maintained at the same level in the 2013/2014 academic year as in the 2012/2013 academic year. The Budget requires the President of each institution to certify to the Board of Education, prior to the commencement of the 2013/2014 academic year, that the tuition charges and financial aid have been maintained.

	FY2010	FY2011	FY2012	FY2013	FY2014	Change from FY2013 Enacted	
Undergraduate							
In-State	\$9,528	\$10,476	\$11,366	\$12,450	\$12,450	\$0	0.0%
Out-of-State	26,026	27,182	27,454	28,016	28,016	-	0.0%
Graduate							
In-State	\$9,946	\$10,870	\$11,794	\$12,920	\$12,920	\$0	0.0%
Out-of-State	23,218	24,250	24,492	24,994	24,994	-	0.0%

RHODE ISLAND COLLEGE (RIC)

Expenditures by Source	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted		FY2014 Enacted	Change from Enacted	
General Revenue	\$38.8	\$41.7	\$41.7	(\$0.0)	0.0%	\$42.9	\$1.2	3.0%
Federal Funds	7.0	-	-	-	0.0%	-	-	0.0%
Other Funds and Transfers	121.8	122.3	120.1	(2.2)	-1.8%	123.3	1.0	0.8%
Total	\$167.6	\$163.9	\$161.7	(\$2.2)	-1.4%	\$166.2	\$2.3	1.4%

\$ 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.

Rhode Island College	General Revenue
FY2013 Enacted	\$41,659,004
<i>Target and Other Adjustments</i>	753,702
Personnel (4.0 new FTE positions)	358,168
STEM funding	121,000
Approved Bond Issues	Informational
FY2014 Enacted	\$42,891,874

Personnel (4.0 New FTE Positions) \$358,168

The FY2014 Budget as Enacted includes an increase of \$358,168 in general revenue for personnel costs, which includes 4.0 new FTE positions at Rhode Island College. These positions include 2.0 Assistant Professors, 1.0 FTE Program Coordinator, and 1.0 FTE Director. Although there were 34.4 vacant FTE positions at RIC as of May 18, 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 are not classified to meet the College's needs, hence the necessity to add 4.0 FTE positions.

STEM funding – Rhode Island College \$121,000

The FY2014 Budget as Enacted includes \$121,000 to hire an individual to staff the center full-time. The STEM Center at Rhode Island College (Science, Technology, Engineering and Mathematics) is the state's primary educational hub, resource, and research collaborative, established to increase interest in and advancement of STEM in Rhode Island. It provides professional development; collects and disseminates best practices; and fosters networks and partnerships among PK-12 teachers, teacher candidates, higher education faculty, students, and parents. It is currently staffed by two part-time employees.

Approved Bond Issues

In November 2012, voters approved a \$50.0 million general obligation bond referendum for capital improvements at Rhode Island College (RIC).

General obligation funds of \$44.7 million will be used to modernize and rehabilitate two major academic buildings (Craig Lee Hall, Gaige Hall), beginning in FY2014. Proposed renovations include modern single pane window walls, elevators, restrooms, classrooms, corridors, staff offices, removal of asbestos

tiles, exterior power washing and sealing of bricks and slate walls. All improvements will increase energy efficiency, the use of natural light, and the adaptability of the classrooms.

The remaining \$5.3 million of this bond issue will be used for an addition and renovations to the Fogarty Building to support the expanding Life Sciences program. The goal of the project is to provide adequate and up-to-date classrooms, laboratories and faculty offices. The renovation/addition work includes improvements to the building envelope, interior spaces, handicapped accessibility, and upgrades to the HVAC and electrical systems.

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 includes 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 centralizes the Art Program activities, which were scattered around campus. The FY2014 Budget as Enacted includes \$15.9 million in bond funds, \$597,157 in RICAP funding, and \$1.2 million in College/University Funds in FY2013. Students will begin classes in this building in September 2013.

Enrollment

Between FY2004 and FY2013, enrollment at RIC has increased by 279.0 FTE students, or 4.4 percent. Growth accelerated in the second five years of the decade, peaking in FY2010. The chart below shows the actual student enrollment, both by headcount (all students) and by FTE (full-time students), from 2004 through 2013, and a projection for 2014.

RIC Student Enrollment, 2004-2014					
Year	Headcount	Headcount % Change	FTE	FTE % Change	
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%	7,006	-1.2%	
2012	9,095	1.2%	6,886	-1.7%	
2013	8,530	-6.2%	6,690	-2.8%	
2014 Projected	8,530	0.0%	6,690	0.0%	
10-Year Average	8,797	-0.1%	7,337	0.6%	

Of the total FTE students enrolled in 2007, 5,916 (92.3 percent) were in-state students while 655 (7.7 percent) were out-of-state students. In 2013, 5860 (87.6 percent) were in-state students while 830 (12.4 percent) were out-of-state students.

Tuition and Fees

Fees will rise by 1.6 percent for both in-state and out-of-state students, and tuition is frozen at the FY2013 level for both in-state and out-of-state students for FY2014.

The General Assembly seeks to ensure that financial aid is maintained at the same level in the 2013/2014 academic year as in the 2012/2013 academic year. The Budget requires the President of each institution to certify to the Board of Education, prior to the commencement of the 2013/2014 academic year, that the tuition charges and financial aid have been maintained.

RIC Tuition & Fees, 2011-2014

Undergraduate	FY2011	FY2012	FY2013	Projected	Change from	
				FY2014	FY2013	Enacted
In-State	\$6,986	\$7,268	\$7,598	\$7,602	\$4	0.1%
Out-of-State	16,878	17,554	18,296	18,300	\$4	0.0%
Graduate						
In-State	\$6,674	\$6,962	\$7,250	\$7,250	\$0	0.0%
Out-of-State	12,578	13,082	13,586	13,586	\$0	0.0%

COMMUNITY COLLEGE OF RHODE ISLAND (CCRI)

Expenditures by Source	FY2012	FY2013	FY2013	Change from		FY2014	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
General Revenue	\$46.2	\$46.8	\$46.6	(\$0.2)	-0.4%	\$46.4	(\$0.4)	-0.8%
Federal Funds	\$5.0	-	-	-	0.0%	-	-	0.0%
Restricted Receipts	0.7	0.7	0.7	-	0.0%	0.7	0.0	0.0%
Other Funds	102.2	97.6	100.1	2.4	2.4%	103.9	6.3	6.4%
Total	\$154.1	\$145.1	\$147.4	\$2.3	1.5%	\$151.0	\$5.9	4.1%

\$ 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 classes in the Shepard Building in downtown Providence and at Westerly Middle School.

Community College of Rhode Island	General Revenue
FY2013 Enacted	\$46,783,118
<i>Target and Other Adjustments</i>	<i>(354,386)</i>
FY2014 Enacted	\$46,428,732

Enrollment

Since 2004, enrollment at CCRI has increased by 718.0 FTE students, or 7.7 percent. The increase in enrollment over the ten-year period averages 1.3 percent annually (1.1 percent based on actual headcount). The following table shows the actual student enrollment, both by headcount and by FTE, from 2004 through 2013, and a projection for 2014.

CCRI Student Enrollment, 2004-2014				
Year	Headcount	Headcount % Change	FTE	FTE % Change
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%	10,591	0.6%
2013	17,226	0.6%	10,523	-0.6%
2014 Projected	17,541	1.8%	10,591	0.6%
10-Year Average	16,447	1.1%	10,038	1.3%

Tuition and Fees

For FY2014, tuition and fees at CCRI will remain at the FY2013 rate. 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.

The General Assembly seeks to ensure that financial aid is maintained at the same level in the 2013/2014 academic year as in the 2012/2013 academic year. The Budget requires the President of each institution to certify to the Board of Education, prior to the commencement of the 2013/2014 academic year, that the tuition charges and financial aid have been maintained.

CCRI Tuition & Fees, 2011-2014

Undergraduate	FY2011	FY2012	FY2013	Projected	Change from
				FY2014	FY2013 Enacted
In-State	\$3,652	\$3,676	\$3,950	\$3,950	\$0 0.0%
Out-of-State	9,792	9,816	10,582	10,582	- 0.0%

CAPITAL PROJECTS

In addition to the projects financed with bond issues mentioned above, there are a number of significant capital projects in Higher Education in FY2014.

URI, RIC, CCRI – Asset Protection

Project	Pre-FY2013	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	Total
URI	\$53.9	\$9.4	\$7.4	\$7.5	\$5.5	\$7.9	\$8.0	\$99.5
RIC	22.0	4.1	2.8	3.0	3.1	3.4	3.5	41.7
CCRI	12.8	2.8	2.1	2.1	2.2	2.2	2.3	26.5
Total	\$88.6	\$16.3	\$12.3	\$12.6	\$10.7	\$13.4	\$13.8	\$167.8

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

Asset Protection projects are budgeted from RICAP funds and are used to maintain and repair facilities, including roads, buildings, and infrastructure. The asset protection program includes a number of projects at various facilities, and allows each school to shift funding based on current priorities.

COMMUNITY COLLEGE OF RHODE ISLAND

Fire Code and HVAC Improvements

This \$3.4 million project involves installing a state-of-the-art sprinkler system for approximately 300,000 square feet of floor space at the Flanagan Campus, along with replacing the rooftop HVAC units. The Budget includes \$211,255 in RICAP funds in FY2013 to complete this project.

Energy Performance Contract

The Budget includes a total of \$14.0 million in Certificates of Participation (COPs) for an Energy Performance contract with an energy service company to purchase energy saving improvements for buildings and infrastructure. This project is similar to projects undertaken at URI. Savings from these contracts can be used for other deferred maintenance needs

Flanagan Campus Addition

The Budget includes \$22.5 million in new RICAP, beginning in FY2017, for a 50,000 square foot addition to the Flanagan (Lincoln) CCRI Campus. The addition would include classrooms, computer labs, faculty offices, a theater/arts space, student lounge, and additional study space. The funding includes a separate facility to house a planetarium.

Knight Campus Renewal

The Budget includes \$20.1 million in RICAP funding from FY2014 through FY2018 for the renovation of 280,000 square feet of the 385,000 square-foot Knight Campus Megastructure. Renovations include lighting, painting and replacement of carpeting/tile. Plans include installing new, efficient HVAC systems, as well as roadway and landscape improvements to the main entrance road and facility entrance and renovations to several buildings on the Knight Estate.

Athletic Facilities Additions and Renovations

The Budget includes \$12.9 million in RIHEBC bonds from FY2014 through FY2015 for the construction of an outdoor track and a softball field at the Knight Campus and tennis courts at the Knight and Flanagan Campuses. These projects will assist CCRI in meeting its Title IX (equality) requirements. In addition, existing fields will be improved through a combination of drainage, lighting, fencing, irrigation, and seating. This project also includes an addition to the Knight Campus Field House to accommodate a new Wellness Program.

RHODE ISLAND COLLEGE***Infrastructure Modernization***

The Budget allocates \$18.7 million from all sources, including \$18.5 million in RICAP funds to modernize and replace steam lines, water lines, and the electrical distribution system. The FY2014 Budget as Enacted includes \$5.0 million in RICAP funds in FY2014. These improvements will address issues of water quality, limit power failures, and eliminate steam plumes throughout the campus. The project also includes upgrades to voice and data systems.

Energy Performance Contract

The Budget includes \$200,000 in University Funds in FY2013 and \$7.5 million in Certificates of Participation (COPs) in FY2014 and FY2015 for projects related to an Energy Performance Contract with an Energy Service Company (ESCO) to purchase energy saving improvements for buildings and infrastructure, with the contract awarded through a request for proposal (RFP) process. With performance contracting, the cost of implementing the energy conservation measures is recovered from the cost avoidance achieved by meeting performance measures. It is not known at this time what types of improvements would be recommended, but based on successful savings at URI and other State locations, the College estimates \$7.5 million in future savings.

Modernization/Renovation Academic Buildings II, III, and IV

The Budget includes funding of \$450,000 in University/College funds for the architectural/engineering work on several academic buildings, to be conducted in four phases, beginning in FY2013. The existing facilities are not energy efficient or able to support modern classroom technology.

Modernization/Renovation – Residence Halls

The Budget includes \$250,000 in College funds for two feasibility studies to examine the need for upgrades to make residence halls safer, more comfortable, and more modern. The first study would be conducted in FY2014, and the second study is scheduled for FY2015.

New Residence Hall

The Budget includes \$75,000 in College funds for a feasibility study in FY2014 to examine the need to expand on-campus housing by 350 to 400 beds.

Alternative Entrance/Master Plan Improvement

In 2009, Saratoga Associates was hired by RIC to prepare a Comprehensive Facilities Master Plan that would serve as a “framework” for site and facility planning for the period 2010 to 2020. The master plan identified traffic circulation, parking, and signage as important elements in improving the campus. The

FY2014 Budget as Enacted includes RICAP funding of \$9.1 million to purchase a parcel of land near the main entrance on Fruit Hill Avenue, upgrade two key road interchanges on College Road, upgrade eight parking lots, upgrade the Fruit Hill and Mt. Pleasant Avenue entrances, and update signage.

Student Union Addition/Renovation

The FY2014 Budget as Enacted includes \$2.4 million in University/College Funds in FY2017 and \$34.5 million in RIHEBC funds in FY2018 to renovate and expand the Student Union Building. This project was scheduled for FY2013 in the Enacted Capital Improvement Plan; however, due to the planned renovations to Craig Lee Hall and Gage Hall, the College did not want to appear “too torn up”, and postponed this project.

UNIVERSITY OF RHODE ISLAND

Fire Safety and Protection Auxiliary Enterprises

The FY2014 Budget as Enacted includes \$18.2 million in RIHEBC bond funding through FY2015 to install sprinkler systems and upgrade existing fire alarm systems in all of the University’s auxiliary buildings. Auxiliary facilities include dining halls, retail facilities, and other non-residential, non-academic buildings.

Fire Safety and Protection Academic and Administrative Buildings

Prior to FY2013, this program received \$12.5 million in federal ARRA funding to install sprinkler systems and upgrade existing fire alarm systems in all of the University’s academic and administrative buildings. The Budget allocates an additional \$13.3 million in RICAP funding to complete the upgrades to academic and administrative buildings in order to comply with the State Fire Code. Total funding for this project between FY2010 and FY2015 is \$25.8 million. The FY2014 Budget as Enacted includes \$10.1 million in FY2014 and \$3.3 million in FY2015 to complete the fire system upgrades.

Nursing Education Center

The FY2014 Budget as Enacted includes \$2.5 million in RICAP funding to complete architectural and engineering plans for the construction of a new nursing education building in Providence, to be used jointly by the University of Rhode Island (URI) and Rhode Island College (RIC). A portion of this funding (\$2.0 million) will be used to renovate White Hall, which houses the nursing school at the University of Rhode Island’s Kingston campus.

Energy Conservation Performance Control Contract – Phase II

The FY2014 Budget as Enacted includes \$12.6 million in Certificates of Participation (COPs) for projects related to an Energy Performance Contract with an Energy Service Company (ESCO), Noresco, to purchase energy saving improvements for buildings and infrastructure. With performance contracting, the cost of implementing the energy conservation measures is recovered from the cost avoidance achieved by meeting performance measures.

Ranger Hall Renovations

This \$4.6 million project involves the complete rehabilitation and restoration of Ranger Hall at URI, a 36,000 square foot, four-story granite block laboratory constructed in 1913. Phase I of this project, which is scheduled to be completed in FY2014, focuses on roof replacement, exterior renovations, and handicapped accessibility.

North District Infrastructure

The FY2014 Budget as Enacted includes \$10.3 million in RIHEBC funds through FY2014 for utility upgrades and replacements in the North District on the Kingston Campus. The utility systems include steam distribution, water distribution, and electrical distribution, and the North District includes the

Center for Biotechnology, the new Pharmacy Building, the new Chemistry Building, and the existing White Hall nursing facility.

Repaving and Road Construction

The FY2014 Budget as Enacted includes \$14.7 million in RIHEBC bond funds between FY2011 and FY2014 to continue a program to replace and reconstruct major parking facilities, internal roadways, and walkways across three of the four URI campuses. Major elements include the construction of two new roadway extensions and the removal of one entrance.

Rodos Hellenic Center

The FY2014 Budget as Enacted includes \$3.6 million in private funding for the design and construction of a Greek Cultural Heritage Center. The Center will consist of the Rodos Building for Hellenic Studies and a classic open-air Greek amphitheater, as well as classrooms, a small lecture hall with audio-visual support, offices, a library, archival storage, a chapel, and exhibit space.

Facilities Services Sector Upgrade

The FY2014 Budget as Enacted includes a total of \$12.3 million in RIHEBC bonds, between FY2014 and FY2016, to reorganize and renovate the facilities that house the URI Services Sector (mechanical, automotive, dining, laundry, and facilities maintenance services). The project is intended to both improve the function of the facilities services and the aesthetics of the Northwest entrance, which is used for events and athletics.

Biological Resources Lab

The FY2014 Budget as Enacted includes \$17.8 million in third party financing to construct a 17,000 square foot, small animal lab to meet current federal standards, allowing URI to centralize and replace older facilities. It will be constructed underground in the University's North District, and be connected to the new College of Pharmacy. This project is scheduled to begin in FY2014 and be completed by FY2017.

Utility Infrastructure Upgrade – Phase I

The FY2014 Budget as Enacted includes \$10.5 million in RIHEBC bond funds between FY2015 and FY2016 to install utility upgrades and replacements of the five Kingston Campus utility systems, including: steam/condensate distribution system, water distribution system, electrical distribution system, sanitary sewer system, and the storm drainage system.

Kingston Campus Parking Garage

The FY2014 Budget as Enacted includes \$15.7 million in new RIHEBC bonds and \$1.0 million in University funds to construct a 5-level parking garage on the Kingston Campus. The project increases parking by 481 spaces in 561 parking spaces at Chafee, for a total of 561 spaces, and would eliminate the need to pave more of the area to provide sufficient parking for both visitors and students. Construction is scheduled to start in FY2015 and finish in FY2016.

GSO Campus Building Renovation – Advance Planning

The FY2014 Budget as Enacted includes \$300,000 in RICAP funding in FY2014 to conduct program planning and architectural/engineering studies of the buildings at the Graduate School of Oceanography. The study would identify critical needs and establish a scope of work for future renovation projects.

Fine Arts Center Renovation and Addition

The FY2014 Budget as Enacted includes a recommendation for a general obligation bond referendum in November 2014 for \$65.0 million for the renovation of the Fine Arts Center and the surrounding parking and circulation. If approved by the voters, the project would begin in FY2016 and include replacement, reconfiguration, and enhancements to the performance and studio facilities within the building.

Utility Infrastructure Upgrade Phase II

The FY2014 Budget as Enacted includes \$11.0 million in RIHEBC bonds, beginning in FY2016, to install utility upgrades and replace the five Kingston Campus Utility systems: steam/condensate distribution, water distribution, electrical distribution, sanitary sewer, and storm drainage.

GLBT Center

The FY2014 Budget as Enacted includes \$1.5 million in University funds for construction of a new 2,713 square foot center to offer an inclusive student experience for gay, lesbian, bi-sexual and transgender students. The program spaces will include multi-purpose rooms, student lounge and resource area, a kitchen, and office space.

Butterfield Dining Hall Expansion

The FY2014 Budget as Enacted includes \$7.6 million in University funds through FY2015 for renovations and additions to the Butterfield Hall Dining facility, increasing seating by approximately 200 seats, to accommodate an increase in student population from the Hillside Resident Hall.

University Inn, Admissions, Housing and Retail

The FY2014 Budget as Enacted includes \$54.9 million in third party financing and \$2.1 million in University funds, beginning in FY2014, to develop a mixed-use University Inn on the east side of Upper College Road. The project will be privately owned and managed on University property, with the University acting as an anchor tenant. The project will include facilities for a 100 bed hotel, 20 two-bedroom apartments, a restaurant/University Club, a retail bookstore, conference space, and University Admissions public spaces.

Engineering Building Renovations

The FY2014 Budget as Enacted includes a recommendation for a general obligation bond referendum in November 2014 for \$139.0 million for a comprehensive overhaul of physical space dedicated to the Engineering programs at URI. Projects include the renovation of four URI Engineering buildings (Crawford Hall, Gilbreth Hall, Kelly Hall, and Wales Hall), construction of an annex to Bliss Hall, and replacement of the Sheets Building on the Bay Campus. The Kingston Campus Engineering buildings would all be physically connected. Construction will begin in FY2016.

Rhode Island State Council on the Arts

Expenditures by Program	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted		FY2014 Enacted	Change from Enacted	
State Council on the Arts	\$1,805,405	\$2,246,450	\$2,745,839	\$499,389	22.2%	\$1,853,838	(\$392,612)	-17.5%
Grants Program	954,718	1,161,657	1,161,657	-	0.0%	911,657	(250,000)	-21.5%
Total	\$2,760,123	\$3,408,107	\$3,907,496	\$499,389	14.7%	\$2,765,495	(\$642,612)	-18.9%
Expenditures by Source								
General Revenue	\$1,656,365	\$1,565,813	\$1,565,813	\$0	0.0%	\$1,335,630	(\$230,183)	-14.7%
Federal Funds	824,067	998,794	754,191	(244,603)	-24.5%	797,329	(201,465)	-20.2%
Other Funds	279,691	843,500	1,587,492	743,992	88.2%	632,536	(210,964)	-25.0%
Total	\$2,760,123	\$3,408,107	\$3,907,496	\$499,389	14.7%	\$2,765,495	(\$642,612)	-18.9%
Authorized FTE Levels	8.6	6.0	6.0	-	0.0%	6.0	-	0.0%

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 but, as of FY2013, no longer manages the Rhode Island Film & Television Office. The Budget authorizes 6.0 FTE positions for FY2014, consistent with the FY2013 Budget as Enacted.

RI State Council on the Arts	General Revenue
FY2013 Enacted	\$1,565,813
<i>Target and Other Adjustments</i>	19,817
Waterfire Providence Grant	(250,000)
FY2014 Enacted	\$1,335,630
Waterfire Providence Grant	(\$250,000)

The FY2013 Budget as Enacted included a one-time grant for the construction of a Waterfire Providence facility. The FY2014 Budget removes this one-time funding.

Waterfire is a public art installation that features one hundred bonfires that burn just above the surface of the three rivers that pass through the middle of downtown Providence.

Rhode Island Atomic Energy Commission

Expenditures by Program	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted		FY2014 Enacted	Change from Enacted	
Atomic Energy Commission	\$1,282,491	\$1,476,951	\$1,402,436	(\$74,515)	-5.0%	\$1,436,731	(\$40,220)	-2.7%
Expenditures by Source								
General Revenue	\$875,412	\$876,213	\$841,750	(\$34,463)	-3.9%	\$861,710	(\$14,503)	-1.7%
Federal Funds	79,057	267,616	267,044	(572)	-0.2%	267,044	(572)	-0.2%
Other Funds	328,022	333,122	293,642	(39,480)	-11.9%	307,977	(25,145)	-7.55%
Total	\$1,282,491	\$1,476,951	\$1,402,436	(\$74,515)	-5.0%	\$1,436,731	(\$40,220)	-2.7%
Authorized FTE Levels	8.6	8.6	8.6	-	0.0%	8.6	-	0.0%

The Rhode Island Atomic Energy Commission (Commission) operates and maintains the Rhode Island Nuclear Science Center (RINSC), which is used for medical, biological, environmental, and materials research, education and commercial activities. The Commission also provides assistance to other state agencies in their radiation and emergency response programs.

RINSC operates a research reactor and provides laboratories and classrooms for research and education programs for the University of Rhode Island as well as for other colleges and universities in the state and throughout New England. In 2010, the University of Rhode Island (URI) 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 FY2014

The Commission continues the renewal process for its 20-year licensure from the Nuclear Regulatory Commission (NRC). The Rhode Island Atomic Energy Commission is required to provide assurances to the NRC that it would have adequate resources to operate the facility safely during the renewal period. The Commission 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 Budget authorizes 8.6 FTE positions in FY2013 and FY2014 for the program, 2.6 of which are provided to URI for its radiation safety functions.

CAPITAL PROJECTS

The Budget funds a total of \$50,000 in RICAP-funded asset protection projects for FY2014 and FY2015. These projects include covering existing asbestos floor tiles, performing minor roof repairs and upgrading air conditioning.

Higher Education Assistance Authority

Expenditures by Program	FY2013		FY2013		Change from Enacted	FY2014		Change from Enacted
	FY2012	Enacted	Revised	Enacted		Enacted	Enacted	
Higher Education Assistance Authority	\$24.0	\$27.7	\$28.2	\$0.5	6.7%	\$26.8	(\$1.0)	-3.5%
Expenditures by Source								
General Revenue	5.9	5.6	5.7	0.1	8.9%	4.3	(1.3)	-23.8%
Federal Funds	9.6	13.3	14.0	0.6	9.4%	13.3	(0.1)	-0.5%
Other Funds	8.6	8.8	8.5	(0.2)	0.0%	9.2	0.4	5.1%
Total	\$24.0	\$27.7	\$28.2	\$0.5	6.7%	\$26.8	(\$1.0)	-3.5%
Authorized FTE Levels	41.6	38.6	36.0	(2.6)	-6.7%	23.0	(15.6)	-40.4%

\$ 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: A need-based program that uses that data submitted on the Free Application for Federal Student Aid (FAFSA) to determine eligibility. This program has historically been funded primarily with general revenue appropriations, but since FY2006, revenues from fees relating to the establishment and administration of CollegeBoundfund (CBf) accounts (other revenue) have helped to supplement this program.

In FY2014, the Authority expects to award an average grant of \$685 to 24,146 students: this is made possible through state and federal contributions to the need-based grants program. As the number of students awarded grants has increased, the grant amount per student has declined over the years from a level of \$1,178 per student in FY2006 to \$685 in FY2014. The Authority draws from a pool of more than 50,000 applications through the Free Application for Federal Student Aid (FAFSA) process, of whom more than two-thirds will qualify for some type of need-based assistance. Families and students complete FAFSA applications between November and March each year, and generally do not know at that time which college a student will attend when the form is completed.

The CollegeBoundfund (CBf) 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 June 30, 2013, there were 454,220 accounts worth \$7.5 billion. Rhode Island's share of these accounts, 25,205 (5.5 percent), are worth more than \$323.4 million.

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.

MAJOR ISSUES AND TRENDS FOR FY2014

RIHEAA's ability to continue as a stand-alone agency is 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 to 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.

Analyst's Note: The FY2013 Budget as Enacted included a framework for restructuring the governance of the State's K-16 education system, establishing a new Board of Education by January 1, 2013, and abolishing the Board of Regents for Elementary and Secondary Education and the Board of Governor's for Higher Education. The new Board of Education was required to submit a plan to the Governor and the General Assembly by July 1, 2013, that restructures the administration of higher education by distributing the assets and responsibilities of the current Office of Higher Education to the institutions of higher education. There has been a delay by the Board in submitting this report; however, it will be submitted to the Governor and the General Assembly by September 1, 2013. The Office of Higher Education will be abolished by July 1, 2014. The future of RIHEAA will most likely be included in the restructuring discussions.

RIHEAA's role as a guarantee agency in the FFELP constitutes its single largest activity: approximately 90.0 percent of the Authority's employees are paid through the guarantee agency funds (20.6 FTE positions out of a total of 23.0 currently filled FTE positions). RIHEAA's guarantee loan operation receives over 90.0 percent of its net revenue from the collection and rehabilitation of defaulted loans that it has guaranteed. With the transition to the Federal Direct Loan program as the single originator of all guaranteed student loans, RIHEAA's services will eventually be eliminated. 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 will constitute a substantive activity for the Authority. According to RIHEAA, 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.

Projection	RIHEAA Net Income (Loss) Projections						
	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.

FY2014 BUDGET

Higher Education Assistance Authority	General Revenue
FY2013 Enacted	\$5,617,064
<i>Target and Other Adjustments</i>	20,400
Need-Based Grants and Scholarships	(879,277)
Personnel	(276,461)
Date Processing System	(200,000)
FY2014 Enacted	\$4,281,726
Higher Education Assistance Authority	Other Funds Changes
Need-Based Grants and Scholarships (Tuition Savings Fees)	750,000
Need-Based Grants and Scholarships (General Revenue)	(\$879,277)
Need-Based Grants and Scholarships (Tuition Savings Fees)	\$750,000

The Governor recommended a decrease of \$129,277 in general revenue funding for the need-based grant and scholarship program, but increased funding from the Academic Promise Program by \$50,000,

resulting in a net reduction in grants and scholarships of \$79,277. The General Assembly decreases general revenue funding for this program by an additional \$750,000, resulting in a total decrease of \$879,277 in general revenue. In lieu of general revenue, the General Assembly uses \$750,000 from the college saving fund; therefore, need-based grants and scholarships are funded at the level recommended by the Governor.

Need Based Scholarships & Grants	FY2012	FY2013	FY2013	Change from		FY2014	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
General Revenue	\$5.4	\$5.2	\$5.2	\$0.1	1.1%	\$4.3	(\$0.9)	-17.0%
Tuition Savings Fees (CBf)	7.3	7.3	7.3	-	0.0%	8.0	0.8	10.3%
Academic Promise	1.0	0.8	1.0	0.3	33.3%	0.8	0.1	0.0%
Total	\$13.7	\$13.2	\$13.5	\$0.3	2.3%	\$13.1	(\$0.1)	-0.6%

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

Need-based scholarships and grants are intended to provide higher education opportunities for students from very low and low income households. RIHEAA makes this determination 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 FY2014, HEAA anticipates providing an average award of \$685 to more than 24,000 students.

Year	Students Eligible for	Students Receiving	Average Award
	Grants	Grants	
FY2011	34,448	16,767	\$751
FY2012	39,100	20,355	614
FY2013	35,702	19,097	607
FY2014 (projection)	33,433	24,146	685

Personnel

(\$276,461)

The Budget includes a decrease of \$276,461 in personnel costs (\$464,537 all funds) and a decrease of 15.6 FTE positions from the FY2013 Budget as Enacted. The budget enacts an authorization of 23.0 FTE positions and leaves the Executive Director's position vacant in FY2014. The agency had 23.0 filled FTE positions as of the May 18, 2013 payroll, but had anticipated 27.0 filled FTE positions in FY2014. The positions were eliminated due to the phase-out of the loan guarantee program activities, including the elimination of RIHEAA's ability to originate loans under the Federal Family Education Loan Program (FFELP).

Data Processing System

(\$200,000)

The FY2014 Budget as Enacted does not include the Governor's recommendation of \$200,000 in general revenue for financing the replacement of its current data processing system. The agency intended to use these funds to repay federal funds from its guaranty agency. General revenue funding for the new system was not included since federal funds will have already paid for the system by the end of FY2013.

Rhode Island Historical Preservation and Heritage Commission

Expenditures by Program	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted		FY2014 Enacted	Change from Enacted	
Historical Preservation & Heritage Commission	\$1,908,488	\$2,728,977	\$2,450,493	(\$278,484)	-10.2%	\$3,506,949	\$777,972	28.5%
Expenditures by Source								
General Revenue	\$1,253,696	\$1,361,801	\$1,265,417	(\$96,384)	-7.1%	\$1,357,510	(\$4,291)	-0.3%
Federal Funds	537,821	836,139	589,279	(246,860)	-29.5%	609,949	(226,190)	-27.1%
Restricted Receipts	41,971	456,037	454,191	(1,846)	-0.4%	454,491	(1,546)	-0.3%
Other Funds	75,000	75,000	141,606	66,606	88.8%	1,084,999	1,009,999	1346.7%
Total	\$1,908,488	\$2,728,977	\$2,450,493	(\$278,484)	-10.2%	\$3,506,949	\$777,972	28.5%
Authorized FTE Levels	16.6	16.6	16.6	-	0.0%	16.6	-	0.0%

The Rhode Island Historical Preservation and Heritage Commission (Commission) operates a statewide historical preservation program that identifies and protects historic buildings, districts, structures, and archaeological sites. The Commission also develops and carries out programs to document and celebrate the rich cultural heritage of Rhode Island's people. Through a site manager, the Commission administers the Eisenhower House at Fort Adams State Park in Newport as a venue for events and social functions. The Budget authorizes 16.6 FTE positions for FY2014, consistent with the enacted level.

Historical Preservation and Heritage Commission	General Revenue
FY2013 Enacted	\$1,361,801
<i>Target and Other Adjustments</i>	<i>(4,291)</i>
FY2014 Enacted	\$1,357,510

CAPITAL PROJECTS

The FY2014 Budget as Enacted increases FY2014 asset protection funding of the Eisenhower House from \$75,000 to \$1.0 million. RICAP funds will be used to repair gutters, soffits and the enclosed porch in order to increase the facility's appeal as an event venue.

Rhode Island Public Telecommunications Authority

Expenditures by Program	FY2012	FY2013	FY2013	Change		FY2014	Change	
	Actual	Enacted	Revised	from Enacted		Enacted	from Enacted	
Public Telecommunications Authority	\$1,557,832	\$1,500,972	\$799,077	(\$701,895)	-46.8%	-	(\$1,500,972)	-100.0%
Expenditures by Source								
General Revenue	\$928,421	\$799,077	\$799,077	\$0	0.0%	-	(\$799,077)	-100.0%
Other Funds & Transfers	629,411	701,895	-	(701,895)	-100.0%	-	(701,895)	-100.0%
Total	\$1,557,832	\$1,500,972	\$799,077	(\$701,895)	-46.8%	-	(\$1,500,972)	-100.0%
Authorized FTE Levels	16.0	15.0	15.0	-	0.0%	-	(15.0)	-100%

The Rhode Island Public Telecommunications Authority (Authority) has been the owner and license holder for WSBE-DT Rhode Island PBS, Rhode Island's public television station. The Authority has provided life-long learning opportunities to Rhode Islanders through its programming and outreach services, funded through general revenue, private funds, and grants from the Corporation for Public Broadcasting.

As of August 2012, the Authority has transferred all licenses, permits, rights, and assets to the Rhode Island Public Broadcasting System Foundation (Foundation), which had previously functioned as only the fundraising arm of the Authority. Since October 2012, the Foundation has had full operational responsibility for Channel 36.

RI Public Telecommunications Authority	General Revenue
FY2013 Enacted	\$799,077
<i>Target and Other Adjustments</i>	
Elimination of State Appropriation for Channel 36	(799,077)
Rhode Island Public Broadcasting System Foundation	Informational
FY2014 Enacted	-

Elimination of State Appropriation for Channel 36 **(\$799,077)**

For FY2014, the Budget eliminates the state appropriation to the Authority. In its place, it authorizes a \$300,000 grant to the Foundation through the Department of Elementary and Secondary Education.

The FY2013 Budget as Enacted required the Authority to submit a report to the General Assembly that outlines a plan to transfer the Authority from state general revenue to private support. Station responsibilities have been transferred to the Rhode Island Public Broadcasting System Foundation (Foundation), which currently serves as the fundraising arm of the Authority.

The Foundation proposes the following transitional funding through FY2015, after which it plans to be self-sufficient through additional fundraising and other forms of revenue generation.

	General Revenue	Type of Support	Recipient
FY2012	\$928,421	Appropriation	Authority
FY2013	799,077	Appropriation	Authority
FY2014	300,000	Grant	Foundation
FY2015*	250,000	Grant	Foundation
FY2016*	-	-	-

*proposed

The Foundation has acquired all licenses, permits, rights, and assets of the Authority. The Authority Board approved the transfer, and the Federal Communications Commission (FCC) approved the

assignment of the license to the Foundation. Since October 10, 2012, the Foundation has had full operating responsibility for Channel 36.

Analyst's Note: Article 7 of the FY2014 Budget as Enacted eliminates the Rhode Island Public Telecommunications Authority (Authority) enabling statute and eliminates the Authority as a public agency. The article also makes technical changes to the statute, replacing references to the "Rhode Island Public Telecommunications Authority" with the "Rhode Island PBS Foundation" (Foundation), which is now empowered to operate the State's public, educational, and government (PEG) access television.

Rhode Island Public Broadcasting System Foundation

Informational

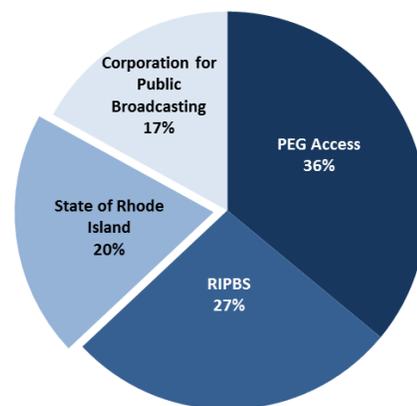
Rhode Island Public Broadcasting System Foundation (Foundation) is the fund raising arm of the Authority. Each year, the Authority is dependent upon the Foundation's activities for 27.0 percent of its total revenue and 43.0 percent of its operating revenue. The Foundation undertakes a number of fundraising activities, including membership activities, which account for the majority of fundraising revenue. Despite the recent 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



Department of the Attorney General

Expenditures by Program	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted		FY2014 Enacted	Change from Enacted	
General	2.6	3.0	3.2	0.2	6.2%	2.8	(0.22)	-7.5%
Criminal	15.3	16.1	18.9	2.9	17.7%	20.5	4.41	27.4%
Civil	5.4	9.7	5.6	(4.1)	-41.9%	5.6	(4.07)	-42.0%
Bureau of Criminal Identification	1.3	1.2	1.4	0.1	11.9%	1.5	0.27	21.8%
Total	24.6	30.0	29.2	(0.9)	-2.9%	30.4	0.39	1.3%
Expenditures by Source								
General Revenue	22.2	23.1	22.6	(0.4)	-1.9%	23.7	0.58	2.5%
Federal Funds	1.5	1.5	2.7	1.2	80.3%	1.6	0.14	9.2%
Restricted Receipts	0.8	5.2	3.2	(1.9)	-37.2%	5.1	(0.09)	-1.7%
Other Funds	0.1	0.3	0.6	0.3	108.7%	0.1	(0.24)	-82.6%
Total	24.6	30.0	29.5	(0.5)	-1.8%	30.4	0.38	1.3%
Authorized FTE Level	231.1	231.1	231.1	-	-	233.1	-	-

\$ 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 FY2014

The Budget includes \$30.4 million in total funding for the Department, an increase of \$379,163 from the FY2013 Budget as Enacted. General revenues increase by \$580,655 (or 2.5 percent) from the FY2013 Budget as Enacted, totaling \$23.7 million. The Department also receives \$50,000 from the Rhode Island Capital Plan Fund for Building Repairs and Renovations for the Providence office building. Personnel expenses increase by \$519,521 primarily for retirement costs and health benefits. The budget also includes \$4.0 million in Federal Forfeitures from the Google Settlement in restricted receipts. The state received a \$110.0 million settlement, with \$60.0 million resulting from work by the Attorney General. The Department will spend this money on projects approved by the United States Department of Justice.

The Budget includes 231.1 FTE positions in FY2013 and 233.1 FTE positions in FY2014, an increase of 2.0 FTE positions from the FY2013 Budget as Enacted.

GENERAL DIVISION

The General Division is responsible for the overall operations of the Department. It consists of the following units: Executive, Fiscal, Personnel, Operations, Management Information Systems, and Public Information/Legislation. The Division oversees the finances of the Department, prepares and submits the Department's annual budget, and lobbies for the resources necessary for the efficient operation of the Department.

The Budget includes \$2.7 million in general revenue funding for the General Division in FY2014, a \$13,004 increase from the FY2013 Budget as Enacted. The Budget includes 22.6 FTE positions in FY2013 and FY2014 for the program, consistent with the enacted level.

General	General Revenue
FY2013 Enacted	\$2,708,563
<i>Target and Other Adjustments</i>	<i>13,004</i>
FY2014 Enacted	\$2,721,567

CRIMINAL DIVISION

The Criminal Division is charged with the prosecution of felony cases and misdemeanor appeals. The Division assists the Attorney General in carrying out the constitutional responsibility to prosecute all felony criminal offenses occurring in the state, as well as all misdemeanor criminal cases brought by state law enforcement agencies or appealed to the Superior Court. Specialized units focused on white-collar crime, narcotics and organized crime, firearms offenses, juvenile offenders, domestic violence and sexual assault, Medicaid fraud, and District Court offenses.

The Budget includes \$14.4 million in general revenue funding for the Criminal Division in FY2014, an increase of \$176,959 from the FY2013 Budget as Enacted. Funding is included to provide space used by the Division in the various courthouses. The Budget includes 151.1 FTE positions in FY2013 and 149.1 FTE positions in FY2014 for the program.

Criminal	General Revenue
FY2013 Enacted	\$14,269,909
<i>Target and Other Adjustments</i>	<i>176,959</i>
FY2014 Enacted	\$14,446,868

CIVIL DIVISION

The Civil Division is charged with conducting the state's legal affairs, and representing the State in legal proceedings. By law, the Attorney General initiates and defends actions in state and federal courts whenever warranted; ensures that representation is provided to state officers, employees and agencies in all courts; advises state officers and agencies on legal issues; and issues written opinions on legal issues when requested by governmental officers.

The Budget includes \$4.9 million in general revenue funding for the Civil Division in FY2014, an increase of \$96,948 from the FY2013 Budget as Enacted. Funding changes are primarily attributable to target and statewide adjustments. The Budget provides a staffing level of 44.0 FTE positions in FY2013 and FY2014 for the program.

Civil	General Revenue
FY2013 Enacted	\$4,888,477
<i>Target and Other Adjustments</i>	<i>96,948</i>
FY2014 Enacted	\$4,985,425

BUREAU OF CRIMINAL IDENTIFICATION

The Bureau of Criminal Identification (BCI) is the state entity charged with maintaining criminal history information for crimes committed in Rhode Island. The BCI responds to criminal history records requests, analyzes and records fingerprint information, maintains pistol permits, issues security guard licenses, and conducts employee background checks. The BCI is open 24-hours per day, 7-days per week to respond to requests from law enforcement agencies throughout the country.

The Budget includes 17.0 FTE positions in FY2013 and 19.0 FTE positions in FY2014 for the program.

Bureau of Criminal Identification	General Revenue
FY2013 Enacted	\$1,209,375
<i>Target and Other Adjustments</i>	<i>27,360</i>
Personnel	266,384
FY2014 Enacted	\$1,503,119

Personnel **\$266,384**

The Governor recommended \$266,384 in additional general revenue to fund 2.0 fingerprint experts who were funded previously under an expiring federal grant to general revenue. The General Assembly concurred.

Department of Corrections

Expenditures by Program	FY2012	FY2013	FY2013	Change from		FY2014	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Central Management	\$8.0	\$9.3	\$9.5	\$0.2	2.3%	\$9.1	(\$0.2)	-1.6%
Community Corrections	-	14.7	14.8	0.1	0.3%	15.1	0.42	2.9%
Custody and Security	165.9	115.8	119.3	3.5	3.0%	116.2	0.37	0.3%
Healthcare Svcs	-	18.5	18.2	(0.3)	-1.6%	19.6	1.16	6.3%
Institutional Based Rehab/Pop Mgmt	-	10.0	10.2	0.2	2.3%	10.0	0.06	0.6%
Institutional Support	14.7	27.1	24.6	(2.5)	-10.2%	33.2	6.06	22.3%
Parole Board	1.2	1.4	1.3	(0.0)	-2.4%	1.4	0.02	1.8%
Total	\$189.7	\$196.7	\$197.9	\$1.1	0.6%	\$204.7	\$8.0	4.0%

Expenditures by Source

General Revenue	\$184.7	\$183.3	\$185.5	\$2.2	1.2%	\$185.4	\$2.1	1.1%
Federal Funds	2.4	2.0	3.1	1.1	56.8%	1.8	(0.21)	-10.4%
Restricted Receipts	0.1	0.1	0.1	0.0	19.5%	0.1	0.00	5.7%
Other Funds	2.6	11.4	9.1	(2.3)	-20.0%	17.5	6.07	53.2%
Total	\$189.7	\$196.7	\$197.9	\$1.1	0.6%	\$204.7	\$8.0	4.0%

Authorized FTE Levels 1,419.0 1,419.0 1,419.0 - - 1,419.0 - -

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

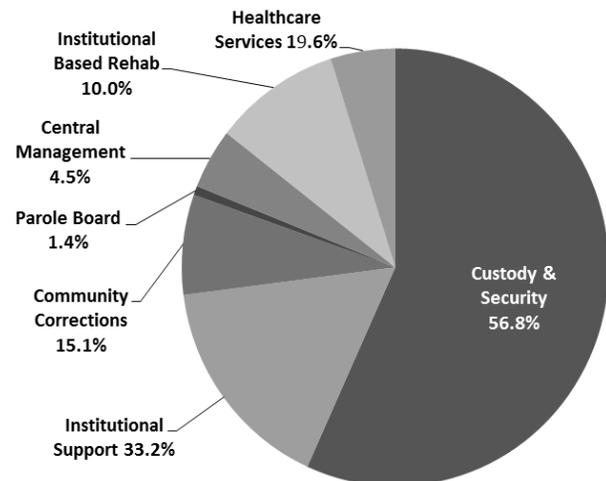
The Rhode Island Department of Corrections provides appropriate, safe, secure, and humane control of offenders, while actively assisting and encouraging offenders to become productive and law-abiding members of the community. Additionally, the Rhode Island State Parole Board is budgeted as a unit of 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 May 2013, the Department has averaged 3,164 inmates (80.3 percent of capacity) housed at the ACI for the fiscal year, including 2,988 men, and 173 women. The Department also provides supervision of offenders in the community (home confinement, probation, and parole).

MAJOR ISSUES AND TRENDS FOR FY2014

The Budget includes \$204.7 million in total expenditures for FY2014, including \$185.4 million in general revenue and \$17.5 million from the Rhode Island Capital Plan Fund. A \$3.4 million increase for personnel costs reflects, in part, filling vacancies from a class of newly graduated correctional officers. The Governor's budget included overtime savings, as plans to hire additional officers are expected to result in decreased overtime costs. The Department will utilize \$1.8 million in federal grants to finance core personnel for the State Criminal Alien Assistance Program (SCAAP) and rehabilitation and reentry services. These programs include adult inmate education as well as counseling and treatment services.

The budget includes a total of \$17.2 million in RICAP funds for repair projects at Medium Security and to renovate new facilities for women inmates.

Corrections Programs:
FY2014 General Revenues as Enacted



CENTRAL MANAGEMENT

The Central Management program houses the administrative functions of the Department, including human resources, management, legal, financial, and physical plant responsibilities. Beginning in FY2013, the program includes Inmate Accounts and Central Distribution Center internal service funds. The Budget includes 76.0 FTE positions in FY2013 and FY2014.

Central Distribution Center services are provided to all state departments and agencies. The operational cost of the program is shown on a centralized basis for informational purposes (internal service funding), but the actual costs are reflected in the operating budgets of user agencies.

Central Management	General Revenue
FY2013 Enacted	\$9,261,703
<i>Target and Other Adjustments</i>	<i>(761,362)</i>
Corrections Officer Training	726,698
Personnel	(150,000)
FY2014 Enacted	\$9,077,039

Corrections Officer Training **\$726,698**

The Budget includes \$749,522 in general revenue funding to train a new class of approximately 40 correctional officers in FY2014. This request does not assume available recruits from the FY2013 class of 40 new correctional officers. The Department does not indicate an anticipated graduation date for the FY2014 class.

Personnel **(\$150,000)**

The Budget reflects \$150,000 in anticipated turnover savings in the Central Management program.

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 Budget includes 10.0 FTE positions in FY2013 and FY2014 for the program.

Parole Board	General Revenue
FY2013 Enacted	\$1,331,469
<i>Target and Other Adjustments</i>	<i>22,964</i>
FY2014 Enacted	\$1,354,433

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 Budget provides a staffing level of 991.0 FTE positions in FY2013 and FY2014 for the program.

Custody and Security	General Revenue
FY2013 Enacted	\$115,077,455
<i>Target and Other Adjustments</i>	
	<i>340,952</i>
Inmate Population	Informational
State Criminal Alien Assistance Program (SCAAP)	Informational
Correctional Officer Overtime Calculations	Informational
FY2014 Enacted	\$115,418,407

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.
- The General Assembly also enacted Corrections Options, an earned good time initiative allowing offenders to reduce their prison time based on certain earned criteria. The initiative brought good time award policies for lower security inmates in line with those for inmates under more restrictive supervision. Eligible activities include good behavior, participation in various rehabilitative programs, and other incentives. Inmates sentenced to serve nine months or less are on average serving between 80.0 percent and 90.0 percent of their sentences, as opposed to 90.0 percent to 98.0 percent prior to the passage of the Corrections Options legislation.
- 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:

- **Operating:** One model includes the total of personnel and operating costs (not including administrative and capital costs) divided by the number of inmates. The Governor recommended \$12.0 million in funding for per

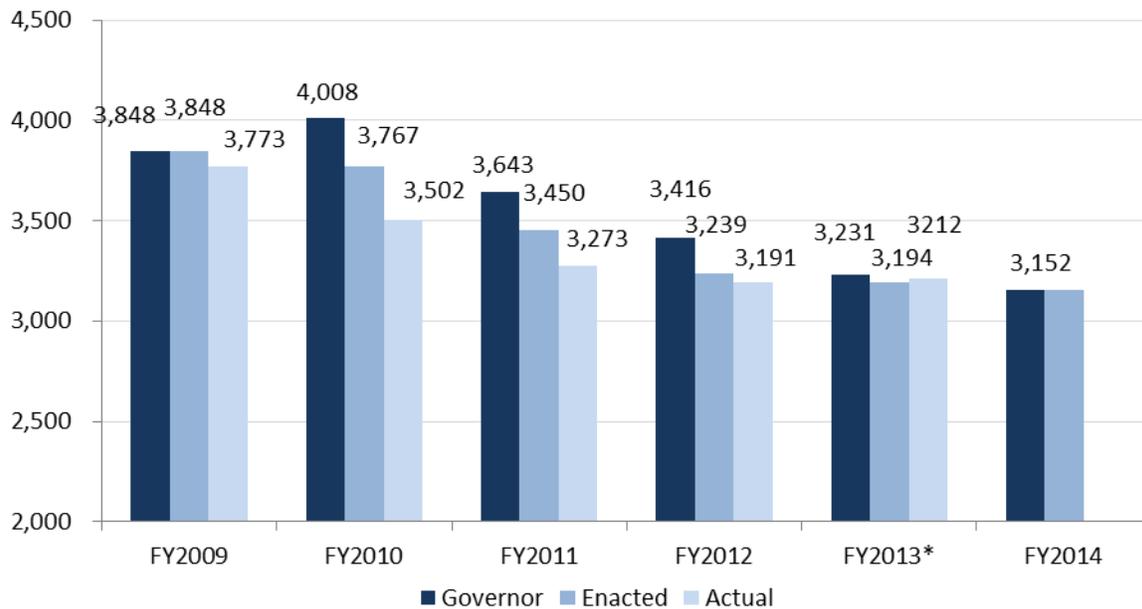
	DOC Population Projections				
	Awaiting		Civil		% Capacity
	Trial	Sentenced	Purge	Total	
FY2013	677	2,469	5	3,151	81.4%
FY2014	676	2,476	6	3,158	81.6%
FY2015	682	2,461	5	3,148	81.4%
FY2016	702	2,434	5	3,141	81.2%
FY2017	677	2,456	5	3,138	81.1%
FY2018	687	2,464	6	3,157	81.6%
FY2019	685	2,435	4	3,124	80.7%
FY2020	674	2,427	6	3,107	80.3%
FY2021	671	2,444	6	3,121	80.7%
FY2022	666	2,477	6	3,149	81.4%
FY2023	672	2,486	5	3,163	81.8%
Average	679	2,457	5	3,142	81.2%

* Does not include the closed Price Medium Security facility

capita operating expenses, which includes food, linens, medicines and other normal expenses. The estimated inmate population in the FY2014 Budget as Enacted recommendation is 3,152.

Per Diem: The second method of calculating the cost of inmates is to figure the operating cost that one additional inmate yields. Costs for inmate per diem are associated with the Institutional Support program. For FY2014, this number is estimated to be \$3,817, 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 FY2013 revised budget per diem cost assumes \$3,702 per inmate. The Governor bases the FY2014 Budget recommendation on an estimated average of 3,152 inmates, or 42 inmates below the FY2013 enacted amount of 3,194 inmates. From FY2004 through FY2012, the Department has averaged 3,533 inmates. Through May 2013, the Department has averaged 3,164 inmates for the fiscal year.

Corrections Inmate Census



* data through May 2013

INSTITUTIONAL SUPPORT

Created in FY2013, the program is responsible for food services, facilities maintenance and repairs, and the Inmate Classification Unit. These responsibilities were previously done through the Institutional Corrections program. The Budget includes a staffing level of 61.0 FTE positions for FY2013 and FY2014.

Institutional Support	General Revenue
FY2013 Enacted	\$15,735,909
<i>Target and Other Adjustments</i>	<i>(7,603)</i>
FY2014 Enacted	\$15,728,306

INSTITUTIONAL BASED REHABILITATION/POPULATION MANAGEMENT

The FY2013 Budget created the Institutional Based Rehabilitation/Population Management program. The program handles educational and vocational training; Correctional Industries; case management services; inmate treatment services, including substance abuse and counseling and other services; and reentry services including discharge planning and reentry assistance.

Correctional Industries provides inmate labor and work crews and certain manufactured items. Correctional Industries services are provided centrally to all state departments and agencies as well as to municipalities. State law requires the State and municipalities to solicit bids from Correctional Industries when soliciting labor and/or supplies offered under the program. The operational cost of the program is shown on a centralized basis for informational purposes (internal service funding), but the actual costs are reflected in the operating budgets of user agencies.

The Budget includes 68.0 FTE positions for the program in FY2013 and FY2014.

Institutional Rehabilitation/Population Management	General Revenue
FY2013 Enacted	\$8,878,408
<i>Target and Other Adjustments</i>	<i>139,666</i>
Contract Services- Training and Education	111,701
FY2014 Enacted	\$9,129,775
<i>Contract Services – Training and Education</i>	<i>\$111,701</i>

The Governor recommends additional funding of \$111,701 for contract services for training and educational programs. The increases are primarily in University/College Services, Educational/Vocational Training, and in Special Services (religious services) for services designed to help offenders establish and maintain a law-abiding life.

HEALTHCARE SERVICES

Beginning in FY2013, the Healthcare Services program is responsible for medical, dental and mental health service provision to all inmates. These responsibilities were previously allocated to the Institutional Corrections program. The Budget includes a staffing level of 84.0 FTE positions for FY2013 and FY2014.

Healthcare Services	General Revenue
FY2013 Enacted	\$18,476,246
<i>Target and Other Adjustments</i>	<i>210,465</i>
Personnel	952,558
FY2014 Enacted	\$19,639,269
<i>Personnel</i>	<i>\$952,558</i>

The Budget includes a general revenue increase of \$952,558 in personnel costs based on increases in the Department's payroll projections, which includes half-year financing of two (2.0) FTE correctional officer positions. The Budget also includes \$250,000 in anticipated turnover savings for the program.

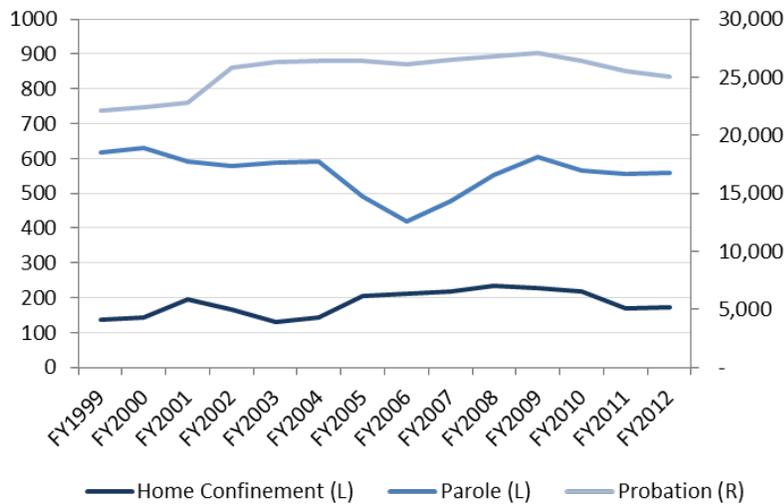
COMMUNITY CORRECTIONS

The Community Corrections program is responsible for supervising offenders serving portions of their sentence under probation, parole, or community confinement, and also provides certain services to victims of crimes. The Probation and Parole unit provides supervision and services for individuals under the jurisdiction of the courts or Parole Board and attempts to successfully reintegrate individuals from incarceration back into the community. Community Confinement provides supervision to individuals sentenced to “house arrest” by the courts and can include work-release supervision. Community Corrections uses electronic monitoring as a primary component of its supervision strategy. Victim Services provides 24-hour per day automated information about offender status and victim advocacy services, including crisis intervention, referral, and case management. The Budget includes 129.0 FTE positions in FY2013 and FY2014 for the program.

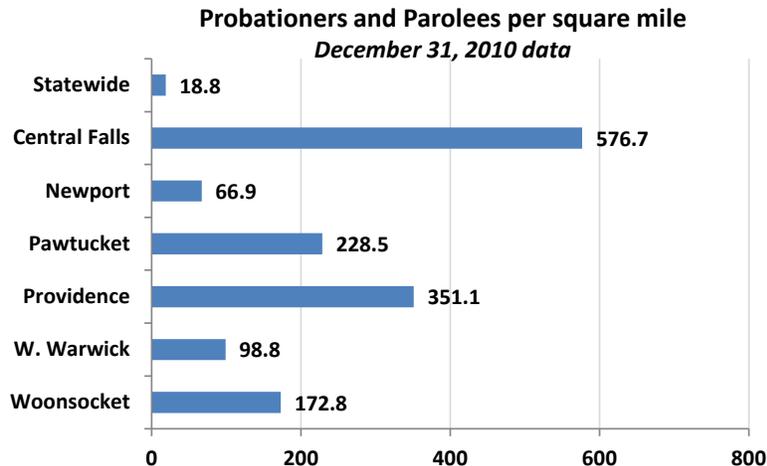
Community Corrections	General Revenue
FY2013 Enacted	\$14,532,087
<i>Target and Other Adjustments</i>	
	499,882
Community Corrections Population	Informational
State Criminal Alien Assistance Program (SCAAP)	Informational
FY2014 Enacted	\$15,031,969

Community Corrections Population **Informational**

While representing only 15.1 percent of the Department’s general revenue budget for FY2014, Community Corrections serves the largest number of individuals. In FY2012 the program served 26,222 cases, representing a 31.6 percent increase from FY1997. Based on Department of Corrections’ statistics, 1 out of every 42 adult residents in the state is on probation or parole. This equates to 1 of every 25 men (4.0 percent) and 1 of every 133 women (0.8 percent).



The number of cases in the state’s urban areas is substantially higher than the statewide average. The Department reports that 1 of every 10 men in Providence, Pawtucket and Central Falls are under the supervision of the Community Corrections program. Statewide there are an average of 18.4 probationers and parolees per square mile. This increases to as high as 578.3 probationers and parolees per square mile in the City of Central Falls.



State Criminal Alien Assistance Program (SCAAP)

Informational

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 2012 application contained identifying information for 694 individuals. The federal government then determines the number of inmates eligible for reimbursement and issues funding to the State. Of note, the State is never notified of the number of inmates qualifying under SCAAP. The Department of Justice calculates and issues payments to states based on the amount of federal funding available.

The Budget includes \$3.0 million in FY2013 and \$1.8 million in FY2014 in federal funds to finance personnel, adult inmate education, and other counseling and reentry services.

SELECTED CAPITAL PROJECTS

The Budget includes a total of \$28.7 million in capital projects between FY2013 and FY2018. Major items in FY2013 and FY2014 include:

- \$5.3 million in FY2013 and \$2.0 million in FY2014 for general asset projects at the various correctional facilities.
- \$4.0 million in FY2014 to restore and renovate the Intake Service Center.
- \$1.1 million in FY2013 and \$1.0 million in FY2014 for renovations to the Dorothea Dix (Women’s) Minimum Security facility.

Judiciary

Expenditures by Program	FY2012	FY2013	FY2013	Change from		FY2014	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Supreme Court	\$31.9	\$32.8	\$36.6	\$3.8	10.3%	\$34.9	\$2.1	6.3%
Superior Court	21.9	22.6	21.9	(0.7)	-3.1%	22.7	0.1	0.4%
Family Court	20.0	20.9	20.3	(0.6)	-2.8%	21.1	0.2	1.0%
District Court	11.6	11.9	11.6	(0.2)	-1.8%	12.8	1.0	8.4%
Traffic Tribunal	8.2	8.2	7.9	(0.3)	-3.3%	8.1	(0.1)	-1.2%
Worker's Compensation Court	7.2	7.7	7.7	(0.0)	-0.4%	7.8	0.1	1.5%
Judicial Tenure & Discipline	0.1	0.1	0.1	(0.0)	-0.2%	0.1	0.0	1.8%
Total	\$100.9	\$104.2	\$106.3	\$2.0	1.9%	\$107.6	\$3.4	3.2%
Expenditures by Source								
General Revenue	\$87.7	\$89.2	\$87.9	(\$1.4)	-1.5%	\$91.7	\$2.4	2.7%
Federal Funds	2.4	2.7	2.8	0.1	2.9%	2.6	(0.1)	-2.2%
Restricted Receipts	9.7	10.6	11.2	0.6	5.7%	11.8	1.2	10.9%
Other Funds	1.1	1.7	4.4	2.7	161.2%	1.5	(0.2)	-9.6%
Total	\$100.9	\$104.2	\$106.3	\$2.0	1.9%	\$107.6	\$3.4	3.2%
Authorized FTE Levels	723.3	723.3	723.3	-	-	726.3	3.0	0.4%

\$ 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 FY2014

The Governor largely recommended the Judiciary's budget as requested, as required under RIGL 35-3-5. Total general revenue funding increases by \$2.4 million (0.6 percent) above the FY2013 Budget as Enacted. The budget increases by \$3.4 million across all funds for personnel costs, including financing for new judges and support personnel and employees to implement court technology projects. The Budget increases \$1.5 million in Rhode Island Capital Plan Fund financing, including \$544,760 in general revenue, to provide for maintenance and upgrades to judicial facilities.

SUPREME COURT

The Supreme Court is the only constitutionally-established court in the state, and is empowered with administrative authority over the entire state court system. The Court is the final court of review, and also issues advisory opinions to Legislative and Executive branches of government and regulates the Rhode Island Bar. Administrative functions include budgeting, human resource management, purchasing, information technology management, and fine and fee collection. The Supreme Court also offers programs related to domestic violence prevention, mandatory continuing legal education, alternative

dispute resolution, victim rights information, and the interpreter program. The Budget includes 161.7 FTE positions in FY2013 and FY2014 for the program, consistent with the FY2013 enacted levels.

Supreme Court	General Revenue
FY2013 Enacted	\$29,531,338
<i>Target and Other Adjustments</i>	<i>(302,875)</i>
Community Service Grants	555,319
Indigent Defense	<i>Informational</i>
FY2014 Enacted	\$29,783,782

Community Service Grants **\$555,319**

The Budget includes \$555,319 from general revenues for four separate grants for justice related initiatives. Community service grants include: funding for the Coalition Against Domestic Violence for the advocacy of domestic violence victims within the family court; and, Justice Assistance to provide fiscal analysis of the impact of the Affordable Care Act on the prison population while exploring community alternatives to reduce current state costs and the recidivism rate of incarceration.

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 FY2014, the Governor recommended \$3.6 million for indigent defense, consistent with the FY2013 Budget as Enacted level. The General Assembly concurred.

SUPERIOR COURT

The Superior Court has jurisdiction for all felony cases, misdemeanor cases that have been appealed or waived from the District Court, and civil cases in which the disputed amount exceeds \$10,000, and all probate and zoning appeals. The Court has four locations throughout the state, including Providence, Warwick, Wakefield, and Newport. The Gun Court and Adult Drug Court were established in FY1995 and FY2002, respectively. The Superior Court also has appellate jurisdiction of decisions of local municipal and probate courts. Appeals from various boards and commissions, such as zoning board and Ethics Commission appeals, are heard in Superior Court as well as petitions to review disciplinary action imposed upon a state or local police officer by the chief of that department. In addition to conducting trials, the Superior Court administers the Court-Annexed Arbitration Program which speeds the disposition of certain less complex civil cases in which there is \$100,000 or less at issue. Matters such as contract disputes, personal injury claims, and property damage suits may be certified to this alternative dispute resolution program.

The Budget includes \$22.3 million in general revenue funding for the Superior Court in FY2014, an increase of \$362,253 million from the FY2013 Budget as Enacted. The Budget includes 165.7 FTE positions in FY2013 and FY2014 for the program, consistent with the enacted level.

Superior Court	General Revenue
FY2013 Enacted	\$21,932,328
<i>Target and Other Adjustments</i>	<i>362,253</i>
FY2014 Enacted	\$22,294,581

FAMILY COURT

The Rhode Island Family Court, established in 1961, was the first statewide Family Court in the United States. The Family Court has jurisdiction to hear and determine all petitions for divorce and any motions in conjunction with divorce proceedings, such as motions relating to the distribution of property, alimony,

support and custody of children. It also hears petitions for separate maintenance, and complaints regarding support for parents and children. The Family Court also has jurisdiction over matters relating to delinquent, wayward, dependent, neglected, abused, or mentally deficient or mentally disordered children. In addition, it has jurisdiction over adoptions, paternity proceedings, and a number of other matters involving domestic relations and juveniles. Appeals from decisions of the Family Court are taken directly to the state Supreme Court.

The Court runs specialty court programs, including the Juvenile Drug Court, Domestic Violence Court, Truancy Court, Mental Health Court Clinic, and the Juvenile Re-Entry Court. The Court has four locations throughout the state, including Providence, Warwick, Wakefield, and Newport. The Budget includes 176.7 FTE positions in FY2013 and FY2014 for the program, consistent with the FY2013 enacted level.

Family Court	General Revenue
FY2013 Enacted	\$18,044,955
<i>Target and Other Adjustments</i>	<i>806,430</i>
FY2014 Enacted	\$18,851,385

DISTRICT COURT

The District Court has jurisdiction over all criminal misdemeanor cases if the defendant waives the right to a jury trial. If the defendant asks for a jury trial, the case will be transferred to the Superior Court. The District Court also has jurisdiction over bail hearings in felony cases and over violation hearings in misdemeanor cases. The District Court presides over civil trials in which the damages sought total up to \$5,000. If the parties agree, the District Court can hear civil suits for damages to a maximum of \$10,000. District Court jurisdiction also includes Small Claims Court for damages up to \$2,500; violations of municipal ordinances and regulations; violations and hearings on involuntary hospitalization under the mental-health, drug-abuse, and alcohol laws; regulatory appeals, including those related to taxation; and violations of state or local housing codes. Appeals from District Court decisions go to the Superior Court. The Court has four locations throughout the state, including Providence, Warwick, Wakefield, and Newport. The Budget includes a staffing level of 93.0 FTE positions in FY2013 and 96.0 FTE positions in FY2014 for the program.

District Court	General Revenue
FY2013 Enacted	\$11,435,878
<i>Target and Other Adjustments</i>	<i>809,756</i>
Veterans Court Staffing	300,000
FY2014 Enacted	\$12,545,634

Veterans Court Staffing

\$300,000

The mission of the Veterans Treatment Court is to successfully rehabilitate participants, on a case-by-case basis, by providing the tools and skills necessary to address veterans' unique challenges to reintegrate successfully into society and to maintain a productive and law abiding lifestyle within the community. The Budget includes \$300,000 for operational support of the newly formed Veterans Court within the District Court of the Judiciary. The funds would support a clinical supervisor, outreach coordinator, case manager and administrative assistant with the existing full-time equivalent position cap.

TRAFFIC TRIBUNAL

The Traffic Tribunal replaced the Administrative Adjudication Court in 1999. The Traffic Tribunal is responsible for hearing most traffic cases, distributing and controlling traffic summonses, and maintaining accurate driver accident and violation records. The Traffic Tribunal hears appeals from the Division of Motor Vehicles and the municipal courts as well as certain violations of the Department of Environmental Management. The Tribunal has authority to enforce its own judgments. The Traffic Tribunal has one location, at the Pastore Center in Cranston. The Budget includes a staffing level of 78.2 FTE positions in FY2013 and FY2014 for the program, consistent with the FY2013 enacted level.

Traffic Tribunal	General Revenue
FY2013 Enacted	\$8,191,888
<i>Target and Other Adjustments</i>	<i>(101,538)</i>
FY2014 Enacted	\$8,090,350

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 Budget includes a staffing level of 50.0 FTE positions in FY2013 and FY2014 for the program.

Worker's Compensation Court	Restricted Receipts
FY2013 Enacted	\$7,725,081
<i>Target and Other Adjustments</i>	<i>365,269</i>
FY2014 Enacted	\$8,090,350

JUDICIAL TENURE AND DISCIPLINE

The Commission on Judicial Tenure and Discipline is the program charged with investigating judges who have been charged with misconduct. The Supreme Court may affirm, modify or reject the recommendations of the Commission. The Budget includes 1.0 FTE position in FY2013 and FY2014 for the program, consistent with the enacted level.

Judicial Tenure and Discipline	General Revenue
FY2013 Enacted	\$113,609
<i>Target and Other Adjustments</i>	<i>2,018</i>
FY2014 Enacted	\$115,627

SELECTED CAPITAL PROJECTS

The Budget includes \$4.3 million in capital projects between FY2013 and FY2014, including:

- \$1.6 million in RICAP funding in FY2013 and \$0.7 million in FY2014 for asset protection projects including both interior and exterior renovations to the various judicial complexes.
- \$3.3 million in Certificates of Participation funding in FY2013 for court technology hardware and software upgrades.
- \$1.8 million in FY2013 to replace, clean and restore HVAC systems in judicial buildings.
- \$500,000 in FY2013 for repairs to the Licht judicial complex.

Military Staff

Expenditures by Program	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted		FY2014 Enacted	Change from Enacted	
Emergency Management	\$22.7	\$23.9	\$43.6	\$19.7	82.4%	\$23.3	(\$0.6)	-2.5%
RI National Guard	13.3	18.5	22.4	3.9	21.1%	19.9	1.4	7.6%
Total	\$36.0	\$42.4	\$66.0	\$23.6	55.7%	\$43.2	\$0.8	1.9%
Expenditures by Source								
General Revenue	\$3.5	\$3.6	\$3.6	\$0.0	0.0%	\$3.9	\$0.3	8.3%
Federal Funds	31.3	33.8	55.9	22.1	65.4%	34.9	1.1	3.3%
Restricted Receipts	0.2	0.4	0.7	0.3	75.0%	1.0	0.6	150.0%
Other	1.0	4.6	5.8	1.2	26.1%	3.4	(1.2)	-26.1%
Total	\$36.0	\$42.4	\$66.0	\$23.6	55.7%	\$43.2	\$0.8	1.9%
Authorized FTE Levels	113.0	112.0	112.0	-	-	117.0	5.0	4.5%

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 FY2014

The Budget replaces terminated federal funds with general revenue to continue operating the Rhode Island Statewide Interoperable Communications System. The Budget includes several personnel changes, resulting in a net increase 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 16 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 Budget includes 85.0 FTE positions in FY2013 and FY2014 for the program, consistent with the FY2013 Budget as Enacted.

National Guard	General Revenue
FY2013 Enacted	\$1,516,835
<i>Target and Other Adjustments</i>	79,836
Indirect Cost Recovery	(235,634)
FY2014 Enacted	\$1,361,037
Indirect Cost Recovery	(\$235,634)

The General Assembly reduced general revenue expenses \$235,634 reflecting a reduction in federal funds that are shifted to restricted receipts. Federal grant awards generally permit the recovery of overhead costs, in addition to direct administrative costs, through the application of a negotiated indirect cost rate. The Military Staff established a federal indirect rate of 3.0 percent on federal grants to take advantage of this allowance to lower state general revenue costs. In addition, because the Military Staff has more restricted receipts to fund the overhead costs, a comparable amount is lowered from the general revenue expenses of this agency.

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 Budget includes 27.0 FTE positions in FY2013 and 32.0 FTE positions in FY2014 for the program. The increase in FY2014 includes 1.0 FTE Critical Infrastructure Program Coordinator position, 1.0 Domestic Preparedness/Regional Response Coordinator position, 1.0 All Hazards Emergency Planner, a 1.0 National Incident Management System Coordinator (NIMS), and a 1.0 Statewide Interoperability Coordinator to manage the RI Statewide Communications Network (RISCON). The Budget did not include funding for these positions.

Emergency Management	General Revenue
FY2013 Enacted	\$2,031,940
<i>Target and Other Adjustments</i>	<i>\$473,073</i>
Personnel Changes	(289,297)
RISCON Maintenance Contracts	535,000
Indirect Cost Recovery	(241,770)
FY2014 Enacted	\$2,508,946

Emergency Management	Other Funds Changes
Homeland Security Base Grants (federal funds)	457,740
Emergency Management Planning Grants (federal funds)	77,070

Personnel Changes **(\$289,297)**

The Budget includes \$289,297 in personnel savings in the Rhode Island Emergency Management Agency (RIEMA) for FY2014. The Governor recommended an increase of 5.0 FTE positions at the RIEMA for FY2014. The General Assembly included the staff increase but eliminated funding for the positions. The positions include a 1.0 FTE Critical Infrastructure Program Coordinator, a 1.0 Domestic Preparedness/Regional Response Coordinator, a 1.0 All Hazards Emergency Planner, a 1.0 National Incident Management System Coordinator (NIMS), and a 1.0 Statewide Interoperability Coordinator to manage the RI Statewide Communications Network (RISCON).

RISCON Maintenance Contracts **\$535,000**

The Budget includes \$535,000 in general revenue to operate and maintain the statewide 800MHz Rhode Island Statewide Interoperable Communications System (RISCON). RISCON provides an emergency radio system involving all 39 communities and state agencies. The Budget consists of \$500,000 to operate and maintain the system that was previously covered under a federal Urban Area Security Initiative (UASI) grant. The USAI grants were terminated. The Budget includes another \$35,000 for purchased service training expenses for RISCON.

Indirect Cost Recovery **(\$241,770)**

The General Assembly reduced general revenue expenses \$241,770 reflecting a reduction in federal funds that are shifted to restricted receipts. Federal grant awards generally permit the recovery of overhead costs, in addition to direct administrative costs, through the application of a negotiated indirect cost rate. The Military Staff established a federal indirect rate of 3.0 percent on federal grants to take advantage of this allowance to lower state general revenue costs. In addition, because the Military Staff has more

restricted receipts to fund the overhead costs, a comparable amount is lowered from the general revenue expenses of this agency.

Homeland Security Base Grants (federal funds)

\$457,740

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 states (and through 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 Budget includes a net increase of \$457,740 federal funds in FY2014 for the program, reflecting the recent 2012 award of \$917,187 offset by adjustments made to previous grant awards and administrative cost recoveries.

	FY2013 Enacted	FY2013 Governor	FY2014 Enacted	Change
State Homeland Security Grant Program				
State Homeland Security Grant Program 2008	\$395,860	\$316,000	\$0	(\$395,860)
State Homeland Security Grant Program 2010	1,984,400	1,812,426	1,940,808	(43,592)
State Homeland Security Grant Program 2011	1,132,622	1,132,746	1,112,627	(19,995)
State Homeland Security Grant Program 2012	-	933,772	917,187	917,187
Total	\$3,512,882	\$4,194,944	\$4,048,178	\$457,740

Emergency Management Planning Grants (federal funds)

\$77,070

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 State began to receive the EMPG funds in federal fiscal year 2005. The Budget includes \$77,070 more for EMPGs in FY2014, reflecting the recent 3-year award of \$3.2 million for the 2012 EMPG grant. The Governor's Budget request included an increase \$1.4 million for FY2014 but subsequently requested a budget amendment that shifted these funds to FY2013 to more accurately reflect the award.

SELECTED CAPITAL PROJECTS

The Budget adds \$1.4 million in Rhode Island Capital Plan (RICAP) funding in FY2014 to account for changes to three projects, including:

- A reduction of \$110,000 for the roof project at the Armory of Mounted Commands that is projected to be complete in FY2013.
- A shift of \$1.5 million for the State match for federal FEMA funds for Hurricane Sandy clean-up expenses from FY2013. The Governor initially recommended a \$3.0 million RICAP appropriation but revised data suggests that a match of only \$1.5 million will be needed in FY2014.

Department of Public Safety

Expenditures by Program	FY2012	FY2013	FY2013	Change from		FY2014	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Central Management	\$5.3	\$5.5	\$6.0	\$0.5	9.6%	\$5.3	(\$0.1)	-2.7%
E-911	4.9	5.3	5.2	(0.0)	-0.9%	5.5	0.2	4.3%
Fire Marshal	3.5	4.6	3.9	(0.7)	-15.8%	4.0	(0.6)	-13.0%
Municipal Police Training	0.6	0.6	0.6	0.0	7.2%	0.6	(0.0)	-1.5%
Security Services	20.0	21.5	21.2	(0.3)	-1.3%	21.8	0.3	1.5%
State Police	68.6	85.1	83.2	(1.9)	-2.3%	86.2	1.2	1.4%
Total	\$103.0	\$122.5	\$120.1	(\$2.4)	-2.0%	\$123.5	\$1.0	0.8%
Expenditures by Source								
General Revenue	\$90.8	\$94.8	\$91.2	(\$3.5)	-3.7%	\$96.4	\$1.6	1.7%
Federal Funds	7.6	6.9	10.7	3.8	54.8%	6.2	(0.8)	-11.3%
Restricted Receipts	0.4	12.7	12.8	0.1	0.5%	12.8	0.1	0.5%
Other Funds	4.2	8.1	5.4	(2.7)	-33.1%	8.2	0.1	1.5%
Total	\$103.0	\$122.5	\$120.1	(\$2.4)	-1.9%	\$123.5	\$1.0	0.8%
Authorized FTE Levels	606.2	609.2	609.2	-	-	645.2	(36.0)	-5.6%

\$ 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 FY2014

The Budget includes \$96.4 million in general revenue, which reflects an increase of \$1.6 million, or 1.7 percent, in general revenue expenditures due to the hiring of forty (40.0) new recruits in the second half of FY2014. The State Police division currently has two hundred and twenty-nine sworn members, of which fifty-four are currently eligible to retire and another twenty-nine eligible to retire in December 2014. In order to make up for these potential retirees, the Budget provides financing the forty (40.0) new recruits in FY2014.

With the introduction of table gaming at Twin River Casino in Lincoln, Rhode Island, this year the Budget includes the transfer of eight (8.0) Detective Troopers to assist the Lottery Division. The Budget includes a shift of \$1.3 million in general revenues from the Department of Revenue to create a Gaming Unit.

The State Fire Marshal division is required by law to take on the responsibilities that the cities and towns cannot afford to complete. Due to the increased burden being placed on this division by the municipalities, the Governor proposed maintaining funding at the FY2013 enacted level of \$2.6 million. The General Assembly concurred.

The Budget reduced \$3.2 million in FY2013 from the Rhode Island Capital Plan fund to reflect projected spending.

CENTRAL MANAGEMENT

The Central Management unit consists of the Business Office, Legal Office, and Public Safety Grants Administration Office (formerly Governor's Justice Commission). The Business Office oversees fiscal and budgetary oversight for the Department, as well as human resources, payroll, and purchasing. The Public Safety Grants Administration Office serves as a conduit agency for a number of Federal grants that

flow to local and state public safety agencies. Grant administration includes both formula and discretionary grant programs.

The Budget includes 16.6 FTE positions in FY2013 and FY2014 for the Central Management program.

Central Management	General Revenue
FY2013 Enacted	\$1,172,630
<i>Target adjustments and statewide changes</i>	
Personnel	263,017 (194,955)
FY2014 Enacted	\$1,240,692

E-911

The E-911 Uniform Emergency Telephone System's objective is to maintain a statewide emergency telephone system providing prompt transfers of E-911 calls to the appropriate responding fire department, medical rescue service or law enforcement agency. The Division operates 24 hours a day, 7 days a week. E-911 has a primary public safety answering point (PSAP) located in the State Police Headquarters complex in North Scituate, as well as a secondary PSAP in North Providence. Backup PSAP facilities are considered best management practices to provide service continuity in cases of emergencies affecting the primary PSAP.

The Budget includes 50.6 FTE positions in FY2013 and FY2014 for the program, consistent with the FY2013 Budget as Enacted.

E-911 Emergency	General Revenue
FY2013 Enacted	\$5,262,243
<i>Target adjustments and statewide changes</i>	
Surcharge Revenues	226,488 Informational
FY2014 Enacted	\$5,488,731

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.

	E-911 General			
	Wireless	Wireline	Total	Revenue Expenses
FY2010	\$9,412,642	\$6,052,696	\$15,465,338	\$4,635,901
FY2011	8,684,378	5,717,235	14,401,613	4,829,770
FY2012	8,600,473	5,618,925	14,219,398	4,766,586
FY2013	7,946,604	5,216,353	13,162,957	5,212,358
FY2014*	9,668,416	5,430,000	15,098,416	5,488,731

*These figures are estimates.

FIRE MARSHAL

The State Fire Marshal is responsible for enforcing the Fire Safety Code and other laws and regulations relating to fires, fire prevention, protection, inspection and investigation. The agency includes a Bomb Disposal Unit, Enforcement Unit, Fire Education and Training Unit, Inspection Unit, Investigation Unit, and the Plan Review Unit.

The Bomb Disposal Unit assists local emergency responders in the proper handling and disposal of hazardous materials suspected to be explosive. The Enforcement Unit is responsible for the criminal prosecution of any person in violation of laws related to fires, fire prevention, fire inspection, and fire investigations. The Fire Education and Training Unit is responsible for operating the Fire Academy, by providing education and training to all fire departments in the state, both public and private. The Inspection Unit is responsible for conducting fire safety inspections of all buildings regulated by the Fire Safety Code. The Investigation Unit investigates suspicious or attempted fires to determine the cause, origin and circumstances where property has been damaged or destroyed. It also investigates fires where a fatality has occurred in so far as it is possible to determine the cause. The Plan Review Unit is responsible for reviewing architectural drawings of proposed construction plans for compliance with the Fire Safety Code.

The Budget includes 36.0 FTE positions in FY2013 and 36.0 FTE positions in FY2014 for the program, consistent to the FY2013 enacted budget.

State Fire Marshal	General Revenue
FY2013 Enacted	\$2,684,019
<i>Target adjustments and statewide changes</i>	
Personnel	80,723
FY2014 Enacted	\$2,894,425

Personnel **\$129,683**

The Governor recommended an increase of \$129,683 in personnel costs for 3.0 FTE fire safety inspectors and a 1.0 FTE licensing aide. This agency is required by law to take on the responsibilities that the cities and towns cannot afford to complete and to do so within fifteen days. Cutbacks have caused municipalities such as Providence and Warwick to reduce local fire prevention divisions. As a result, the Division of State Fire Marshal has been forced to assume many projects that were formerly completed by the municipalities. The General Assembly concurred.

SECURITY SERVICES

The Security Services program consists of the Capitol Police, and, beginning in FY2012, the Division of Sheriffs. The Capitol Police have arrest powers and provide security at 13 state buildings, including the State House, the courthouses, and numerous Executive branch facilities. The Sheriffs are responsible for statewide activities assigned by law which relate to the duties and functions of the sheriffs of the several counties. The division is responsible for courtroom security, judicial security, cellblock, transportation of individuals charged with crimes, interstate prisoner extraditions and service of process.

The Budget includes 223.0 FTE positions in FY2013 and FY2014 for the program, consistent to the FY2013 enacted budget.

Security Services	General Revenue
FY2013 Enacted	\$21,485,773
<i>Target adjustments and statewide changes</i>	
FY2014 Enacted	\$21,814,553

MUNICIPAL POLICE TRAINING ACADEMY

The Rhode Island Municipal Police Training Academy was established in 1969, and assigned to train and certify municipal law enforcement officers for all municipalities except for the City of Providence. Municipalities do not pay to send recruits to the Academy, but they do provide in-kind services including officer time to teach courses, and meeting and firing range space. Recruits are paid by municipalities for

their time spent at the Academy. Since the first training class in 1970, the Academy has graduated 114 classes. The Academy runs two to three classes and 80 to 100 professional development workshops annually. Since 1981, the Academy has been located at the Community College of Rhode Island, Flanagan Campus, in the Town of Lincoln.

The Budget includes 3.0 FTE positions in FY2013 and FY2014 for the program, consistent with the enacted level.

Municipal Police Training Academy	General Revenue
FY2013 Enacted	\$356,811
<i>Target adjustments and statewide changes</i>	<i>(63,789)</i>
FY2014 Enacted	\$293,022

STATE POLICE

The Rhode Island State Police are a uniformed and investigative law enforcement agency having statewide jurisdiction. The agency is organized into three bureaus: the Administrative Bureau, Uniform Bureau, and Detective Bureau. The Administrative Bureau consists of sworn command staff, as well as civilian personnel, and it provides overall management and support. The Uniform Bureau is responsible for crime prevention and investigates criminal and noncriminal activities. The Uniform Bureau also establishes highway safety through enforcement of motor vehicle laws with emphasis on hazardous moving violations, i.e. drunk driving and speeding. The Detective Bureau is the primary investigative unit, and provides assistance to the Attorney General's Office and other agencies in investigating organized crime and white collar crime, and provides support to police agencies throughout the state. The Budget includes 272.0 FTE positions in FY2013 and 312.0 positions in FY2014 for the program. The increase in FTE positions reflects the hiring of 40.0 troopers in the second half of 2014.

State Police	General Revenue
FY2013 Enacted	\$63,828,563
<i>Target and Other Adjustments</i>	<i>1,404,004</i>
Personnel	(892,626)
State Police Academy	1,208,056
Lottery Personnel - Transfer to Department of Revenue	(917,621)
FY2014 Enacted	\$64,630,376

Personnel **(\$892,626)**

The decrease in personnel appropriation includes a full year's savings for eleven sworn members of the Rhode Island State Police who retired in FY2012. The Budget also includes a \$260,199 in turnover savings.

State Police Academy **\$1.2 million**

The Governor recommended \$1.2 million to train 40.0 state troopers. The proposed increase in general revenue appropriations reflects the hiring of 40.0 troopers in the second half of FY2014 as a result of the training academy. Currently, the State Police have two hundred and twenty-nine sworn members, of which, fifty-four are currently eligible to retire with another twenty-nine being eligible to retire in December 2014. This could potentially bring the number of sworn members down to one hundred and forty-six members within two years. In order to replace these potential retirees, the Governor recommended financing forty (40.0) new recruits in FY2014. The General Assembly concurred.

Lottery Personnel – Transfer to Department of Revenue **(\$917,621)**

With the advent of table games at Twin River Casino in Lincoln, Rhode Island, the Governor recommended the transfer of 8.0 troopers to the Department of Revenue beginning February 24, 2013,

resulting in a net savings of \$917,621 in the State Police program for personnel costs. The General Assembly concurred.

Office of the Public Defender

Expenditures by Program	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted	FY2014 Enacted	Change from Enacted
Public Defender	\$10.6	\$11.2	\$10.7	(\$0.5) -4.1%	\$11.3	\$0.1 1.0%
Expenditures by Program						
General Revenue	\$10.2	\$10.8	\$10.5	(\$0.3) -3.1%	\$11.0	\$0.2 2.3%
Federal Funds	0.4	0.4	0.3	(0.1) -30.8%	0.3	(0.13) -30.8%
Total	\$10.6	\$11.2	\$10.7	(\$0.5) -4.1%	\$11.3	\$0.1 1.0%
Authorized FTE Levels	92.0	93.0	93.0	-	93.0	-

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

The Office of the Public Defender represents indigent adults and juveniles who are charged with criminal offenses or who are in jeopardy of losing custody of their children to the state. Referrals come from the Supreme, Superior, District and Family Courts. All who are financially eligible are assigned to a staff attorney for representation in the appropriate court. The main office and two branch locations are in Providence. Three additional offices are located in the southern half of the state. The metropolitan areas of Providence and Newport account for the bulk of the cases. The Office includes four basic divisions of attorneys: appellate, criminal trial (including separate felony and misdemeanor units), juvenile, and parental rights. The Public Defender is appointed by the Governor to a six-year term, with the advice and consent of the Senate.

MAJOR ISSUES AND TRENDS FOR FY2014

Over 97.0 percent of the agency's budget is supported by general revenues. The Budget reflects adjustments to current services required for salary and benefit requirements of the existing staff and statewide target adjustments. Funding is also included in the budget for contract services for both trial related work and continued funding of intake eligibility technicians. The Budget also includes continued funding of \$30,215 in FY2014 for the computer network and operating systems upgrades.

The Budget includes 93.0 FTE positions for the program in FY2013 and FY2014, consistent with the FY2013 Budget as Enacted.

Office of the Public Defender	General Revenue
FY2013 Enacted	\$10,791,226
<i>Target and Other Adjustments</i>	243,460
FY2014 Enacted	\$11,034,686

Department of Environmental Management

Expenditures by Program	FY2012	FY2013	FY2013			FY2014		
	Actual	Enacted	Revised	Change from Enacted		Enacted	Change from Enacted	
Office of Director	\$8.8	\$8.2	\$8.8	\$0.6	13.9%	\$7.7	(\$0.5)	-6.3%
Bureau of Natural Resources	35.7	56.5	52.9	(3.7)	-6.5%	74.5	17.9	31.7%
Bureau of Environmental Protection	29.5	34.1	36.0	1.9	5.5%	34.0	(0.1)	-0.2%
Total	\$74.0	\$98.8	\$97.6	(\$1.2)	-1.3%	\$116.2	\$17.3	17.5%
Expenditures by Source								
General Revenue	\$35.7	\$34.5	\$34.3	(\$0.3)	-7.1%	\$34.8	\$0.2	0.6%
Federal Funds	22.2	35.0	36.9	1.9	5.4%	38.4	3.4	9.7%
Restricted Receipts	11.4	14.3	15.4	1.1	7.3%	18.1	3.8	26.4%
Other Funds	4.7	15.0	11.1	(3.9)	-25.9%	24.9	10.0	66.5%
Total	\$74.0	\$98.8	\$97.6	(\$1.2)	-1.3%	\$116.2	\$17.3	17.5%
Authorized FTE Levels	410.0	407.0	399.0	(8.0)	-2.0%	399.0	(8.0)	-2.0%

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

The Department of Environmental Management (DEM) is responsible for protecting, managing, and restoring the natural resources of the State. The Department is organized into three divisions: the Office of the Director, the Bureau of Natural Resources, and the Bureau of Environmental Protection.

The Department is charged with supervising and controlling the protection, development, planning, and utilization of the natural resources of the state; the promotion of agriculture and animal husbandry; and, to provide for the maintenance of waterways and boating facilities.

MAJOR ISSUES AND TRENDS FOR FY2014

The FY2014 budget includes an all funds increase of \$17.3 million, or 17.5 percent above the FY2013 Budget as Enacted. The budget recommendation includes a \$227,454 (0.6 percent) increase in general revenue expenditures compared to the FY2013 Budget as Enacted. General revenues make up 29.9 percent of DEM's budget.

The increase in other funds is due primarily to an increase in Rhode Island Capital Plan (RICAP) funds for the cleanup and remediation of Rocky Point (\$2.5 million), Fort Adams Sailing Improvements (\$2.4 million), the construction of new offices in the Arcadia Management Area (\$1.8 million), the improvements to the Galilee Piers (\$1.1 million), the improvements to the Portuguese monument at Brenton Point (\$750,000 in the Recreational Facilities project), and the construction of a new World War II Memorial Park facility in Woonsocket (\$400,000).

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 and 510.6 filled. The FY2014 budget includes 399.0 FTE positions, a decrease of 132.3 FTE positions relative to the authorized positions in the FY2006 Budget as Enacted.

Average Number of Filled FTE Positions

FY2006	510.6
FY2007	500.0
FY2008	472.0
FY2009	409.5
FY2010	398.2
FY2011	389.9
FY2012	383.3
FY2013	381.7

In FY2013 the General Assembly eliminates 8.0 FTE positions from the enacted budget that are unfunded FTE positions deemed unnecessary by the Department and not included in the Department's request or the Governor's recommendation. In FY2014, the Governor recommended adding 1.0 FTE Senior Reconciliation Clerk to provide administrative support in the Bureau of Natural Resources. The General Assembly did not concur.

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 provides facilities that support outdoor recreational activities. The budget includes 34.0 FTE positions in FY2013 and FY2014 for the program, representing a reduction of 4.0 FTE positions from the FY2013 Budget as Enacted.

Office of Director	General Revenue
FY2013 Enacted	\$4,767,266
<i>Target and other adjustments</i>	(157,932)
FY2014 Enacted	\$4,609,334

BUREAU OF NATURAL RESOURCES

The Bureau of Natural Resources is comprised of six divisions which manage the state's marine, freshwater and upland resources. The Bureau administers the state's agriculture programs, state land acquisitions, and local matching grant programs for outdoor recreation. The Bureau is also responsible for enforcing state laws and regulations governing hunting and fishing, public safety in state parks, and recreational boating; and for administering, maintaining and operating eight state parks, five campgrounds, seven state beaches, a golf course, the East Bay and Blackstone Bike Paths, and 40,000 acres of state-owned forests. Furthermore, the Bureau is responsible for oversight of all land leases and capital assets of port facilities and commercial fishing piers in Narragansett and Newport.

The budget includes 184.0 FTE positions in FY2013 and 185.0 positions in FY2014 for the program. This represents a decrease of 3.0 positions in FY2013 and in FY2014, relative to the FY2013 Budget as Enacted. The Governor had recommended a new position for a Senior Reconciliation Clerk. The General Assembly did not concur.

Bureau of Natural Resources	General Revenue
FY2013 Enacted	\$18,222,547
<i>Target and other adjustments</i>	461,517
Local Agriculture and Seafood Grant	100,000
Salary/Wages and Benefits: Senior Reconciliation Clerk	(50,426)
Personnel Savings	(50,000)
Payments to Host Communities	35,000
FY2014 Enacted	\$18,718,638

Bureau of Natural Resources	Other Funds Changes
Federal Funds	\$3,265,402
Restricted Receipts	2,200,000

Local Agriculture and Seafood Initiative **\$100,000**

The budget includes \$100,000 in general revenue for a local agriculture and seafood initiative to market Rhode Island agricultural products and local seafood.

Senior Reconciliation Clerk (1.0 FTE) **(\$50,426)**

The Governor recommended adding 1.0 FTE position and \$67,862 for a Senior Reconciliation Clerk. The General Assembly did not concur, and the additional position and \$50,426 in general revenue funding were not included in the budget.

Analyst's Note: The entire \$67,862 recommended by the Governor was not deducted due to an error. The balance of \$17,436 represents the costs of the medical insurance for the position. If the cost of medical insurance does not change, the savings may be realized through the FY2014 supplemental.

Personnel Savings **(\$50,000)**

Reduces funding by \$50,000 to reflect estimated personnel savings.

Payments to Host Communities (Beach Fees) **\$35,000**

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. The cost of seasonal parking passes were also increased, however, the entire season parking pass fee is retained by the State.

The following table shows the recent distribution of daily parking fees to host communities.

Distribution of Daily Parking Fees				
Municipality	FY2010	FY2011	FY2012	FY2013
Charlestown	\$21,534	\$23,801	\$15,466	\$22,915
Narragansett	234,972	266,054	162,476	204,614
South Kingstown	25,726	29,866	11,365	27,851
Westerly	211,669	238,226	155,051	181,980
Total	\$493,901	\$557,947	\$344,358	\$437,360

Federal Fund Changes **\$3.3 million**

The budget includes an increase of \$3.3 million in federal funds for the following projects:

- An increase of \$2.9 million for repairs to the commercial fishing infrastructure at Galilee Piers.
- An increase of \$195,095 for the Artificial Reef Research Grant program.
- An increase of \$112,000 in new grant money for the reconstruction of the Wakefield Fishway on Main Street and repairs to the Palisades Fishway.
- An increase of \$50,000 to restore funding inadvertently removed from the Planning Challenge Grant to develop guidance and training for rural and suburban towns to encourage village growth and stimulate economic development.

Mid Park Marine Educational and Recreational Facility (Restricted Receipts) **\$2.2 million**

The budget includes \$2.2 million in restricted receipts to allow for the use of private funds raised by a third party for the construction cost of the Mid Park Marine Educational and Recreational Facility in the Fort Adams State Park. The restricted receipt account is exempt from the 10.0 percent indirect cost recovery.

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; investigating and remediating unpermitted release of those materials; responding to emergency spills of oil and chemicals that present an immediate danger to public health and environment; and assisting the public by coordinating the review of projects requiring multiple applications and permits and tracking the status of permitting activities throughout the Bureau.

The budget includes 181.0 FTE positions in FY2013 and FY2014 for the program, a decrease of 1.0 FTE positions from the FY2013 Budget as Enacted.

Bureau of Environmental Protection	General Revenue
FY2013 Enacted	\$11,556,487
<i>Target and other adjustments</i>	(128,141)
FY2014 Enacted	\$11,428,346

CAPITAL PROJECTS

The budget includes a total of \$19.5 million in RICAP funds in FY2014, including the following:

- \$2.5 million for cleanup and remediation of Rocky Point.
- \$533,693 in RICAP funds for FY2013 and \$2.7 million in FY2014 for repairs at the Galilee Piers. The Department also received \$2.9 million in federal funds for this project.
- \$2.6 million for the World War II Memorial State Park in Woonsocket.
- \$1.3 million for repairs to “high-hazard” state-owned dams.
- An increase of \$2.4 million for Fort Adams Sailing Improvements which includes the shift of \$983,558 from FY2013 into FY2014 to reflect projected expenditures and the addition of \$1.4 million toward the construction of the Mid Park Marine Educational and Recreational Facility.
- An increase of \$750,000 in Recreational Facilities for improvements to the Portuguese monument at Brenton Point.
- An increase of \$1.1 million for Galilee Piers. Funds are shifted from FY2013 into FY2014 to reflect projected expenditures.

Coastal Resources Management Council

Expenditures by Program	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted		FY2014 Enacted	Change from Enacted	
Coastal Resources Management Council	\$6.1	\$5.1	\$5.7	\$0.6	11.8%	\$4.7	(\$0.4)	-7.5%
Expenditures by Source								
General Revenue	\$2.2	\$2.3	\$2.2	(\$0.1)	-3.5%	\$2.2	(\$0.1)	-4.0%
Federal Funds	3.1	1.7	2.5	0.9	51.2%	2.2	0.5	28.8%
Restricted Receipts	0.1	0.3	0.3	-	0.0%	0.4	0.1	50.0%
Other Funds	0.7	0.9	0.7	(0.2)	-19.7%	-	(0.9)	-100.0%
Total	\$6.1	\$5.1	\$5.7	\$0.6	11.8%	\$4.7	(\$0.4)	-7.5%
Authorized FTE Levels	30.0	29.0	29.0	-	0.0%	29.0	-	0.0%

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

The Coastal Resources Management Council (CRMC) is mandated to preserve, protect, develop and, where possible, restore the coastal resources of the state. The CRMC oversees the Coastal Habitat Restoration Program and is charged with developing an Ocean Special Area Management Plan (SAMP) and a Marine Resources Development Plan.

MAJOR ISSUES AND TRENDS

The FY2014 Budget as Enacted includes an all funds decrease of \$382,912 (7.5 percent) from the FY2013 Budget as Enacted. This decrease includes a general revenue decrease of \$90,510, a federal funds increase of \$482,616, a restricted receipts increase of \$124,982, and a decrease of \$900,000 in other funds. The budget includes 29.0 FTE positions in FY2013 and FY2014, level with the FY2013 Budget as Enacted.

The increase in federal funds primarily reflects the carry forward of \$405,674 in unspent American Recovery and Reinvestment Act (ARRA) funds for the Rhode Island River Ecosystem Restoration project. The Department has been granted an extension for the completion of the work from January 31, 2013, to December 31, 2013. ARRA funding totaling \$3.5 million was awarded to CRMC in FY2010 to construct six fish passages.

The decrease in restricted receipts reflects the placement of indirect cost recovery funds from current federal grants into a restricted receipt account to be used for administrative costs within the department. The decrease in other funds is due to a decrease in Rhode Island Capital Plan (RICAP) funds for the South Coast Restoration Project (\$850,000) and the security facility at the Stedman Government Center (\$50,000). These decreases are consistent with the FY2013 Budget as Enacted.

To address issues concerning climate change, the CRMC has proposed the development of a new Erosion Special Area Management Plan (SAMP) to provide a comprehensive approach to addressing erosion issues along the Rhode Island shoreline. The Erosion SAMP is intended to provide practical policies and guidance for protecting and developing shoreline assets that are vulnerable to erosion and flooding caused by storm surge and sea level rise. The FY2014 Budget does not include any funding for this project; however, the CRMC is pursuing alternative funding sources.

Coastal Resources Management Council	General Revenue
FY2013 Enacted	\$2,264,841
<i>Target and Other Adjustments</i>	34,472
Indirect Cost Recovery	(124,982)
FY2014 Governor	\$2,174,331

Coastal Resources Management Council	Other Funds Changes
Rhode Island River Ecosystem Restoration	(352,240)
Indirect Cost Recovery	(\$124,982)

The budget includes a decrease of \$124,982 in general revenue to offset an increase in resources for administrative costs at the Department realized through indirect cost recovery from current federal grants. There is a corresponding decrease in federal funds and an increase in restricted receipts to reflect the placement of the indirect cost recovery funds into a restricted account.

The table below itemizes the federal grants targeted.

CRMC Federal Indirect Cost Recovery		
Federal Grant	Total FY2014 Award	Assessed 5.0 Percent
Coastal Resources Management Project	\$1,345,750	(\$67,288)
Narragansett Bay Habitat Restoration Planning	395,976	(19,799)
Rhode Island River Ecosystem Restoration	757,914	(37,896)
Total Indirect Cost Recovery	\$2,499,640	(\$124,982)

Rhode Island River Ecosystem Restoration (federal funds) **(\$352,240)**

The budget shifts \$352,240 in federal funds for the Rhode Island River Ecosystem Restoration program from FY2014 into FY2013 to reflect the Department's revised spending plan. The Governor recommended a carry forward of \$757,914 from FY2013 into FY2014. Through a budget amendment, dated March 20, 2013, the Governor recommended that the funds be shifted back to FY2013. The General Assembly concurred.

CAPITAL PROJECTS

The budget includes a total of \$4.7 million in capital projects, between FY2013 and FY2018, of which \$1.7 million is RICAP funds, \$542,155 is federal funds, \$907,914 is federal American Recovery and Reinvestment Act (ARRA) funds, and \$1.5 million is restricted receipts. The major projects include the following:

- \$1.5 million in restricted receipts collected under the Uniform Oil Spill Prevention and Response Act (OSPAR) for Coastal and Estuary Habitat Restoration projects.
- \$907,914 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.
- \$2.0 million in RICAP and federal funds for the South Coast Restoration Project.

Department of Transportation

Expenditures by Program ¹	FY2012	FY2013	FY2013			FY2014	Change from	
	Actual	Enacted	Revised	Change from	Enacted	Enacted	Enacted	Enacted
Central Management	\$7.8	\$11.9	\$13.5	\$1.6	13.1%	\$12.8	\$0.9	7.5%
Infrastructure-Engineering	343.0	453.5	405.8	(47.8)	-13.0%	397.6	(56.0)	-12.3%
Infrastructure-Maintenance	35.8	44.3	45.1	0.9	1.9%	48.4	4.1	9.2%
Management and Budget	0.9	1.9	1.4	(0.5)	-42.4%	1.5	(0.4)	-20.0%
Total	\$387.4	\$511.6	\$465.8	(\$45.8)	-8.9%	\$460.2	(\$51.4)	-10.0%
Expenditures by Source¹								
Federal Funds	\$291.5	\$362.3	\$317.0	(\$45.4)	-12.5%	\$311.8	(\$50.6)	-14.0%
Restricted Receipts	2.5	1.0	1.0	0.0	1.2%	8.0	7.0	702.0%
Other Funds	93.3	148.3	147.9	(0.4)	-0.3%	140.5	(7.8)	-5.3%
Total	\$387.4	\$511.6	\$465.8	(\$45.8)	-8.9%	\$460.2	(\$51.4)	-10.0%
Authorized FTE Levels	772.6	772.6	772.6	-	0.0%	772.6	-	0.0%

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

¹ Does not reflect debt service transfers of \$4.0 million in FY2012 Actual, \$8.0 million in FY2013, and \$9.3 million in FY2014 to DOA general revenue.

The Rhode Island Department of Transportation (RIDOT) is responsible for over 3,300 “lane miles” (1,100 miles) of highway and 834 bridges in the state. The Department inspects all State and municipal bridges greater than 20 feet (751 bridges). RIDOT provides services ranging from snow removal to pothole repair and from installation and maintenance of modern traffic signalization to design of highway and bridge construction. The Department also develops projects in the areas of rail, water, bicycle, and pedestrian transportation, coordinates with RIPTA on transit projects, and engages in air quality planning and coordination.

Prior to FY1994, funding for RIDOT was provided through general revenue, restricted receipts, and federal funds. In FY1994, the State established the Intermodal Surface Transportation Fund (ISTF). Financing for the ISTF is provided by the State’s \$0.33 per gallon Motor Fuel (gas) tax. The fund finances all RIDOT personnel, operating, and ongoing repair and renovation expenditures for RIDOT facilities throughout the state. In addition to operating and maintenance costs, the fund includes highway debt service, gas tax proceeds allocated to the Rhode Island Public Transit Authority (RIPTA), and funds dedicated to elderly transportation.

MAJOR ISSUES AND TRENDS FOR FY2014

The FY2014 Budget as Enacted includes funding from all sources of \$460.2 million, a decrease of \$51.4 million from the FY2013 Budget as Enacted (10.0 percent) and \$5.6 million less than the FY2013 Revised Budget. This decrease reflects \$50.6 million less in federal Highway Projects funds, based upon revised expenditure projections for various highway projects throughout the State, a decrease of \$9.0 million in anticipated land sales associated with the I-195 relocation project, offset by a \$7.0 million increase in restricted receipts from Division of Motor Vehicle (DMV) fees deposited into the RI Highway Maintenance Trust Fund and increases to various capital projects funded with RICAP funds.

Sustainable Funding for Transportation

According to a 2013 report by the National Conference of State Legislatures, cumulatively, all states face an estimated \$1.0 trillion shortfall between existing transportation revenues and projected needs from 2013 through 2015. In terms of the State’s specific needs, a 2008 report issued by the Governor’s Blue Ribbon Panel estimated the State would need to spend \$640.0 million annually to maintain the State’s transportation infrastructure in a state of good repair, or a gap of about \$285.0 million annually between

needs and the funds actually received from federal, state, and other sources for Rhode Island's transportation infrastructure.

Rhode Island relies on several sources to fund its transportation program. Two major funding sources include the Federal Highway Trust Fund (MAP-21) and the state motor fuel tax (gas tax). As both of these sources have become stagnant or diminished in recent years, the State has begun to address its funding shortage for major projects through a program to eliminate debt service expense and decrease the State's reliance on borrowing to meet its match for federal funds.

Debt Service: The FY2014 Budget as Enacted addresses the ongoing shortfall in operating revenues and continues the plan enacted by the General Assembly to address RIDOT capital funding, including:

- Decrease debt service expenses by shifting the Department's debt service costs to general revenue funds under the Department of Administration (DOA) budget. This shift is scheduled to occur annually, in \$10.0 million increments, until all transportation debt service costs are allocated to DOA. However, for FY2014, the Budget as Enacted includes a one-time reduction of \$750,000, for a debt shift of \$9.3 million in FY2014. These payments will increase over time, reaching a high of \$45.4 million in FY2021, before reduction and eventual elimination in FY2035 as the previously-issued general obligation bonds are extinguished and no further bonds are issued to provide state match.
- Shift debt service in FY2013 through FY2030 from RIDOT to DOA, through the use of Build America Bonds, resulting in a refund of interest that would have otherwise been paid on a standard bond issue (\$2.0 million in FY2014)
- Refinance existing debt, saving \$10.9 million in FY2013 and \$6.5 million in FY2014.

Fiscal Year	Debt Service Transfer and Debt Restructuring					Net Gas Tax Funded Debt Service
	Outstanding Debt Service	Build America Bonds Reimbursement	Projected Debt Service	Projected Restructuring	General Revenue ¹	
2013	\$54,099,467	(\$2,015,980)	\$1,166,667	(\$10,932,201)	(\$8,000,000)	\$34,317,953
2014	46,094,601	(2,015,980)	4,433,197	(6,468,780)	(9,250,000)	32,793,038
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)	-

¹ The FY2014 Budget as Enacted contains a one-time, \$750,000 decrease in the debt service transfer from RIDOT to the Department of Administration, requiring RIDOT to fund this amount of debt service from its share of gas tax proceeds.

Source: Department of Transportation

Highway Projects Match Plan (Federal Program):

The FY2012 Budget as Enacted increased driver's license fees and registration fees for all vehicles, phased-in

over a 3-year period beginning on July 1, 2013 (FY2014), and deposits the revenues from the increases into the Rhode Island Highway Maintenance Account. 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).

	FY2013	FY2014	FY2015	FY2016
One-year registration fee	\$30.00	\$35.00	\$40.00	\$50.00
Two-year registration fee	60.00	70.00	80.00	90.00
License fee	30.00	40.00	50.00	60.00

The FY2014 Budget as Enacted also modifies certain registration surcharges by specifying the amount of surcharge to be paid biennially and annually for special registration plate types. These surcharges are in addition to the regular registration fees charged for these vehicles. There is no modification to the license renewal surcharge. The Budget also changed the name of the Rhode Island Highway Maintenance Trust Fund to the Rhode Island Highway Maintenance Account. The modification to the registration surcharges for these certain vehicles results in a revenue loss of \$1.1 million in FY2014, with a revenue loss of \$7.6 million from the original estimate over the 3-year phase-in period.

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 is eliminated. The ballot in November 2012 did not include any bond referendum for transportation, and the balance available from previous general obligation bonds is anticipated to be depleted by FY2015.

	FY2013	FY2014	FY2015	FY2016
Increase Two-Year Registrations by \$30	\$0.0	\$3.7	\$7.1	\$10.5
Increase One-Year Registrations by \$15	-	0.6	1.2	1.8
Increase License Fees by \$30	-	1.5	3.0	4.5
RICAP funding	20.0	21.1	21.6	23.2
Total Additional Revenue	20.0	27.0	33.0	40.0
Balance available from Previous General Obligation Bond Issues	\$23.6	\$13.0	\$7.0	\$0.0
Total	\$43.6	\$40.0	\$40.0	\$40.0

\$ in millions.

Gas Tax Funding: A portion of the financing for the ISTF is currently provided by the State's 33.0 cent per gallon Motor Fuel (gas) tax. In FY2013 and FY2014, the gas tax is expected to generate \$4.2 million per penny in revenue, with RIDOT receiving 21.75 cents per gallon of gasoline sold (\$90.4 million in FY2013). 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. The following table shows the distribution of the gas tax in cents per gallon:

Motor Fuel Tax Distribution: Cents/Gallon					
	General Revenue	DOT / Highway	RIPTA / Transit	UST Fund	Total
FY2002	0.25	20.50	7.25	1.00	29.00
FY2003	2.25	20.50	7.25	1.00	31.00
FY2004	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	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
FY2014	0.00	21.75	10.75	0.50	33.00

The following table shows the decrease in the per penny yield:

Year	Per Penny Yield
2005	\$4,834,986
2006	4,805,619
2007	4,707,603
2008	4,513,744
2009	4,327,710
2010	4,289,568
2011	4,210,324
2012	4,205,959
2013*	4,152,240
2014*	4,170,507

*May 2013 estimate

The following table shows the use of Gas Tax revenue in FY2012 for each category.

Motor Fuel Tax Use (FY2012)	Revenue	Percent of total revenue
Transit Operations (RIPTA/DHS)	\$45.2	32.5%
G.O. Bond Debt Service (DOT)	39.8	28.6%
Personnel (DOT)	22.1	15.9%
Winter Maintenance (DOT)	7.5	5.4%
GARVEE Debt Service (DOT)	8.4	6.0%
Other Operations (DOT)	9.1	6.5%
Vehicle Maintenance (DOT)	4.9	3.5%
UST Fund	2.1	1.5%
Total	\$139.1	100.0%

\$ in millions.

Federal Funding – MAP 21

Originally set to expire at the end of federal fiscal year (FFY) 2009, Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) was a multi-year federal transportation funding authorization bill that mapped out the federal allocations and priorities for the distribution of Highway Trust Fund dollars. A 2011 study by the Government Accountability Office (GAO) reports that during the period 2005 to 2009, Rhode Island received \$2.96 in Federal Highway Funding for each tax

dollar contributed from the State to the Fund. This is the fourth highest return of Federal Highway funding behind only Washington D.C., Alaska, and Vermont.

Ten extensions of SAFETEA-LU were enacted, ranging from three to six months at a time, and in June 2012, Congress approved a new two-year transportation authorization called “Moving Ahead for Progress in the 21st Century (MAP-21).” The limited time of the authorization is an improvement over the short-term extensions of SAFETEA-LU for planning purposes, but a two-year authorization still requires the State to make assumptions when projecting the availability of future federal resources.

Additionally, the Federal Highway Trust Fund is running out of money. Although the Fund was intended to be self-sustaining through the 18.3 cent per gallon federal gas tax, \$32.5 billion in supplemental general revenue has been paid into the Federal Highway Trust Fund since 2008. American Recovery and Reinvestment Act (ARRA) funds added another \$40.0 billion for transportation projects, \$26.0 billion of which was distributed by the same formula as Federal Highway funds.

RIDOT staff estimates approximately \$212.0 million in FFY2013 and \$214.0 million in FFY2014 in federal funds authorized under MAP-21 for Rhode Island. Prior to MAP-21, Rhode Island received one-half of one percent of all funds allocated to states nationwide as a result of the federal funding formula. With the advent of MAP-21, the FFY2013 allocations to states are based upon a three year average of funds received during FFY2009 through FFY2011.

SUSTAINABLE TRANSPORTATION FUNDING ALTERNATIVES

East Bay Bridge System

An example of the challenges facing the State when seeking to meet the needs of the state transportation infrastructure system versus available revenues is the East Bay Bridge System. The FY2013 Budget as Enacted established the East Bay Bridge System Act of 2012, authorizing the transfer of the Sakonnet River Bridge and the Jamestown Verrazzano Bridge from RIDOT to the Rhode Island Turnpike and Bridge Authority (RITBA) to increase access to alternate funding sources to promote proper bridge maintenance. The Act allowed the Authority to establish and collect tolls on the Sakonnet River Bridge.

There is no net impact on expenditures within the RIDOT. Transferring control of the Sakonnet River Bridge and the Jamestown Verrazzano Bridge to RITBA enables RIDOT to begin addressing unmet infrastructure investments, such as those identified in the East Bay.

Under current bond covenants, the Authority cannot assume authority of additional assets (in this case the Sakonnet River Bridge and Jamestown Verrazzano Bridge) unless a funding stream is provided for the maintenance of those assets. The Chairman of the RITBA Board stated that unless a toll is implemented on the Sakonnet, tolls would need to be increased on the Newport Pell Bridge or reinstated on the Mount Hope Bridge to meet current funding obligations associated with a \$68.0 million bond issuance, authorized by the General Assembly.

RITBA examined a range of options to ensure that all bridges under its purview were appropriately operated and maintained, including tolling options to generate adequate resources to support a long-term capital improvement and maintenance program. RITBA has estimated a cost of \$350.0 million over the next ten years for maintenance and repair of the four-bridge system: \$277.0 million in capital costs and \$73.0 million in routine operations and maintenance costs. To help support these costs, the RITBA board voted to adopt the following toll rates for the Sakonnet River Bridge and the Newport Pell Bridge, effective July 1, 2013.

Newport Pell Bridge (no change)	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Passenger Car 30-Day Unlimited E-ZPass	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00
Passenger Cars - Cash	4.00	4.00	4.00	4.00	4.00	4.00
Passenger Cars - Out-of-State E-ZPass	4.00	4.00	4.00	4.00	4.00	4.00
Passenger Cars - RI E-ZPass	0.83	0.83	0.83	0.83	0.83	0.83
Trucks - Cash - Per Axle	2.00	2.00	2.00	2.00	2.00	2.00
Trucks E-Zpass - Per Axle	2.00	2.00	2.00	2.00	2.00	2.00
Sakonnet River Bridge	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Passenger Car 30-Day Unlimited E-ZPass	\$36.14	\$36.14	\$37.05	\$37.97	\$38.92	\$39.90
Passenger Cars - Out-of-State E-ZPass	3.75	3.75	3.84	3.94	4.04	4.14
Passenger Cars - RI E-ZPass	0.75	0.75	0.77	0.79	0.81	0.83
Trucks E-Zpass - Per Axle	1.88	1.88	1.92	1.97	2.02	2.07
Video Surcharge - All Non-E-ZPass, on top of <i>Out-of-State toll</i>	1.50	1.50	1.50	1.50	1.50	1.50

Federal law requires that a tolling agreement, if desired, be in effect by the time the project is complete. RIDOT anticipates the bridge construction will be completed in August 2013.

Recognizing a statewide transportation funding issue, during the 2012 legislative session, the General Assembly established a special legislative commission of nine members to study equitable and reliable funding mechanisms to support Rhode Island transportation infrastructure. To provide sufficient time for the commission to examine alternate funding sources, the General Assembly established a toll rate of ten cents (\$0.10) on the Sakonnet River Bridge to ensure compliance with federal regulation and enable the State to consider increased tolls as a future funding option.

Analyst's Note: The commission is scheduled to convene on September 26, 2013, with the finance chairmen of both the House and Senate as co-chairs. Additional members of the commission include two Senators (not from the same political party), 2 Representatives (not from the same political party), the Director of the Department of Transportation, the Director of the Rhode Island Turnpike and Bridge Authority, and the Director of the Department of Administration. The Commission is to report its findings and results to the General Assembly no later than January 15, 2014.

Land Sales – I-195

In the spring of 2010, RIDOT and the Rhode Island Economic Development Corporation (RIEDC) came to the General Assembly seeking \$40.0 million in general obligation bonds to allow RIEDC to purchase the land made available by the relocation of the I-WAY (I-195). In total, approximately 28.7 acres are available for development. RIDOT 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, RIDOT 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 to a private investor would be significantly lower than initial estimates. Therefore, sale of the land to RIEDC as opposed to an outside buyer solves 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.

In October 2011, the General Assembly created a 14-member I-195 Redevelopment District Commission charged with the task of managing the land made available by the relocation of I-195. The Commission borrowed \$250,000 from the RIEDC to begin planning and engineering work on the former Jewelry District highway lands. The Commission will repay the RIEDC with the proceeds from a bond sale, through the RIEDC, allowing the Commission to purchase the highway lands from RIDOT. The enacted

authorization allows the RIEDC to borrow up to \$42.0 million towards the de-federalization of this land. According to RIDOT, the Federal Highway Administration will settle on a present market value of the land of \$43.0 million. This exceeds the \$38.4 million value that was previously anticipated. Since \$2.0 million is required for costs of issuance and other capital expenses, total funding required increases to \$45.0 million. The FY2013 Budget included \$3.0 million in other funds to cover a shortfall in available bond funds authorized to the RIEDC to de-federalize the former I-195 highway land, as well as \$900,000 in general revenue to fund administrative, legal and engineering costs to be incurred by the I-195 Development Commission over a three-year period from FY2013 to FY2015. The FY2014 Budget as Enacted includes \$501,000 in general revenue to fund administrative, legal and engineering costs, bring total costs expended to date by the State to \$3.5 million (all funds).

Municipal Road and Bridge Revolving Fund

The General Assembly includes \$7.0 million in FY2014 from bond premium proceeds derived from the sale of 2013 general obligation bonds, to establish a Municipal Road and Bridge Revolving Fund. These funds will be available for municipalities to borrow from for road and bridge projects. This initial investment allows for loans to begin in FY2014, and future contributions to the fund combined with the repayments to the fund will further allow state-sponsored financing on an ongoing basis. This fund will be administered by the Rhode Island Clean Water Finance Agency.

RIDOT is charged with developing criteria to evaluate infrastructure plans and rank eligible projects, including the extent to which the project generates economic benefits, the likelihood that the project would increase safety, and the project's readiness to proceed within the forthcoming calendar year.

CENTRAL MANAGEMENT

The Central Management Program includes Customer Service, Legal Services, the Real Estate section, and the Director's Office. The primary role of the Customer Service section is to provide clear, concise and timely information in response to public inquiries and in support of other offices within RIDOT. The Legal Services office works closely with the Office of the Attorney General in legal proceedings involving RIDOT and also provides support within RIDOT for program development, property management and acquisition, contracts, litigation, arbitration, and contracted outside legal services. The Real Estate division is responsible for the 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	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted		FY2014 Enacted	Change from Enacted	
Federal Funds	\$6.5	\$10.5	\$12.0	\$1.5	13.1%	\$11.3	\$0.8	7.5%
Other Funds	1.3	1.4	1.5	0.2	22.1%	1.5	0.1	7.6%
Total	\$7.8	\$11.9	\$13.5	\$1.7	13.9%	\$12.8	\$0.9	7.5%
Authorized FTE Levels	31.6	31.6	31.6	-	-	31.6	-	-

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

INFRASTRUCTURE - ENGINEERING

The Infrastructure Engineering program is responsible for the planning, engineering, design, and permitting of all RIDOT projects. The Transportation Development division assigns projects to a manager, who remains with the project from inception to construction. Some managers may have several projects, depending on the scope. The Design section is made up of three separate specializations: road, bridge, and traffic. Traffic research is also provided through several database and electronic information systems for data collection. The Environmental program works to strengthen environmental efforts and bring the

Department into full environmental compliance. The Materials unit conducts sampling and quality assurance testing. The Research and Technology section evaluates new technologies, provides research for national, regional, and local programs, and provides training in new technology. The Construction section administers and inspects all construction projects. The Infrastructure Engineering program also includes the intermodal planning, health and safety, and traffic management function of the Department.

Infrastructure Engineering	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted		FY2014 Enacted	Change from Enacted	
Federal Funds	\$285.1	\$351.8	\$305.0	(\$46.9)	-13.3%	\$300.5	(\$51.4)	-14.6%
Restricted Receipts	2.5	1.0	1.0	0.0	1.2%	8.0	\$7.0	702.7%
Other Funds	55.4	100.7	99.8	(0.9)	-0.9%	89.1	(\$11.6)	-11.5%
Total	\$343.0	\$453.5	\$405.8	(\$47.8)	-10.5%	\$397.6	(\$56.0)	-12.3%
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 FY2014 decreases by \$51.4 million from the FY2013 Budget as Enacted, primarily attributable to a decrease of \$47.8 million in Federal Highway Administration Funds. This reduction is based upon revised projected expenditures for various highway projects throughout the State. Other funds decrease by \$11.6 million due in part to an \$8.1 million decrease in land sales and \$4.1 million decrease in GARVEE residual earnings, offset by an increase in RICAP funds to replace unrealized fee revenue for the Highway Projects Match Plan. Restricted receipts increase by \$7.0 million, reflecting the first year of a three-year phase in of increased driver's license fees and registration fees for all vehicles, which is being deposited into the RI Highway Maintenance Trust Fund.

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 RIDOT's Capital Program as identified in the State's Transportation Improvement Program (TIP), a program monitored and adopted by the State Planning Council. The State Planning Council approved a new four-year TIP in July 2012. Priorities emphasized in this TIP include completion of existing major projects, bridge rehabilitation, preventative maintenance, safety, and congestion relief and environmental quality.

The State spends an average of \$300.0 million in capital funds annually on the TIP, including \$40.0 million in general obligation bond funds (which will be replaced by revenues derived from driver's registration fees and RICAP funds, beginning in FY2014), \$45.0 million in federal funding in RIDOT and RIPTA capital projects for transit, and \$210.0 million in federal matching funds for a wide range of projects. The following chart shows the TIP by category, as approved by the State Planning Council, from FY2013 through FY2016.

Project Category	FY2013	FY2014	FY2015	FY2016	Total
Major Projects	\$109.4	\$78.4	\$74.4	\$72.6	\$334.8
Bridge	39.5	41.5	41.8	46.0	168.8
Traffic Safety	30.5	30.5	33.5	30.5	125.0
Pavement Management	26.8	31.0	30.0	30.0	117.8
Highway	39.4	26.8	22.3	11.5	100.0
Interstate	13.5	12.5	15.5	18.0	59.5
Enhancement/Planning/Study	11.3	11.3	11.3	11.3	45.2
CMAQ	10.3	10.3	10.3	10.3	41.2
Administrative	9.1	9.1	9.1	9.1	36.4
Bicycle/Pedestrian/CMAQ	12.4	9.1	5.1	5.1	31.7
Rail - Transit	40.5	44.9	50.8	47.7	183.9
Total	\$342.7	\$305.4	\$304.1	\$292.1	\$1,244.3

\$ in millions.

Major Projects

Pawtucket River Bridge: In 2008, the Department was required to place a weight and axle limit on the Pawtucket River Bridge (Bridge 550) on Route 95 in Pawtucket. Vehicles were restricted to a maximum of 18 tons (36,000 pounds) and no more than two axles per unit.

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 were re-opened to traffic by Spring 2012. This section of the bridge carries traffic for I-95 North, and allowed RIDOT to lift the 18-ton weight limit for northbound truck traffic. In the Fall of 2012, RIDOT shifted all traffic to the new structures and eliminated the current 18-ton weight restriction for northbound and southbound traffic on I-95. The entire project is scheduled to conclude in late 2013.

Providence Viaduct: RIDOT was successful in securing a \$10.0 million Transportation Discretionary Grant through ARRA, a Transportation Investment Generating Economic Recovery (TIGER) grant. This grant will be used to begin 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. Total project cost is projected to be \$177.0 million. This project is included in the TIP for design in 2013, with \$20.0 million programmed per year for construction until project is complete, beginning in FY2014.

GARVEE Funded Projects: Within the Major Projects Category, there are five projects that are funded through a federally-endorsed financing mechanism known as GARVEE (Grant Anticipation Revenue Vehicle), which allows states to borrow against future federal funds in order to construct major projects quickly to avoid increased costs and further deterioration. The debt service on GARVEE bonds is paid through the FHWA allocation; in FY2013 and FY2014 this amount is \$48.4 million per year. 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 GARVEE bonds to complete the following five (5) major transportation infrastructure projects. They are as follows:

Project	Total Cost	GARVEE Funding	Other Funding
Route 195 Relocation (the I-Way)	\$620.6	\$305.7	\$314.9
Phase II, Route 403	201.7	92.2	109.5
New Sakonnet River Bridge	242.0	113.9	128.1
New Washington Bridge	68.5	68.5	-
Freight Rail Improvement Project (FRIP)	235.2	31.7	203.5
Total	\$1,368.1	\$612.1	\$756.0

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

- **I-195 Relocation:** The Budget includes \$620.6 million through FY2016 (which includes \$195.3 million in other highway funds), including \$305.7 million in GARVEE bond funding and \$42.0 million in land sale revenue, to complete this project (aka I-Way), 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, 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. The Budget includes \$7.8 million in GARVEE funds in FY2014 and \$22.1 million in land sale revenue from FY2014 through FY2016 to complete this project.
- **Quonset Access Road – Route 403:** The Budget includes \$201.7 million (which includes \$85.2 million in other highway funds), including \$92.2 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. This project was completed in FY2013.
- **Sakonnet River Bridge:** The Budget includes \$242.0 million (which includes \$99.5 million in other highway funds), including \$113.9 million in GARVEE bond funding through FY2013 to construct this project, which replaces the existing Sakonnet River Bridge, built in 1956. The old Sakonnet River Bridge had weight restrictions placed on truck and trailer traffic, and deteriorated rapidly across the center span. The new bridge was constructed adjacent to the existing structure. The old bridge is currently being demolished. There are no funds recommended beyond FY2013 for this project.
- **Washington Bridge Repairs:** The Budget includes \$68.5 million in GARVEE bond funding through FY2015 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. Through FY2013, \$60.1 million in GARVEE funding has been used. Additional construction will occur in conjunction with the I-195 relocation through FY2015.
- **Freight Rail Improvement Project (Third Track):** The Budget includes \$235.2 million (including \$87.6 million in other highway funds), including \$31.7 million in GARVEE bond funding through FY2013 for the rehabilitation or construction of over 22 miles of track, between Central Falls and West Davisville, to allow for an expanded role of freight rail in commercial and industrial development in Rhode Island. There is no additional funding requested for this project beyond FY2013.

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	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted		FY2014 Enacted	Change from Enacted	
Other Funds	\$35.8	\$44.3	\$45.1	\$0.9	1.9%	\$48.4	\$4.1	9.2%
Authorized FTE Levels	218.0	218.0	218.0	-	-	218.0	-	-

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

An increase of \$850,970 in other funds within the Infrastructure Maintenance program in the FY2013 Revised Budget is due primarily from changes in RICAP funding, including an increase of \$1.0 million for Capital Equipment Replacement in RIDOT, a decrease in RICAP of \$500,000 for the Portsmouth Maintenance Facility and \$500,000 for Salt Storage Facilities and \$754,648 in higher than anticipated winter maintenance and vehicle maintenance costs during the 2012/2013 winter season.

For FY2014, the General Assembly includes an increase of \$4.1 million, including \$1.0 million for Capital Equipment Replacement in RIDOT, \$600,000 to begin work on a cooperative maintenance facility between RIDOT and RIPTA, and \$2.6 million for winter maintenance and vehicle maintenance costs.

Winter Maintenance

The State of Rhode Island spent 15.2 percent of its motor fuel tax proceeds, or \$13.7 million, on Winter Maintenance in FY2013. During winters between FY2009 and FY2013 the average cost of maintaining the State's 1,300 miles of roads was \$13.1 million.

DOT - Winter Maintenance Costs - FY2005 - FY2013

	Costs	Hours	Avg. Cost per Hour	5 Yr. Avg.
FY2005	\$18,526,827	486	\$38,121	\$13,585,365
FY2006	8,600,217	233	36,911	12,605,409
FY2007	3,965,452	212	18,705	11,938,499
FY2008	7,871,314	290	27,142	10,672,762
FY2009	14,323,698	354	40,462	10,657,502
FY2010	11,900,000	374	31,818	9,332,136
FY2011	17,876,927	421	42,463	11,187,478
FY2012	7,511,658	162	46,368	11,896,719
FY2013	13,710,750	482	28,446	13,064,607

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.

There are typically 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.

State Cost

Included in this category are the maintenance of equipment, RIDOT staff hours spent performing winter maintenance operations, and overtime. There are approximately 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 required major repairs within the last two years. After each storm, the State inspects the winter maintenance vehicles for damage.

Analyst's Note: In 2005, RIDOT began a cooperative agreement with RIPTA to repair some of its vehicles instead of contracting with private mechanics. RIPTA currently services approximately 40.0 percent of RIDOT vehicles, and RIDOT 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 RIDOT. The FY2014 Budget as Enacted includes RICAP funding in the Department of Transportation of \$600,000 in FY2014, \$3.5 million in FY2015 and \$900,000 in FY2016 to convert the former RIPTA maintenance facility on Elmwood Avenue to a cooperative maintenance facility for RIDOT heavy fleet vehicles and RIPTA buses.

Vendor Cost

Private contractors are hired to keep up with the treatment of 1,100 miles of state roads. While the State has the ability to call up to 300 vendors, a typical storm event will result in a call to approximately 250 vendors. There is no set rate for all vendors: sample rates include \$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 FY2014 to cover fuel costs. Beginning in FY2012 and continuing for FY2013, the Department offered a 20.0 percent Green Equipment Incentive for trucks with a gross vehicle weight greater than 16,000 pounds equipped with an operating closed loop spreader control system. This allows the 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 average cost for salt, is \$55.98 per ton, including delivery. Sand is very inexpensive, by comparison, costing approximately \$13.09 per ton. In FY2012, RIDOT 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 RIDOT fleet, from passenger vehicles to heavy equipment.

Management and Budget	FY2012 Actual	FY2013 Enacted	FY2013 Revised	Change from Enacted	FY2014 Enacted	Change from Enacted
Other Funds	\$0.9	\$1.9	\$1.4	(\$0.5) -25.7%	\$1.5	(\$0.4) -20.0%
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 \$387,979 in FY2014 is due primarily from a reduction of the federal indirect cost allocation to Infrastructure Engineering.

SELECTED CAPITAL PROJECTS

Capital projects are an integral part of the RIDOT budget. In addition to the projects included in the Transportation Improvement Program (TIP), the following projects are also part of the RIDOT capital program.

Cooperative Maintenance Facility – RIDOT/RIPTA

This project will convert the former RIPTA maintenance facility on Elmwood Avenue to a cooperative maintenance facility for RIDOT heavy fleet vehicles and RIPTA buses. Forty percent of RIDOT's heavy fleet is maintained by RIPTA. Funds will be used for architectural and engineering services to draw plans for the conversion, along with construction to convert the obsolete facility and garage space into a functional and efficient maintenance shop. This project is included in the Capital Improvement Plan, and \$600,000 for architectural and engineering services is included in the FY2014 Budget as Enacted.

Fixed Guideway (Commuter Rail)

This project seeks to expand commuter rail service in Rhode Island from Providence, T.F. Green Airport (Warwick Intermodal Train Station), and Wickford Junction to Kingston, Westerly, Cranston and East Greenwich. For FY2014, \$21.5 million is included in the Budget as Enacted, and the following will begin: construction of the Kingston Station bypass; construction of short-term improvements to Providence Station; and preliminary engineering and environmental work at the Providence Station in order to renovate and upgrade the Station. The Pawtucket Layover Facility improvements are also anticipated to be completed in FY2014.

Maintenance – Capital Equipment Replacement

The Budget includes funding for the purchase or lease of heavy trucks, sweepers, loaders, backhoes, and tractors to replace aging equipment in the Maintenance Division. Through FY2008, these capital equipment purchases were made through a central account in the Department of Administration, funded through Certificates of Participation (COPs). After that time, funding for a replacement program was available through the existing Fleet Replacement Revolving Fund. In FY2013, the Fleet Replacement Revolving Fund was funded with \$7.3 million in general revenue. However, \$4.6 million is reserved for RIPTA, leaving \$2.7 million available to RIDOT for future needs.

Maintenance Facility Improvements

The FY2014 Budget as Enacted includes RICAP funding to repair and renovate existing state highway maintenance facilities. The Department recognizes that although some maintenance facilities have been replaced, other facilities have not received any repairs or restoration, resulting in deterioration of otherwise useful buildings. Funds will be used for roof replacements, plumbing, boiler repairs, and pavement projects. The FY2014 Budget as Enacted includes \$776,210 in FY2014, \$400,000 in FY2015, and \$500,000 per year for FY2016 through FY2018.

Pawtucket-Central Falls Train Station Study

The FY2014 Budget as Enacted includes \$3.4 million, including \$2.7 million in federal funds, to study the feasibility of operating a commuter train station in the Pawtucket-Central Falls area. The focus has been on the historical Pawtucket Train Station, a location for commuter rail service supported by the mayors of both Pawtucket and Central Falls, in cooperation with private developers and public, non-profit organizations. Studies completed have looked at establishing a Transit-Oriented Development (TOD) district in conjunction with the redevelopment of the station itself.

Portsmouth Facility

In 2004, voters approved a bond referendum of \$5.1 million to construct new maintenance facilities in Portsmouth and Lincoln. Of the approved bond, \$2.1 million is allocated to replace the Portsmouth facility, \$200,000 was expended for architectural and engineering studies in FY2011. Construction has been delayed until FY2014 due to the construction of the new Sakonnet River Bridge, which necessitated use of the land planned for the facility for staging of construction equipment. The current Portsmouth facility is in poor condition, and there is insufficient space on the lot to store either salt supplies or house the vehicles indoors. The Department of Environmental Management has cited RIDOT for having outdoor salt storage on the premises. The new facility will be constructed on RIDOT-owned land at the entrance to Route 24 at Boyd's Lane, a more central access point for highway maintenance. The FY2014 Budget as Enacted includes RICAP funds of \$1.8 million in FY2014 and \$1.6 million in FY2015, along with bond funds of \$2.1 million for this project.

Salt Storage Facilities

The FY2014 Budget as Enacted includes funding to construct salt storage facilities in locations where salt is currently stored uncovered. As of January 1, 2011, new Rhode Island Department of Environment (RIDEM) regulations require the complete operation of salt storage and truck loading to occur under the same roof. To date, five facilities have been closed (Lawton's Valley, Middletown; Whipple Avenue, Burrillville; I-295 rest area, Cumberland; Bridge 500, Pawtucket; and Cherry Hill, Johnston); and three new locations have been created to meet compliance with new regulations (Roosevelt Avenue, Pawtucket; Newport Bridge, Newport; and Smithfield Facility, Smithfield). Structures have been completed at existing sites at Route 6 & 295 in Johnston; Belleville (North Kingstown); and Smithfield. Projects are pending for demolition of the old facilities and construction of new salt storage facilities at Dillon's Corner (Narragansett) and the former Lincoln Maintenance Facility. Future projects include salt storage facilities in East Providence, Pawtucket, Newport, and Portsmouth. The Budget includes \$1.5 million per year through FY2018 for these projects.

Train Station Maintenance and Repairs

The FY2014 Budget as Enacted includes funding for HVAC and roofing repairs at three train stations, located in Woonsocket, South Kingstown and Westerly, which are the responsibility of the Department. Normal operating expenses have been paid through gas tax funds; however the Department believes these funds cannot support the major capital repairs needed at each of these facilities. The FY2014 Budget as Enacted includes RICAP funding of \$100,000 in FY2014 and \$200,000 per year for FY2015 through FY2018.

Rhode Island Public Transit Authority

Revenues by Source	FY2012	FY2013	FY2013	Change from		FY2014	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Motor Fuel Tax	\$40.9	\$41.2	\$41.2	\$0.0	0.0%	\$41.1	(\$0.0)	-0.1%
Passenger Revenue	23.5	23.3	24.5	1.3	5.4%	27.0	\$3.7	15.9%
Special Revenue	0.9	0.9	0.9	-	0.0%	1.0	\$0.1	8.1%
Other Revenue	12.7	11.8	11.8	0.0	0.0%	13.9	\$2.1	18.1%
Federal Funds	20.7	20.8	20.8	-	0.0%	19.2	(\$1.6)	-7.5%
DHS - RIDE	\$0.9	\$0.8	\$0.8	-	0.0%	\$0.8	\$0.0	0.1%
Total	\$99.6	\$98.8	\$100.0	\$1.3	1.3%	\$103.1	\$4.3	4.4%
Expenditures by Category								
Salaries and Wages	\$44.2	\$45.1	\$44.9	(\$0.2)	-0.5%	\$44.5	(\$0.7)	-1.5%
Employee Benefits	23.8	24.7	24.3	(0.5)	-1.9%	31.7	7.0	28.3%
Special Services	0.8	2.4	1.5	(0.8)	-34.6%	0.7	(1.6)	-68.9%
Operating Costs	30.7	34.3	30.6	(3.7)	-10.7%	31.9	(2.4)	-7.0%
Total	\$99.5	\$106.5	\$101.4	(\$5.1)	-4.8%	\$108.8	\$2.3	2.2%
Prior Year Carry Forward	1.3		1.4	1.4				
Surplus/(Deficit)	\$1.4	(\$7.8)	(\$0.0)	\$7.8	-99.7%	(\$5.8)	\$2.0	-25.8%
FTE Levels	820.0	825.0	820.0	(5.0)	-0.6%	825.0	-	0.0%

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

The Rhode Island Public Transit Authority (RIPTA) was established in 1964 and is currently governed by an eight (8) member Board of Directors. As defined under RIGL 39-18-3, RIPTA is responsible for:

- Providing public transit services to meet the mobility needs of the people of the State.
- Increasing access to employment opportunities.
- Connecting different modes of public transportation, including rail, air and water services.
- Promoting community design that features public transit services.
- Facilitating energy conservation and efficient energy use through public transit services.
- Mitigating traffic congestion and enhance air quality.

MAJOR ISSUES AND TRENDS FOR FY2014

The most significant fiscal challenges facing RIPTA revolve around the need to align its expenditures with a stable revenue stream, as both gasoline tax revenues and federal funds decline. The June 2013 financial report prepared by RIPTA staff indicates a pre-audit deficit of \$1.5 million at the close of FY2013. The FY2014 Budget as Enacted reflects a deficit of \$5.8 million and is based on several negotiated changes and legislative changes that have not yet occurred. The FY2014 Budget as Enacted also includes 100.0 percent funding of the OPEB liability of \$8.0 million, which has not been funded in the past.

In July 2012, in response to the discovery of a security systems breach, the Governor appointed a lieutenant colonel from the Rhode Island State Police to coordinate an investigation and assist with the management of the agency. Unrelated to the criminal investigation, the Board of Directors placed the Executive Director of RIPTA on paid administrative leave. Since August 2012, a resource team which was appointed by the Governor has been reviewing all aspects of RIPTA's operations and finances. On January 29, 2013, it was announced that Executive Director and RIPTA had severed their ties; and the Executive Director was no longer an employee of RIPTA. The lieutenant colonel from the Rhode Island State Police retired from the

police force and became the new Executive Director of RIPTA in April 2013. The State-appointed resource team continues to monitor the day-to-day activities of the Authority.

The Authority recently completed a Comprehensive Operational Analysis (COA) which examined RIPTA services and identified potential opportunities to enhance the transit network. The goal of the analysis was to make service easier to use and understand; make service more convenient, faster and more direct; and to better match service to demand. Following public hearings in May and June, RIPTA began implementing COA recommendations, including changes to several routes and realigning bus stops.

Beyond FY2014, 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. For FY2014, it is estimated that 39.9 percent of RIPTA's revenue (\$41.1 million) will come from gas tax proceeds. For FY2013, this figure was 41.2 percent of total revenue.

Motor Fuel Tax Distribution: Cents/Gallon

	General				
	Revenue	DOT / Highway	RIPTA / Transit ³	UST Fund	Total
FY2002	0.25	20.50	7.25	1.00	29.00
FY2003	2.25	20.50	7.25	1.00	31.00
FY2004 ¹	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 ²	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
FY2014 (projection)	0.00	21.75	10.75	0.50	33.00

¹ Distribution for May and June included 3.2 cents/gallon for general revenue; 6.25 cents/gallon for

² One-half cent/gallon of the UST fee is deducted to RIPTA.

³ Includes one cent for the Rlde 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 2008 through 2012. RIPTA's cost for fuel is similar to the national average; however, for FY2013, RIPTA was able to lock in a diesel fuel price of \$3.15/gallon, which resulted in savings of approximately \$900,000. The FY2014 Budget as Enacted is based on a price of \$3.50/gallon; however, RIPTA has not locked into a price as of August 1.

Ultra-Low Sulfur Diesel Fuel Prices, 2008-2012

Year	Average	Average
	New England Price	National Price
2008	\$4.02	\$3.81
2009	2.63	2.47
2010	3.09	2.99
2011	3.98	3.84
2012	4.13	3.97
5-Year Average	\$3.57	\$3.42

Source: U.S. Energy Information Administration

Ridership

RIPTA offers three types of transit service: fixed route service, which consists primarily of regular bus service on established routes; Flex service, which provides van transportation within a limited geographic area; and the RIDE program, which provides transportation to eligible senior citizens and individuals with disabilities.

In FY2012, RIPTA's total ridership was 20.1 million passengers, a net increase of 10.0 percent from FY2011. The following table shows ridership, by category, for RIPTA for FY2010 through FY2012.

	RIPTA Ridership			% of Ridership	Change from	
	FY2010	FY2011	FY2012		FY2011	% Change
Fixed Route	17,062,751	17,311,378	19,076,507	95.1%	1,765,129	10.2%
Flex	332,049	291,524	279,161	1.4%	(12,363)	-4.2%
RIDE (ADA & Seniors)	616,875	641,534	706,347	3.5%	64,813	10.1%
Total	18,011,675	18,244,436	20,062,015	100.0%	1,817,579	10.0%

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 with 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.

The budget for the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) includes funding 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.

STUDY COMMISSIONS

Over the course of the last 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. The FY2013 Budget as Enacted created the Office of Management and Budget (OMB) within the Department of Administration. OMB is required to conduct a review of all state transportation-related agencies, including a review of bridge, vehicle and winter maintenance efficiencies and effectiveness.

Analyst's Note: OMB's report was submitted on December 14, 2012; however, RIPTA was addressed only as part of the larger context of the state transportation organization. This is due to the ongoing assessment by a resource team, which was dispatched by the Governor in August 2012, to review all aspects of RIPTA's operations and finances, based on findings by the Bureau of Auditors and a separate investigation into potential security breaches at RIPTA.

In 2011, the Senate Commission on Sustainable Transportation reported that based on information presented by RIPTA, an additional \$44.0 million would be required in the next five years in order to attract new riders, meet demand, and achieve the visions outlined in RIPTA's strategic plan. This Commission continues to meet, with a focus on finding a sustainable funding source for RIPTA.

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.

SELECTED CAPITAL PROJECTS

The FY2014 Budget as Enacted includes \$94.7 million in capital expenditures, of which only \$607,549 is RICAP funded, between FY2013 and FY2018. The majority of projects are funded with Federal Transit Administration (FTA) funds and funds from the State Fleet Replacement Revolving Loan Fund, including the following projects:

Bus Purchases

RIPTA has a fixed route fleet of 236 vehicles, including 204 fixed route buses, 15 fixed route trolleys, and 17 30-foot Flex zone buses. During FY2014, RIPTA plans to purchase 11 buses, replacing 7 buses from 2001 and adding 4 new buses, and purchasing 11 Flex zone buses, replacing 11 Flex Zone buses purchased in 2008. 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 FY2014 Budget as Enacted includes \$150,000 in 2010 General Obligation Bonds, \$5.5 million in Federal Transit Administration funds, and \$1.4 million from the State Fleet Replacement Fund for these purchases.

Intelligent Transportation Systems (ITS) Implementation

The FY2014 Budget as Enacted includes \$6.3 million from Federal Transit Administration funds and \$2.0 million in RIPTA Revolving Loan funds, from FY2013 through FY2015, to implement an Intelligent Transportation System (ITS). The project will provide GPS technology and real-time route monitoring to allow for improved customer service and efficiencies in scheduling. The FY2014 budget includes \$1.4 million in Federal Transit Administration funds and \$352,550 in RIPTA Revolving Loan funds for this project.

Land and Buildings Enhancements

The FY2014 Budget as Enacted includes \$9.2 million from all funds, including \$488,000 in RICAP funds, for the improvement of existing RIPTA land and facilities through FY2017. RIPTA plans to enhance security and renovate or construct Park and Ride lots and Transit Hubs. These improvements may include repaving, lighting, fencing, and other amenities. RIPTA is required to dedicate 1.0 percent of FTA Section 5307 funding for transit enhancements and will use another 1.0 percent of these funds to fund security improvements. The budget includes \$1.3 million in Federal Transit Authority Funds, \$220,000 in Local Funds, and \$104,000 in RICAP funds in FY2014 for this project.

Bus Rapid Transit Corridor (BRT)

The FY2014 Budget as Enacted includes a total of \$2.1 million to establish a Rapid Bus Corridor along two routes: #11 Broad Street, which connects Cranston with downtown Providence, and #99 North Main Street, which travels between Providence and Pawtucket. The BRT along the #11 Broad and #99 Pawtucket routes would include traffic signal prioritization, use of the new hybrid vehicles and ITS technology, and bus stops clearly marked and lighted, with advanced customer information. Routes #11 and #99 are RIPTA's highest ridership routes, with more than 9,500 passenger trips per day. RIPTA anticipates the Rapid Bus Route to begin service in early spring of 2014.

Enterprise Software Solution

The FY2014 Budget as Enacted includes \$2.2 million to upgrade RIPTA's current iSeries IBM platform to Windows-based enterprise software. This will allow RIPTA to improve its financial and other data systems, improve data quality, reduce processing time, and provide management with tools to monitor performance. The Federal Transit Administration (FTA) has awarded RIPTA a \$1.5 million competitive grant toward the project. The budget includes \$1.9 million in FY2013 and \$300,000 in FY2014 for this project.



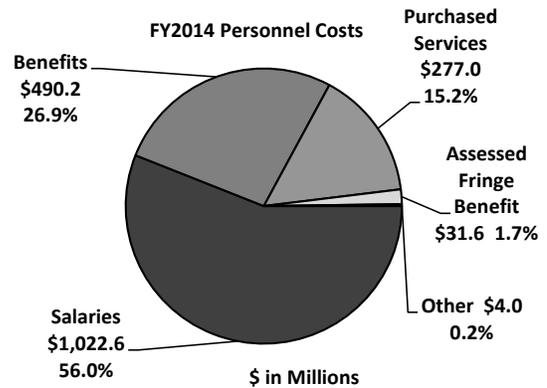
SPECIAL REPORTS

Personnel

The FY2014 Budget as Enacted includes a total of \$1,825.4 million for personnel expenditures, an increase of \$10.3 million compared to the FY2013 Budget as Enacted, and \$15.0 million more than the FY2013 Revised Budget. Salaries and benefits total \$1,512.8 million and comprise 82.9 percent of FY2014 personnel expenditures (43.8 percent of the salaries and benefits costs are supported by general revenue).

PERSONNEL EXPENDITURE TRENDS

Expenditures in salaries in FY2014 total \$1,022.6 million, comprising 56.0 percent of total personnel costs, a decrease of 0.4 percent from FY2013. 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 FY2013. Pension costs increase 5.2 percent as compared to the FY2013 Budget as Enacted and increase 1.8 percent as compared to the FY2013 Revised Budget. Total benefit costs, which also include assessed fringed benefits and other benefits, amount to \$525.8 million and comprise 28.8 percent of total personnel costs. Benefits increase \$11.5 million (4.4 percent) from the FY2013 Budget as Enacted. Purchased services costs are \$277.0 million (15.2 percent) of the total personnel costs. Purchased services increase \$2.8 million (1.0 percent) from the FY2013 Budget as Enacted.



Personnel Expenses	FY2012	FY2013 Enacted	FY2013 Revised	FY2014 Enacted	% of Total	Change to Enacted	
Salaries	\$996.0	\$1,026.6	\$1,022.8	\$1,022.6	56.0%	(\$4.0)	-0.4%
Benefits	448.2	478.6	459.9	490.2	26.9%	11.6	2.4%
Purchased Services	215.8	274.2	291.9	277.0	15.2%	2.8	1.0%
Assessed Fringe Benefit	30.8	31.8	31.4	31.6	1.7%	(0.2)	-0.6%
Other	4.2	3.9	4.4	4.0	0.2%	0.1	2.6%
Total	\$1,695.0	\$1,815.1	\$1,810.4	\$1,825.4	100.0%	\$10.3	0.6%

Government Function	FY2012 Revised	FY2013 Enacted	FY2013 Revised	FY2014 Enacted	% of Total	General Revenue	General Revenue %
General Government	\$230.7	\$259.7	\$271.4	\$270.2	14.8%	\$148.3	54.9%
Human Services	393.4	426.4	423.3	437.1	23.9%	206.5	47.2%
Education	547.2	585.2	578.2	568.1	31.1%	137.2	24.2%
Natural Resource	53.8	61.7	63.7	63.3	3.5%	29.9	47.2%
Public Safety	365.0	370.5	370.0	380.6	20.9%	344.2	90.4%
Transportation	104.9	111.6	103.8	106.1	5.8%	-	0.0%
Total	\$1,695.0	\$1,815.1	\$1,810.4	\$1,825.4	100.0%	\$866.1	47.4%

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

FTE POSITIONS

The FY2013 Budget as Enacted authorized 15,026.3 FTE positions. At the start of the fiscal year, 13,562.3 FTE positions (90.3 percent of the original enacted authorized amount) were filled, leaving 1,464.0 FTE positions vacant. As of the June 15, 2013, payroll period, the number of filled FTE positions was 13,820.1 (91.9 percent of the authorized amount) were filled, leaving 1,206.2 FTE positions vacant. Over the last four fiscal years, the state vacancy rate has averaged 8.1 percent, or 1,215.2 FTE positions.

FTEs	FY2010	FY2011	FY2012	FY2013 Enacted	FY2013 Final	FY2014 Enacted	Change from FY14/FY13 Enacted
Authorized	14,863.0	14,849.6	14,935.0	15,026.3	15,076.4	15,118.3	92.0
Actual	13,641.0	13,728.2	13,673.8	13,686.4	13,820.1	N/A	N/A
% Filled	91.8%	92.4%	91.6%	91.1%	91.7%	N/A	N/A

**FY2013 actual as of June 15, 2013*

The following table illustrates the number of FTE positions by government function.

Government Function	FY2013 Enacted	FY2013 Final	Change to Enacted	FY2014 Governor	FY2014 Enacted	Change to Enacted
General Government	2,276.7	2,294.1	17.4	2,283.7	2,276.7	-
Human Services	3,671.2	3,712.5	41.3	3,773.1	3,747.8	76.6
Education	3,904.0	3,903.4	(0.6)	3,900.4	3,883.4	(20.6)
Public Safety	3,189.6	3,189.6	-	3,236.6	3,233.6	44.0
Natural Resources	436.0	428.0	(8.0)	429.0	428.0	(8.0)
Transportation	772.6	772.6	-	772.6	772.6	-
Subtotal	14,250.1	14,300.2	50.1	14,395.4	14,342.1	92.0
Sponsored Research	776.2	776.2	-	776.2	776.2	-
Total FTE Positions	15,026.3	15,076.4	50.1	15,171.6	15,118.3	92.0

FY2013 FTE CHANGES

The FY2013 Revised Budget authorizes 15,076.4 FTE positions, an increase of 50.1 FTE positions from the enacted authorization for FY2013, and 26.1 FTE positions less than proposed in the Governor's Supplemental Budget.

General Government increases by 17.4 FTE positions, reflecting an increase of 5.0 FTE positions in the Office of Digital Excellence; an increase of 2.4 FTE positions for transfer of the Office of Regulatory Reform from the Economic Development Corporation to the Department of Administration, an increase of 1.0 FTE position in Purchasing; an increase of 0.5 FTE positions in Human Resources, which includes a new Executive Director position; an increase of 1.0 FTE position in Planning; and an increase of 15.0 FTE positions, reflecting the transfer of the Health Benefits Exchange from the Office of the Governor to the Department of Administration. Other increases include 31.0 FTE positions in the Department of Revenue to oversee table gaming at Twin River; and an increase of 1.0 FTE Investigative Auditor position with the Public Utilities Commission. The increases are offset by a loss of 39.5 FTE positions within the Department of Labor and Training, reflecting a projected loss of federal funds to support administrative functions.

Human Services increases by 41.3 FTE positions. This includes an increase of 6.0 FTE positions in the Department of Children, Youth, and Families associated with a new federal grant opportunity for further implementation of the System of Care initiative and 41.2 FTE positions at BHDDH, including 37.8 FTE positions for the at Eleanor Slater Hospital to address ongoing overtime expenditure overages. Other increases include a 1.0 Legal position transferred from the Department of Administration and a 0.7 FTE increase in DCYF. This is offset by a decrease of 7.6 unfilled FTE positions in the Department of Human Services.

Education decreases 0.6 FTE positions. This reflects a 2.0 FTE position increase within the Department of Elementary and Secondary Education, reflecting positions added to comply with legislation passed by the 2012 General Assembly requiring the Department to monitor school district compliance with the approved budget model and best practices, conduct periodic reviews and analysis of district revenues and expenses, and identify districts at risk of a year-end or structural deficit. The increase is offset by a 2.6 FTE reduction in the Higher Education Assistance Authority, due to the phase-out of the loan guarantee program activities, including the elimination of its ability to originate loans under Federal Family Education Loan Program (FFELP). The decrease includes 1.0 Supervising Accounting position, 1.0 Assistant Business Management Officer, and 0.6 Educational Assistant Technician I.

Natural Resources decreases by 8.0 FTE positions. This reflects the elimination of 8.0 vacant, unfunded FTE positions deemed unnecessary by the Department of Environmental Management.

FY2014 FTE CHANGES

The FY2014 Budget as Enacted authorizes 15,118.3 FTE positions, 92.0 more than authorized for FY2013. The FTE changes in the FY2014 budget includes:

General Government the net changes maintain the same authorized level of FTE positions.

- An increase of 33.5 FTE positions within the Department of Administration, reflecting the transfer of 15.0 FTE positions into the Department associated with the Health Benefits Exchange; an increase of 5.0 FTE positions in the Office of Digital Excellence; an increase of 1.0 FTE position in Purchasing; an increase of 1.5 FTE positions in Human Resources; an increase 5.6 FTE positions in the Division of Information Technology; an increase of 2.4 FTE position in Office of Management and Budget (OMB), reflecting the transfer of the Office of Regulatory Reform into OMB, an increase of 1.0 FTE position in Planning; and, an increase of 2.0 FTE positions reflecting the shift of personnel from the Workers' Compensation Investigative Unit from the Department of Public Safety.
- A decrease of 70.5 FTE positions within the Department of Labor and Training, reflecting a loss of federal funds to support administrative functions in the Unemployment Insurance program. This reduction includes the loss of 39.5 FTE positions in the FY2013 Revised Budget and an additional 31.0 FTE positions in the FY2014 Proposed Budget.
- An increase of 34.0 FTE positions in the Department of Revenue including 31.0 FTE positions to oversee table gaming at Twin River, 2.0 FTE positions for a new Special Investigations Unit to review and investigate alleged violations of tax laws, and a 1.0 Chief Financial Officer position for the Department.
- An increase of 1.0 FTE position within the Office of the General Treasurer, reflecting the addition of a Senior Accountant position to enhance the financial control and reporting requirements, based upon the State Auditor General's recommendation.
- An increase of 2.0 FTE positions in the Public Utilities Commission, reflecting the restoration of a Special Projects Coordinator and a Staff Attorney II. The positions were formerly funded under the federal American Recovery and Reinvestment Act of 2009, and will now be funded by restricted receipts.

Human Services increases by 76.6 FTE positions.

- **Department of Human Services:** An increase of 18.4 FTE positions, including 18.0 new FTE positions for the Unified Health Infrastructure Project, an increase 1.0 FTE position related to new grants, offset by a decrease of 0.6 FTE position requested by Elderly Affairs.
- **Office of Health and Human Services:** An increase of 16.0 FTE positions in the Office of Health and Human Services reflecting 7.0 new FTE positions for the Unified Health Infrastructure Project, the

transfer of 4.0 CFO positions from DHS, BHDDH, Health and DCYF, as well as administrative personnel added across all programs. However, the General Assembly removed funding for 10.0 new FTE positions proposed by the Governor that were added for new initiatives including the Data Warehouse, Medicaid Management Information Systems (MMIS) enhancements, and the integration of long-term care, acute care and primary care within Medicaid managed care. This action maintains 11.0 new FTE positions recommended by the Governor, including those in support of the Unified Health Infrastructure Project.

- **Department of Health:** A net decrease of 3.2 FTE positions with the Department of Health, impacting areas in the Public Health Information and in the Community and Family Health and Equity programs.
- **Department of Children, Youth, and Families:** A net increase of 5.0 FTE positions in the Department of Children, Youth, and Families that includes a reduction of 7.5 FTE positions to reflect the reduction from seven to six operational units within the Rhode Island Training School; an increase of 6.0 FTE positions within Central Management associated with a new Substance Abuse and Mental Health Services Administration (SAMHSA) grant opportunity for further implementation of the System of Care initiative; and an additional 4.0 FTE positions in Children's Behavioral Health Services also associated with the SAMHSA grant.
- **BHDDH:** An increase of 40.2 FTE positions in Behavioral Healthcare, Developmental Disabilities, and Hospitals. This includes 37.8 FTE positions to address high turnover and overtime at the Eleanor Slater Hospital and to further implement the Department's continuous hiring initiative.
- **Child Advocate:** Reflects a change to the Staff Attorney III position from a 0.8 FTE to a full-time 1.0 FTE position.

Education decreases by 20.6 FTE positions.

- An increase of 2.0 FTE positions with the Department of Elementary and Secondary Education, reflecting positions added to comply with legislation passed by the 2012 General Assembly requiring the Department to monitor school district compliance with the approved budget model and best practices, conduct periodic reviews and analysis of district revenues and expenses, and identify districts at risk of a year-end or structural deficits.
- A net increase of 7.0 FTE position within Public Higher Education, reflecting the addition of a full-time Commissioner in the Office of Higher Education, 5.0 FTE positions for new faculty at the University of Rhode Island, 2.0 FTE positions for new faculty at Rhode Island College, 2.0 FTE staff positions at Rhode Island College, and 1.0 FTE position at the State Crime Laboratory; less the removal of 4.0 unidentified FTE positions from the Office of Higher Education.
- A decrease of 14.0 FTE positions with the Public Telecommunications Authority, reflecting the transition of employees from the state Public Telecommunications Authority to the private, not-for-profit Rhode Island Public Broadcasting Service (PBS) Foundation.
- A decrease of 15.6 FTE positions with the Rhode Island Higher Education Assistance Authority, including a 1.0 Supervising Accounting position, 1.0 Assistant Business Management Officer, 0.6 Educational Assistant Technician I, and 13.0 FTE positions that were unfilled as of the May 18, 2013, payroll period. The positions are recommended for elimination due to the phase-out of the loan guarantee program activities, including the elimination of the Authority's ability to originate loans under Federal Family Education Loan Program (FFELP).

Public Safety increases by 44.0 FTE positions.

- An increase of 42.0 FTE positions in the Department of Public Safety, including 40.0 trooper positions to be filled by new graduates of the training academy, 1.0 Public Information Officer position to act as a liaison between the Department and the media, and 1.0 paralegal position.
- Partially offsetting the increase is the elimination of 4.0 FTE positions in Public Safety including a 1.0 Public Information Officer, 1.0 Paralegal position, a 1.0 Computer Forensic Analyst, and a 1.0 Project Manager position. Both the Computer Forensic Analyst and Project Manager are civilian positions within the State Police. The positions were previously federal funded under ARRA; and a shift of 2.0 FTE positions reflecting the shift of personnel from the Workers' Compensation Investigative Unit from the Department of Public Safety to the Department of Administration.
- An increase of 5.0 FTE positions in Military Staff reflecting the addition of 1.0 FTE Critical Infrastructure Program Coordinator position, 1.0 a Domestic Preparedness/Regional Response Coordinator position, a 1.0 All Hazards Emergency Planner, a 1.0 National Incident Management System Coordinator (NIMS), and a 1.0 Statewide Interoperability Coordinator who will manage the RI Statewide Communications Network (RISCON).
- An increase of 3.0 FTE positions to staff the Veterans' Court in Judiciary. The added positions include a clinical supervisor, an outreach coordinator, and a case manager.

Natural Resources decreases by 8.0 FTE positions, including a net decrease of 8.0 FTE positions within the Department of Environmental Management reflecting the elimination of 8.0 vacant, unfunded FTE positions deemed unnecessary by the Department and not included in the Governor's recommendation. The decrease includes the elimination of the 1.0 FTE Senior Reconciliation Clerk position proposed by the Governor.

For a full listing of FTE positions by agency, refer to the summary table in the appendix.

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 before the close of FY2013, 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 FY2013 Budget as Enacted included \$250,000 to commence the analysis. The Department of Administration awarded a contract to The Segal Group to conduct this review. On January 28, 2013, the Department of Administration released the Comprehensive Personnel Study Report with the following findings:

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

To begin implementing the findings of this report, the Governor recommended an appropriation of \$1.0 million to fund a two-year Employee Classification Study over FY2013 and FY2014. The General Assembly did not concur and removed the funding.

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	FY2013	% Change
								FY13/FY12
Medical	\$2,772	\$5,427	\$5,970	\$6,020	\$6,558	\$6,559	\$7,117	8.4%
Dental	241	327	327	360	349	350	371	-0.8%
Vision	41	76	82	83	83	84	87	0.0%
Total	\$3,054	\$5,831	\$6,379	\$6,463	\$6,991	\$6,993	\$7,575	7.8%
Family								
Medical	\$7,772	\$15,215	\$16,736	\$16,877	\$18,386	\$18,386	\$19,949	8.4%
Dental	674	917	917	1,008	978	978	1,037	-0.9%
Vision	88	162	173	177	177	177	184	0.0%
Total	\$8,533	\$16,293	\$17,827	\$18,062	\$19,540	\$19,541	\$21,170	7.8%

Source: RI Office of Employee Benefits & State Budget Office

* Medical included BCBSRI & United Healthcare

State Employee Health Plan Costs

The FY2014 total employer expenditure for state employee health plan costs is \$185.0 million, of which \$96.3 million is general revenue. This is \$2.8 million higher than the FY2013 Budget as Enacted, and \$13.7 million more than the FY2013 Revised Budget.

State Employee Health Plan Costs

Health Plan	FY2010	FY2011	FY2012	FY2013	FY2013	FY2014	FY14 to FY13	% Change
				Enacted	Revised	Enacted	Change	FY14/FY13
Medical	\$126.7	\$149.3	\$145.9	\$169.8	\$159.3	\$173.1	\$3.3	1.9%
Dental	9.0	9.2	9.2	10.6	10.4	10.2	(0.4)	-3.8%
Vision	1.6	1.6	1.5	1.8	1.6	1.7	(0.1)	-5.6%
Total	\$137.3	\$160.1	\$156.6	\$182.2	\$171.3	\$185.0	\$2.8	1.5%

\$ in millions

Health Cost Trends

The FY2014 Budget as Enacted contained two budget articles that will reduce State employee health care costs. This is due to:

- The establishment of a Retired Employees Medicare Exchange Program, that allows the State to implement a Medicare Exchange for eligible (post-65) State retirees who will be required to choose medical coverage from multiple Medicare supplement plans from different insurers. The Governor's Budget projected the exchange would save approximately \$2.0 million in all funds, of which \$1.1 million is general revenue.

- The State will terminate medical insurance coverage for divorced spouses of State employees through the State's active employee medical plan. However, the State will maintain the insurance coverage of former spouses provided that the insurance coverage was part of a divorce settlement in accordance with RIGL 27-20.4-1 as of December 31, 2013.

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 - FY2014	Co-share	
Below \$25,000	13.5%	Below \$46,350	14.0%	Below \$47,741	15.0%	\$121.21
25,000 - 34,999	13.5%	46,350 - 92,700	20.0%	47,741 - 95,481	20.0%	161.61
35,000 - 44,999	13.5%	Over \$92,700	25.0%	Over \$95,481	25.0%	202.01
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 - FY2014	Co-share	Amount
Below \$45,000	15.0%	Below \$46,350	17.5%	Below \$95,481	20.0%	\$57.67
45,00 - 74,999	20.0%	46,350 - 92,700	20.0%	Over \$95,481	25.0%	72.09
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 in 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 was \$2.7 million and in FY2013 and FY2014 the cost is \$1.5 million, of which \$762,069 is general revenue.

FICA SOCIAL SECURITY ALTERNATIVE RETIREMENT PLAN (FARP)

The FY2014 Budget as Enacted contained a budget article allowing the State to implement a FICA (Social Security) Alternative Retirement Plan (FARP) for seasonal, temporary, and part-time State employees who are not members of the Employees' Retirement System of Rhode Island (State Retirement System) and requires that all new seasonal, temporary, and part-time employees enroll in FARP. Eligible employees may opt out of FARP. The State Budget Office projects an all fund savings of \$367,539, of which \$263,588 is general revenue.

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
CY2013*	\$461.3	\$240.7	(\$220.6)	\$234.1
CY2012	919.6	550.8	(368.8)	397.4
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
CY2007	816.1	553.4	(129.6)	150.6
CY2006	643.5	464.9	(178.6)	208.5
CY2005	551.2	377.8	(173.4)	213.2

\$ in Millions. Source: State Investment Commission

**CY2013 up to June 2013*

Revenue

The FY2014 Budget as Enacted includes \$80.5 million in revenue changes for FY2014. After deducting \$141.3 million for the annual hospital license fee, the Budget includes \$60.8 million in revenue reductions. For FY2013 Revised, no additional revenue initiatives were included; however, a revenue change of \$300,000 was included from the interest gained on investment earnings. The revised budget does not include any additional revenues as a result of decreased estimates at the May 2013 Revenue Estimating Conference.

FY2014 GENERAL REVENUE ADJUSTMENTS

The Budget contains the following revenue initiatives impacting general revenue receipts.

Hospital License Fee ***\$141.1 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. The Budget includes a 5.24 percent hospital licensing fee, discounted 37.0 percent (effective rate 3.30%) for hospitals in Washington County, pending approval by the Centers for Medicare and Medicaid. This tax is levied upon FY2012 net patient revenues of \$2.8 billion for revenue of \$141.1 million.

May Revenue Conference ***(\$52.4 million)***

The May 2013 Revenue Estimating Conference decreased net available general revenues for FY2014 by \$52.4 million. Estimates for the Motor Vehicle Tax grew by \$3.1 million, and taxes on Financial Institutions increased by \$1.2 million. The State's share of Lottery estimates decreased by \$10.0 million. The increases were partially offset by changes to other revenue sources. The Budget recognizes the loss of revenues for FY2014.

Corporate Income Tax Rate Phased Reduction ***\$8.0 million***

The Governor proposed lowering the state's corporate income tax rate over three years from the current 9.0 percent of net income to 7.0 percent. The rate for FY2014 would be 8.0 percent, and is reduced by 0.5 percent in subsequent years until reaching 7.0 percent in FY2016. The proposal resulted in an estimated revenue loss of \$8.0 million in general revenues in FY2014. The Budget rejects the increase and replaces \$8.0 million in revenue.

Video Lottery Terminal Newport Extension ***(\$1.0 million)***

The General Assembly enhanced the share of video lottery terminal proceeds for the Newport Grand casino for revenues gained during the operation of the facility. The General Assembly extended a 2.0 percent enhanced share increase to aid in operations of the casino in both FY2014 and again in FY2015. The Budget includes \$1.0 million for the FY2014 enhanced share.

Sales Tax Exemption for Art ***(\$825,000)***

The Budget expands part of the current art districts program statewide, exempting all original, one-of-a-kind limited production creative works from sales and use taxes in order to increase tourism and economic activity and to strengthen the Rhode Island's identity as the "state of the arts." The article requires the tax administrator, along with the Rhode Island Council on the Arts, to report annually on the impact of the statewide tax exemption on employment, tourism, sales and spending within the arts sector. This program begins on December 1, 2013. The Budget projects a revenue reduction of \$825,000 in FY 2014.

Red Light Legislation ***\$100,000***

Under current law, municipalities do not have to issue universal citations for violations recorded by red light cameras. This article will require that all municipalities issue a universal summons for violations,

which will increase the state’s ability to record and track all violations throughout the state. The article does not require cities and towns to make any payments on past citations, but the General Assembly includes \$100,000 for this legislation beginning on July 1, 2013.

Corporate Tax Reforms

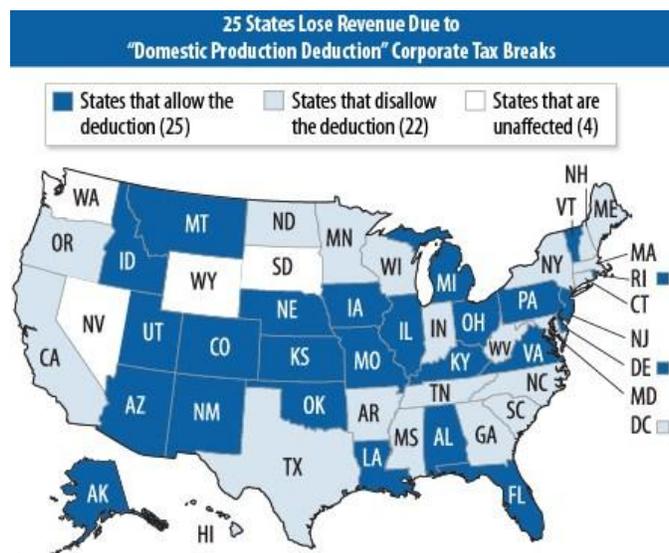
(\$10.0 million)

Accelerated Depreciation: The Budget provides for an accelerated depreciation schedule that allows businesses to depreciate expenses in the year in which the asset was placed in service, instead of depreciating the asset evenly over the useful life of the asset. As a result, the State would realize a revenue loss in the first year and an increase in revenue during the subsequent years when no depreciation deduction is taken against the assets. The Budget establishes an Accelerated Depreciation Fund and transfers \$10.0 million in general revenue to the fund. The Fund is intended to be used to help offset the initial \$30.0 million revenue loss anticipated in FY2015.

Analyst’s Note: The State will not realize a revenue loss in FY2014, however, a loss of \$30.6 million in revenue will impact FY2015 corporate tax revenues. As stated by the Office of Revenue Analysis, the revenue foregone from conforming to federal bonus depreciation and Section 179 expensing rules in the year that assets are placed in service will be recovered in subsequent years when no depreciation deduction is taken against these assets. In the likely scenario of assets being placed in service on an annual basis, the foregone revenue to the State from conforming to the federal bonus depreciation and Section 179 expensing rules is likely to be greater than the recovered revenues from the lack of a depreciation deduction being used against assets that were placed in service in prior years. The following chart shows the fiscal impact through FY2019, when the schedule evens out and no impact is forecasted.

Fiscal Year	Net impact
2014	\$0
2015	(30,614,917)
2016	(22,961,188)
2017	(15,307,459)
2018	(7,653,730)
2019	\$0

Domestic Production: The Budget changes the domestic production tax deduction, requiring corporations to add back the federal deducted amount to their state taxable income. Current law effectively allowed for filers to claim the federal domestic production deduction on state income taxes, as the state taxes are based on the net income on federal tax forms. The domestic production deduction is a tax break that allows companies to claim a tax deduction equal to a percentage of certain profits from U.S. based operations. The deduction initially was limited to 3.0% of qualifying income, however in 2007 this rate increased to 6.0%, and on January 1, 2010, the rate increased to 9.0%. Twenty-one states and the District of Columbia have decoupled from the federal provision. The FY2014 legislation amends the definition of net income under the tax on business corporations to include the federal domestic production activities deduction allowed by Section 199 of the Internal Revenue Code.



Source: Center on Budget and Policy Priorities | cbpp.org

Source: Center on Budget and Policy Priorities | cbpp.org

Jobs Development Act Phased Reduction**(\$2.4 million)**

The Governor's proposal would have phased-out the Jobs Development Act rate reduction over a three-year period resulting in \$2.4 million in additional revenues in FY2014, increasing to \$7.5 million in FY2015, and \$10.4 million in 2016. The General Assembly did not enact this proposal and reduces revenues by \$2.4 million for FY2014.

Enterprise Zone Wage Tax Credit Elimination**(\$303,485)**

The Governor eliminated the Distressed Areas Economic Revitalization Act (RIGL 42-64.3), which would sunset the Enterprise Zone Wage Tax Credit in FY2014. A qualified business in an enterprise zone is allowed a credit against a business corporation's taxes for wages paid to new employees that are hired to meet the 12-month, 5.0 percent jobs growth requirement. The Governor estimates that repealing this legislation would increase general revenues by \$309,380. The General Assembly does not recommend this proposal.

Scholarship Tax Credit**(\$500,000)**

The Budget increases the total aggregate cap on contributions made by businesses to scholarship organizations from \$1.0 million to \$1.5 million, increasing the available credit amount by \$500,000. Prior to this Budget, the total aggregate amount of all tax credits could not exceed \$1.0 million, with the maximum credit per tax year of \$100,000, awarded on a first-come-first-serve basis. The Budget includes a \$500,000 decrease in revenue for this program.

The Scholarship Tax Credit program allows for a tax credit equal to a percentage of the voluntary cash contribution made by a business entity to a qualified scholarship organization. To be an eligible scholarship organization, an entity must be organized as a 501(c)(3), and allocate at least 90.0 percent of its annual revenue through a scholarship program for direct tuition assistance grants. Eligible students must be able to attend any qualified school of their parents' choice. Businesses may earn the credits as follows:

- **75.0 percent credit:** One-year cash contributions.
- **90.0 percent credit:** For a two-year contribution plan. In the second year, a business must contribute an amount equivalent to 80.0 percent of the first year contribution to be eligible for the enhanced credit rate. If the second year allocation does not meet this threshold, the allowable credit amount is reduced to 75.0 percent each year.

The State now has a \$1.5 million annual cap on the amount of credits that may be issued under the program. Tax credits must be used in the year in which they are earned, and may not be carried forward, transferred, or refunded.

Liquor Tax Pilot Program**(\$1.2 million)**

The intent of this pilot program is to allow for the Division of Taxation to collect necessary data to evaluate the impact of excise tax changes in comparison with neighboring states.

The Budget eliminates the sales tax on spirits and wine for the time period of December 1, 2013 to June 30, 2015, and increases the excise tax on beer, spirits and wine from July 1, 2013 through March 31, 2015.

Excise Tax Changes for July 1, 2013 through March 31, 2015

	Current	Change
Beer/barrel	\$3.00	\$3.30
Spirits/gallon	3.75	5.40
Wine	0.60	1.40

The article requires businesses with Class A licenses (liquor stores) to file an annual report with the Division of Taxation including sales and excise tax collections. Current law requires all liquor licensees to file this sales report with the tax administrator, but for the purpose of the pilot program, the Budget amendment limits this report to collections from liquor stores.

Including the excise tax increase and the sales tax decrease, the Budget includes a \$1.2 million revenue decrease for this program.

Accident Report Revenue Loss ***(\$287,000)***

The Governor eliminated the State Report, required to be filed with the Division of Motor Vehicles (DMV) after a motor vehicle accident, in favor of one Uniform Accident Report to be filed with the Department of Transportation (DOT). This change decreased revenues by \$287,000 but the Governor's Budget failed to account for this amount in the original proposal. The FY2014 Enacted Budget accepts the proposal to eliminate the State Report and recognizes the loss in revenues.

The DMV has been working with the DOT to revise the Uniform Accident Report to include necessary data previously collected on the State Report. Once the revised report is completed, it will replace the State Report generally filed with the DMV. This change creates a savings of \$11,500 in postage costs, but decreases revenues by \$287,000. No other state in New England requires filing two reports. Under the Governor's proposal, only the Uniform Accident Report will need to be filed.

Hazardous Substance Right-to-Know Fee ***\$384,575***

The Governor proposed a decrease of \$384,575 from the elimination of the Hazardous Substance Right-to-Know Fee. Under the Rhode Island Right-to-Know law, employers must tell their employees if there are any hazardous substances in the workplace. Employers will still be required to maintain this information and make it readily available to employees; however, the employer will no longer have to pay the annual fee associated with certifying compliance. The General Assembly concurred.

Estate Tax on Farms ***Informational***

All farmland included as part of an estate for the purposes of assessing the estate tax imposed under RIGL 44-22 shall be valued at its current use value rather than its full and fair cash value when determining the value of a decedent's estate. There will be no fiscal impact in FY2014 assuming that estate tax returns are filed nine months after the death of a decedent and the implementation date of January 1, 2014.

FY2013 GENERAL REVENUE ADJUSTMENTS

May Revenue Conference ***(\$4.9 million)***

The May 2013 Revenue Estimating Conference decreased net available general revenues for the state for FY2013 by \$4.9 million. Major decreases occurred in the Sales and Use tax (\$6.9 million), Public Utilities gross earnings tax (\$5.7 million), cigarette tax (\$5.9 million) and lottery (\$6.5 million). Departmental Revenue collection was the only category to experience a major estimated increase (\$15.6 million). The Budget recognizes the revenue changes for FY2013.

Investment Earnings ***\$300,000***

The Budget increases general revenue funding within the Office of the General Treasurer by \$300,000 for bank fees incurred by the Office of the General Treasurer for short-term investment of State funds. Currently, these fees are deducted from the departmental receipt account for interest earnings. This deduction from interest earnings masks the actual banking costs of the investment accounts. The State Auditor General recommended to the General Treasurer that the bank fees should be stated within a separate expenditure account to create better transparency of the actual costs. Because the fees will not be deducted from the interest earnings, creating the separate expenditure account will increase the amount of the reported interest earnings by the same amount.

Municipal Aid

The FY2013 Supplemental Budget includes a \$2.0 million increase in funding for the Payment in Lieu of Taxes program over the FY2013 Budget as Enacted. A proposal by the Governor to increase funding for Distressed Communities Relief by \$5.0 million was not accepted by the General Assembly.

The FY2014 Budget as Enacted includes a \$2.0 million increase in funding for the Payment in Lieu of Taxes program over the FY2013 Budget as Enacted. A proposal by the Governor to increase funding for Distressed Communities Relief by \$5.0 million was not accepted by the General Assembly. The Budget proposal also includes \$5.0 million for a Municipal Incentive Aid Program, which will be distributed to communities based on population relative to other communities (The Governor's FY2014 Budget request had included \$10.0 million for this program). These funds will be distributed to municipalities that comply with certain requirements and provisions related to local pension plans, both locally-administered and MERS.

For FY2014, Library Aid, Motor Vehicle Excise Tax Reimbursement, and Distressed Community Relief Aid are funded at the FY2013 Enacted level. Other indirect aid is projected to increase slightly for FY2014 based on historic collection rates. For FY2014, the Governor included \$10.0 million in Rhode Island Capital Plan (RICAP) funding for a one-time local roads program. This General Assembly does not concur and instead includes \$7.0 million in Other Funds for a Municipal Roads and Bridges Revolving Loan Fund.

Tables showing impacts by community are included at the end of this analysis.

Municipal Aid FY2012 - FY2014

Program	FY2012	FY2013		Change from Enacted	FY2014			
		Enacted	Revised		Enacted	Change from Enacted		
Payment in Lieu of Taxes	\$33.1	\$33.1	\$35.1	\$2.0	6.0%	\$35.1	\$2.0	6.0%
Distressed Communities	10.4	10.4	10.4	-	0.0%	10.4	-	0.0%
Motor Vehicle Excise Tax	10.0	10.0	10.0	-	0.0%	10.0	-	0.0%
Municipal Incentive Aid	-	-	-	-	0.0%	5.0	5.0	0.0%
Central Falls Stabilization	2.6	-	-	-	0.0%	-	-	0.0%
State Aid to Libraries								
Grant-in-Aid	8.7	8.7	8.7	-	0.0%	8.7	-	0.0%
Library Construction	2.8	2.5	2.5	-	0.0%	2.5	-	0.0%
Total Direct Aid	\$67.6	\$64.7	\$66.6	\$2.0	3.1%	\$71.7	\$7.0	10.8%
Public Service Corporations Tax	\$11.8	\$12.7	\$12.7	\$0.0	0.0%	\$13.2	\$0.5	4.2%
Meals & Beverage Tax	21.0	20.0	21.4	1.4	7.1%	21.8	1.8	8.9%
Hotel Tax	6.3	6.6	6.4	(0.2)	-3.0%	6.5	(0.1)	-1.2%
Airport Impact Fees	1.0	1.0	1.0	-	0.0%	1.0	-	0.0%
Total Indirect Aid	\$40.1	\$40.3	\$41.5	\$1.2	3.0%	\$42.5	\$2.2	5.5%
Total Aid	\$107.7	\$105.0	\$108.2	\$3.2	3.1%	\$114.2	\$9.2	8.8%

\$ 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.

The Budget as Enacted funds PILOT at \$35.1 million for FY2013 and FY2014; this is an increase of \$2.0 million more than the FY2013 Budget as Enacted.

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 \$43.0 million in FY2014. The amount enacted by the General Assembly is \$7.9 million less than the level required by current law level, and equates to a 22.0 percent reimbursement.

PILOT Funding Trends			
Fiscal Year	Total Funding	% Change	% Reimbursed
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	35.1	6.0%	23.8%
2014	35.1	0.0%	22.0%

\$ in millions.

Distressed Community Relief

The Distressed Community Relief program was established in 1990 to provide state assistance to communities with the highest property tax burdens relative to the wealth of taxpayers. For FY2013, \$10.4 million was appropriated and distributed to 7 qualifying municipalities. The City of Cranston met 3 of the 4 indices in FY2013 and became newly eligible for the Distressed Community Relief program. As a newly qualifying community, the City received 50.0 percent of the funding it would be entitled to in the first year (FY2013), and then the full amount thereafter. This has a distributional impact on other distressed communities eligible for these funds.

Distressed Communities Relief		
Fiscal Year	Total Funding	% Change
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%
2014	10.4	0.0%

\$ in millions.

For FY2014, the General Assembly level funds Distressed Community Relief at the FY2013 level of \$10.4 million; however, distribution to eligible communities will be based on qualifying data from the statutory reference year.

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, 2012, and FY2013, funding was reduced to \$10.0 million, and

Motor Vehicle Excise Tax		
Fiscal Year	Total Funding	% Change
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%
2014	10.0	0.0%

\$ in millions.

funding for fire districts was eliminated from the budget. Also, the state-mandated motor vehicle tax exemption was reduced from \$6,000 to \$500.

Fiscal Year	Exemption	Fiscal Year	Exemption
2000	\$1,500	2008	\$6,000
2001	2,500	2009	6,000
2002	3,500	2010	6,000
2003	4,500	2011	500
2004	4,500	2012	500
2005	4,500	2013	500
2006	5,000	2014	500
2007	6,000		

For FY2014, the General Assembly level funds 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 General Assembly 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 - FY2013 Motor Vehicle Exemptions

Municipality	FY2011	FY2012	FY2013
Barrington	\$500	\$500	\$500
Bristol	3,000	3,000	3,000
Burrillville	2,500	1,500	1,500
Central Falls	1,000	1,000	1,000
Charlestown	500	500	500
Coventry	6,000	500	500
Cranston	500	500	500
Cumberland	500	500	500
East Greenwich	6,000	6,000	6,000
East Providence	6,000	500	500
Exeter	500	500	500
Foster	6,000	3,100	3,100
Glocester	2,700	500	500
Hopkinton	500	500	500
Jamestown	6,000	6,000	6,000
Johnston	500	500	500
Lincoln	3,000	3,000	3,000
Little Compton	6,000	6,000	6,000
Middletown	3,000	3,000	3,000

Municipality	FY2011	FY2012	FY2013
Narragansett	\$6,000	\$6,000	\$6,000
Newport	6,000	6,000	6,000
New Shoreham	6,000	6,000	6,000
North Kingstown	3,000	3,000	3,000
North Providence	500	500	500
North Smithfield	500	500	500
Pawtucket	3,400	500	500
Portsmouth	3,000	3,000	3,000
Providence	6,000	1,000	1,000
Richmond	500	500	500
Scituate	6,000	6,000	6,000
Smithfield	1,000	1,000	1,000
South Kingstown	500	3,000	3,000
Tiverton	6,000	6,000	6,000
Warren	500	500	500
Warwick	6,000	500	2,000
Westerly	500	1,500	1,500
West Greenwich	500	500	500
West Warwick	3,000	3,000	2,500
Woonsocket	500	500	500

Source: RI Dept. of Revenue, Division of Municipal Finance.

Municipal Incentive Aid

The General Assembly concurs with the Governor's FY2014 Budget proposal to create a Municipal Incentive Aid Program. For FY2014, \$5.0 million would be appropriated and distributed to municipalities that comply with certain requirements and provisions. Article 11 also states that an appropriation of \$10.0 million will be requested for the program in FY2015 and FY2016. By providing additional state aid, this article intends to encourage municipalities to improve the sustainability of their retirement plans and to reduce unfunded liabilities. However, there is no requirement that the additional state aid be spent for this purpose.

The Division of Municipal Finance within the Department of Revenue will administer and manage the program, and aid will be distributed in March of 2014 to eligible communities based on municipal

population as a share of the total state population, as reported by the U.S. Department of Commerce, Bureau of the Census. If a municipality does not meet the eligibility requirements to receive an appropriation in any fiscal year, that municipality's appropriation will be distributed among the other eligible municipalities for that fiscal year, based on population.

Eligibility Requirements FY2014: Municipalities will be eligible to receive Incentive Aid if they comply with at least one of following requirements:

1. The municipality has no locally-administered pension plans.
2. The municipality has submitted a Funding Improvement Plan (FIP) to the Department of Revenue (DOR), pursuant to chapter 45-65, for every locally-administered pension plan in that municipality, and each FIP has been approved by the plan sponsor and the local governing body no later than June 1, 2013. Participants, beneficiaries and others pursuant to chapter 45-65 must be notified by the municipality.
3. There exists a locally-administered pension plan(s) in that municipality, but no FIP was required pursuant to chapter 45-65.
4. There exists a locally-administered pension plan(s) in that municipality, but the due date for the FIP submission is after the March payment of state aid.

Analyst's Note: Chapter 45-65 requires funding improvement plans (FIPs) to be submitted to the Locally-Administered Pension Plan Study Commission established under Chapter 45-65, not the Department of Revenue; however, the Director of the Department of Revenue is the Chairman of the Commission. A FIP is required for locally-administered pension plans that have been determined to be in "critical status." Pursuant to RIGL 45-65-4 (3) a plan is determined to be in critical status if its funded ratio is less than 60.0 percent at the beginning of the plan year. The determination of the plan's funded ratio is made by the plan's actuary.

Eligibility Requirements FY2015 and FY2016: Municipalities will be eligible to receive Incentive Aid if they comply with at least one of the following requirements:

1. The municipality has no locally-administered pension plans.
2. The municipality has transitioned all locally-administered pension plans into MERS by June 30, 2014.
3. The municipality has submitted a FIP, pursuant to Chapter 45-65, to the DOR for every locally-administered pension plan, and the FIP meets the guidelines of the Study Commission on Locally-Administered Pension Plans (or otherwise applicable guidelines or regulations), the municipality has implemented the original FIP pursuant to chapter 45-65, and the FIPs are approved by the plan sponsor and the local governing body. Participants, beneficiaries and others pursuant to chapter 45-65 must be notified by the municipality.
4. The municipality has implemented the original recommended FIP or an amended FIP pursuant to 45-65 within eighteen months after an actuary has certified that a locally administered plan is in critical status for a plan year; and the FIPs are approved by the plan sponsor and the local governing body.
5. There exists a locally-administered pension plan in the municipality, but no FIP was required under Chapter 45-65, and the municipality is funding 100.0 percent of its Annually Required Contribution (ARC).
6. There exists a locally-administered pension plan(s) in that municipality, but the due date for the FIP submission is after the March payment of state aid.

State Aid to Libraries Grant-in aid

State aid to libraries is distributed based on the city or town's expenditure level as a percentage of the total expenditures by all communities statewide. In order to be eligible for these funds, cities and towns

must maintain their level of support for public library services at 100.0 percent of the previous year's funding from the local tax base. The FY2014 Budget as Enacted level funds state aid for libraries at the FY2013 level of \$8.7 million; however, distribution is based on qualifying data from the statutory reference year.

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 FY2013, the General Assembly includes \$2.5 million for Library Construction Aid, the same as the FY2013 Enacted. For FY2014, the General Assembly recommends \$2.5 million, an increase of \$28,952, to reflect actual reimbursement costs.

Fiscal Year	Library Aid		Total Aid	% Change
	Grant in Aid	Construction		
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%
2014	8.7	2.5	11.2	0.3%

\$ in millions.

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.

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. For FY2013, the Revised Budget includes \$1.6 million for property revaluation reimbursement, the same amount as the FY2013 Budget as Enacted.

Fiscal Year	Property Revaluation Reimbursement	
	State Reimbursement	% Change
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	0.9	25.3%
2013	1.6	79.0%
2014	0.5	-69.0%

\$ in millions.

The General Assembly recommends funding of \$516,615 for the Property Revaluation program in FY2014, a decrease of \$1.1 million based on anticipated reimbursements. The following communities will be performing statistical updates in FY2014: Bristol, Coventry, Gloucester, Portsmouth, Richmond, and West Greenwich.

Central Falls Stabilization Fund

From July 2010 through April 2013, the City of Central Falls operated under the oversight of a state-appointed receiver pursuant to RIGL 45-9-1. On 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. The changes

include 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 FY2012 Supplemental Budget included a one-time \$2.6 million appropriation from the State to the City of Central Falls, covering the 5-year period FY2012 through FY2017, 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 ensure that retirees receive a reduction of no greater than 25.0 percent of their pre-bankruptcy annual pension benefits. The transition payments would also include annual cost of living adjustments of up to 2.0 percent annually, not compounded.

INDIRECT AID TO LOCAL GOVERNMENT

Public Service Corporation Tax

The tangible personal property of telegraph, cable, and telecommunications corporations and express corporations is exempt from local taxation, and instead is subject to taxation by the State. The state Tax Administrator applies the average assessment ratio and the average tax rate to the value of tangible personal property of each company to calculate the amount of tax due. The “average assessment ratio” is the total assessed valuation divided by the full market value of the valuation. The “average property rate” is the total statewide property levy divided by the total statewide assessed valuation.

The revenue from this tax flows through the State: it is not appropriated. The State is allowed to keep 0.75 percent of this tax for administrative fees. The remainder of the revenue is deposited into a restricted receipt account and apportioned to the cities and towns based on the ratio of each municipality’s population relative to the total population of the State.

Collections from this tax decreased from \$18.0 million in FY2003 to \$9.2 million in FY2009. 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.

The FY2014 Budget provides \$13.2 million be distributed to municipalities on July 31, 2013.

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 FY2013, the Office of Revenue Analysis estimates meal and beverage tax distributions at \$21.4 million, \$1.5 million more than enacted.

Public Service Corporation		
Fiscal Year	Total Funding	% Change
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	12.7	7.6%
2014	13.2	3.9%

\$ in millions.

Meals & Beverage Tax			
Fiscal Year	Total Funding	\$ Change	% Change
2005	17.2	3.7	27.3%
2006	17.6	0.4	2.5%
2007	18.8	1.2	6.9%
2008	18.7	0.0	-0.4%
2009	18.8	0.1	0.3%
2010	19.0	0.2	0.9%
2011	19.5	0.5	2.6%
2012	21.0	1.5	7.8%
2013	21.4	0.4	1.9%
2014	21.8	0.4	1.9%

\$ in millions.

For FY2014, the Office of Revenue Analysis anticipates growth of 1.9 percent in collections, yielding \$21.8 million.

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), or distributed to the regional tourism district where the hotel is located (47.0 percent).

An additional 1.0 percent tax, which was enacted in FY2005, is distributed entirely to the city or town where the occupancy occurred.

Total distribution to municipalities is estimated at \$6.4 million for FY2013 and \$6.5 million for FY2014.

Hotel Tax		
Fiscal Year	Total Funding	% Change
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	6.3	8.0%
2013	6.4	1.2%
2014	6.5	1.6%

\$ in millions.

OTHER AID TO LOCAL GOVERNMENT

Warwick Rental Car Tax Revenue

The RI Airport Corporation levies a \$5.00 per rental vehicle, per day, customer facility charge (CFC) for all vehicle rentals from companies operating at T.F Green Airport. Revenues from the CFC are to be used to pay for the construction, expansion, reconfiguration, operation and maintenance of the Warwick Intermodal Transit Station. The CFC is applied prior to the application of the sales tax and rental vehicle surcharge. Since 2003, per RIGL 1-2-17.1, all sales taxes (7.0 percent) and rental vehicle surcharges (6.0 percent) collected from the application of the CFC are deposited into a restricted receipt account for the City of Warwick. These payments totaled \$631,132 in FY2010, \$657,358 in FY2011, \$786,128 in FY2012, and \$957,497 in FY2013.

For FY2014, the General Assembly does not include any growth in customer facility charge revenue and anticipates funding at the FY2013 level of \$957,497.

Airport Impact Fees

Since FY2007, the State has made airport impact aid payments totaling approximately \$1.0 million each year to municipalities that have airports. 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.

FY2013 Actual	1.0 million passengers	Distribution on landings	All Airports and Communities to \$25,000	Total
Warwick - T.F. Green	\$600,000	\$174,029		\$774,029
Block Island		32,562		32,562
Middletown-Newport Airport ¹		53,644		53,644
North Central				
Smithfield		20,957	4,043	25,000
Lincoln		20,957	4,043	25,000
North Kingstown - Quonset		57,923		57,923
Westerly		39,928		39,928
Total	\$600,000	\$400,000	\$8,086	\$1,008,086

¹ Located in Middletown

Municipal Road and Bridge Fund

Through Article 1 of the FY2014 Budget as Enacted, the General Assembly transfers \$7.0 million of bond premium proceeds derived from the sale of 2013 general obligation bonds from the Rhode Island Capital Plan Fund (RICAP) to capitalize a Municipal Road and Bridge Revolving Fund. These funds will be available for municipalities to borrow from for road and bridge projects. The initial investment allows for loans to begin in FY2014, and future capitalizations combined with the revolved funds will allow state-sponsored financing on an ongoing basis. This fund will be administered by the Rhode Island Clean Water Finance Agency.

Automated Traffic Violation Monitoring Systems-Debt Forgiveness

Article 9 of the FY2014 Budget as Enacted includes legislation which would require municipalities to make payments to the State based on automated traffic violations beginning on July 1, 2013. Several years ago there were a series of cameras installed by the State throughout Providence to identify drivers running red lights to ensure the appropriate fine is assessed and ticket issued. The City has not made payments to the State for the State's share of the fine revenue. This legislation would forgive the past debt and require the City to make payments to the State going forward, resulting in a savings to the City of \$1.7 million.

FY2013 Direct Municipal Aid to Cities and Towns (Revised)

Municipality	FY2013 Enacted	Payment In Lieu of Taxes	Communities Relief Fund	Motor Vehicle Excise Tax	Library Grant-in-Aid*	Construction Aid	Total FY2013	
							Distressed	Revised
Barrington	\$690,751	\$41,174	\$0	\$237,138	\$334,107	\$72,609	\$685,028	(\$5,723)
Bristol	1,171,553	713,526	-	115,531	118,895	262,606	1,210,558	39,005
Burrillville	748,044	115,536	-	210,552	125,987	298,399	750,474	2,430
Central Falls	444,103	24,376	289,708	92,588	47,079	-	453,751	9,648
Charlestown	88,346	-	-	40,195	47,128	-	87,323	(1,023)
Coventry	432,966	-	-	212,432	207,369	-	419,801	(13,165)
Cranston	7,265,886	4,829,729	1,201,480	962,964	524,404	34,000	7,552,577	286,691
Cumberland	691,615	102	-	210,819	264,240	210,766	685,927	(5,688)
East Greenwich	471,518	174,517	-	120,869	114,121	69,352	478,859	7,341
East Providence	1,095,303	173,027	-	448,434	416,425	70,632	1,108,518	13,215
Exeter	198,487	-	-	83,465	40,082	75,968	199,515	1,028
Foster	99,393	461	-	68,286	29,625	-	98,372	(1,021)
Glocester	164,798	-	-	93,156	69,879	-	163,035	(1,763)
Hopkinton	95,620	-	-	62,734	29,999	-	92,733	(2,887)
Jamesstown	173,803	-	-	35,751	79,139	57,979	172,869	(934)
Johnston	494,340	-	-	373,565	111,963	-	485,528	(8,812)
Lincoln	426,002	-	-	232,641	189,340	-	421,981	(4,021)
Little Compton	51,626	-	-	23,665	28,078	-	51,743	117
Middletown	278,369	-	-	83,649	128,935	60,172	272,756	(5,613)
Narragansett	217,346	-	-	95,050	121,555	-	216,605	(741)
Newport	1,655,413	960,102	-	133,343	374,002	237,434	1,704,881	49,468
New Shoreham	142,904	-	-	7,945	73,011	61,761	142,717	(187)
North Kingstown	523,596	1,971	-	222,551	257,842	35,695	518,059	(5,537)
North Providence	2,068,899	560,612	1,025,738	347,631	164,384	-	2,098,365	29,466
North Smithfield	236,416	-	-	168,480	62,569	-	231,049	(5,367)
Pawtucket	2,849,197	422,765	1,416,751	679,794	369,002	-	2,888,312	39,115
Portsmouth	211,850	-	-	105,623	102,367	-	207,990	(3,860)
Providence ¹	32,431,072	24,873,496	4,804,334	1,715,886	2,229,981	323,424	33,947,121	1,516,049
Richmond	85,029	-	-	57,421	24,829	-	82,250	(2,779)
Scituate	221,215	-	-	124,283	94,008	-	218,291	(2,924)
Smithfield	1,044,300	527,100	-	274,622	265,315	-	1,067,037	22,737
South Kingstown	529,204	160,382	-	167,774	196,594	9,209	533,959	4,755
Tiverton	200,628	-	-	107,432	91,928	-	199,360	(1,268)
Warren	134,605	-	-	80,778	51,832	-	132,610	(1,995)
Warwick	3,140,830	1,219,883	-	1,147,235	662,952	171,010	3,201,080	60,250
Westerly	873,336	125,538	-	224,286	270,491	253,767	874,082	746
West Greenwich	75,822	-	-	50,367	26,290	-	76,657	835
West Warwick	1,213,707	-	817,916	213,269	171,858	-	1,203,043	(10,664)
Woonsocket	1,709,483	156,113	828,531	367,796	193,184	166,932	1,712,556	3,073
Total	\$64,647,375	\$35,080,409	\$10,384,458	\$10,000,000	\$8,710,789	\$2,471,715	\$66,647,372	\$2,000,000

¹ Providence Library Aid includes \$1,012,378 for the Statewide Reference Library Resource Grant.

FY2014 Direct Municipal Aid to Cities and Towns

Municipality	FY2013		Payment In		Distressed Communities		Municipal Incentive Aid	Motor Vehicle Excise Tax	Library Grant In-Aid*	Library		Change from	
	Revised		Lieu of Taxes	Relief Fund	Relief Fund	Municipal Aid				Construction Aid	Total FY2014 Municipal Aid	FY2013 Revised	
Barrington	\$685,028	\$13,387	\$0	\$77,873	\$237,138	\$341,149	\$70,588	\$740,135	\$55,107				
Bristol	1,210,558	692,850	-	109,663	115,531	129,784	272,206	1,320,033	109,475				
Burrillville	750,474	112,264	-	75,643	210,552	129,564	291,100	819,124	68,650				
Central Falls	453,751	24,639	170,622	91,844	92,588	14,022	-	393,714	(60,036)				
Charlestown	87,323	-	-	37,260	40,195	47,837	-	125,292	37,969				
Coventry	419,801	-	-	166,126	212,432	215,315	-	593,873	174,072				
Cranston	7,552,577	5,236,468	2,320,642	381,765	962,964	541,181	32,247	9,475,267	1,922,690				
Cumberland	685,927	101	-	158,222	210,819	268,332	213,526	851,000	165,073				
East Greenwich	478,859	204,946	-	62,403	120,869	121,963	132,777	642,958	164,100				
East Providence	1,108,518	176,390	-	224,226	448,434	403,334	68,898	1,321,282	212,765				
Exeter	199,515	-	-	30,874	83,465	41,703	75,968	232,010	32,495				
Foster	98,372	372	-	21,699	68,286	31,569	-	121,926	23,554				
Glocester	163,035	-	-	46,378	93,156	71,674	-	211,208	48,173				
Hopkinton	92,733	-	-	38,721	62,734	34,084	-	135,539	42,806				
Jamestown	172,869	-	-	25,703	35,751	80,467	57,979	199,900	27,031				
Johnston	485,528	-	-	136,438	373,565	120,380	-	630,383	144,855				
Lincoln	421,981	-	-	100,146	232,641	191,841	-	524,628	102,647				
Little Compton	51,743	-	-	16,614	23,665	29,670	-	69,949	18,206				
Middletown	272,756	-	-	76,967	83,649	135,566	58,701	354,883	82,127				
Narragansett	216,605	-	-	75,677	95,050	123,055	-	293,782	77,177				
Newport	1,704,881	1,101,494	-	116,689	133,343	378,526	230,909	1,960,961	256,080				
New Shoreham	142,717	-	-	4,521	7,945	78,316	63,221	154,003	11,286				
North Kingstown	518,059	1,941	-	125,830	222,551	263,710	34,496	648,528	130,469				
North Providence	2,098,365	544,065	846,788	152,463	347,631	171,750	-	2,062,697	(35,667)				
North Smithfield	231,049	-	-	56,226	168,480	63,341	-	288,047	56,998				
Pawtucket	2,888,312	472,601	1,252,009	338,637	679,794	315,245	-	3,058,286	169,974				
Portsmouth	207,990	-	-	82,157	105,623	103,446	-	291,226	83,236				
Providence ¹	33,947,121	24,227,137	4,429,560	845,052	1,715,886	2,195,152	301,658	33,714,444	(232,677)				
Richmond	82,250	-	-	36,481	57,421	26,139	-	120,041	37,791				
Scituate	218,291	-	-	48,939	124,283	95,169	-	268,391	50,100				
Smithfield	1,067,037	537,747	-	101,773	274,622	269,659	-	1,183,801	116,764				
South Kingstown	533,959	154,721	-	144,389	167,774	203,946	8,811	679,641	145,682				
Tiverton	199,360	-	-	74,510	107,432	94,100	-	276,051	76,691				
Warren	132,610	-	-	50,918	80,778	53,561	-	185,257	52,647				
Wanwick	3,201,080	1,226,062	-	394,569	1,147,235	688,368	165,806	3,622,041	420,960				
Westerly	874,082	121,833	-	108,439	224,286	265,543	253,767	973,868	99,786				
West Greenwich	76,657	-	-	28,597	50,367	27,126	-	106,090	29,433				
West Warwick	1,203,043	-	-	138,805	213,269	147,770	-	1,175,620	(27,423)				
Woonsocket	1,712,556	231,391	689,062	196,763	367,796	197,423	168,009	1,850,444	137,888				
Total	\$66,647,372	\$35,080,409	\$10,384,458	\$5,000,000	\$10,000,000	\$8,710,789	\$2,500,667	\$71,676,323	\$5,028,951				

¹ Providence Library Aid includes \$1,012,378 for the Statewide Reference Library Resource Grant.

FY2013 Indirect Local Aid to Cities and Towns
Public Service

Municipality	Corporation Tax	Meals and Beverage Tax	Hotel Tax	FY2013 Total Indirect Aid
Barrington	\$196,291	\$138,454	\$0	\$334,745
Bristol	276,252	347,384	29,776	653,412
Burrillville	192,019	173,580	-	365,599
Central Falls	233,190	102,444	-	335,634
Charlestown	94,198	108,638	19,966	222,802
Coventry	421,394	366,500	69,449	857,343
Cranston	967,459	1,493,970	9,036	2,470,465
Cumberland	403,245	384,987	-	788,232
East Greenwich	158,212	476,936	361	635,509
East Providence	566,091	805,136	35,027	1,406,254
Exeter	77,325	75,051	-	152,376
Foster	55,433	14,368	129	69,930
Glocester	117,293	71,566	1,779	190,638
Hopkinton	98,543	48,443	-	146,986
Jamestown	65,049	82,692	10,043	157,784
Johnston	346,235	473,593	6,433	826,261
Lincoln	253,999	694,452	88,333	1,036,784
Little Compton	42,026	33,125	8,602	83,753
Middletown	194,366	621,542	601,281	1,417,189
Narragansett	190,972	545,111	78,698	814,781
Newport	296,928	1,871,251	1,696,362	3,864,541
New Shoreham	12,649	261,399	227,415	501,463
North Kingstown	318,759	472,541	63,937	855,237
North Providence	386,059	340,576	-	726,635
North Smithfield	144,023	185,390	2,524	331,937
Pawtucket	856,267	684,518	42,468	1,583,253
Portsmouth	209,277	176,241	8,260	393,778
Providence	2,142,738	4,534,406	1,715,451	8,392,595
Richmond	92,766	118,958	3,415	215,139
Scituate	124,310	61,492	3,912	189,714
Smithfield	257,910	569,507	128,154	955,571
South Kingstown	368,741	635,917	122,858	1,127,516
Tiverton	189,913	193,016	-	382,929
Warren	127,704	246,894	-	374,598
Warwick	994,959	2,366,982	880,113	4,242,054
Westerly	274,242	718,374	326,165	1,318,781
West Greenwich	73,835	99,849	83,091	256,775
West Warwick	351,314	318,190	87,579	757,083
Woonsocket	495,674	510,216	53,051	1,058,941
Total	\$12,667,660	\$21,423,686	\$6,403,668	\$40,495,014

FY2014 Indirect Local Aid to Cities and Towns

Public Service

Municipality	FY2013 Indirect Aid	Corporation Tax	Meals and Beverage Tax	Hotel Tax	FY2014 Total Indirect Aid	Change from FY2013
Barrington	\$334,745	\$205,617	\$140,738	\$0	\$346,355	\$11,610
Bristol	653,412	289,555	353,116	30,309	672,980	19,568
Burrillville	365,599	199,730	176,444	-	376,174	10,575
Central Falls	335,634	242,507	104,134	-	346,641	11,007
Charlestown	222,802	98,381	110,430	20,323	229,134	6,333
Coventry	857,343	438,642	372,548	70,692	881,882	24,538
Cranston	2,470,465	1,008,020	1,518,621	9,198	2,535,839	65,374
Cumberland	788,232	417,774	391,340	-	809,114	20,881
East Greenwich	635,509	164,770	484,805	367	649,942	14,433
East Providence	1,406,254	592,051	818,421	35,654	1,446,126	39,872
Exeter	152,376	81,520	76,289	-	157,809	5,433
Foster	69,930	57,295	14,605	132	72,032	2,102
Glocester	190,638	122,456	72,747	1,811	197,014	6,376
Hopkinton	146,986	102,239	49,242	-	151,481	4,495
Jamestown	157,784	67,867	84,057	10,222	162,146	4,361
Johnston	826,261	360,253	481,407	6,548	848,208	21,947
Lincoln	1,036,784	264,428	705,910	89,914	1,060,252	23,468
Little Compton	83,753	43,867	33,671	8,756	86,294	2,542
Middletown	1,417,189	203,225	631,797	612,044	1,447,066	29,877
Narragansett	814,781	199,818	554,106	80,107	834,031	19,249
Newport	3,864,541	308,107	1,902,127	1,726,727	3,936,961	72,420
New Shoreham	501,463	11,937	265,712	231,486	509,135	7,672
North Kingstown	855,237	332,245	480,338	65,082	877,665	22,428
North Providence	726,635	402,567	346,195	-	748,762	22,128
North Smithfield	331,937	148,460	188,449	2,569	339,478	7,541
Pawtucket	1,583,253	894,145	695,812	43,228	1,633,185	49,933
Portsmouth	393,778	216,929	179,149	8,408	404,486	10,708
Providence	8,392,595	2,231,291	4,609,224	1,746,158	8,586,673	194,078
Richmond	215,139	96,326	120,921	3,476	220,723	5,584
Scituate	189,714	129,220	62,506	3,982	195,708	5,995
Smithfield	955,571	268,724	578,904	130,448	978,076	22,505
South Kingstown	1,127,516	381,247	646,410	125,057	1,152,714	25,198
Tiverton	382,929	196,736	196,200	-	392,936	10,008
Warren	374,598	134,444	250,968	-	385,412	10,814
Warwick	4,242,054	1,041,829	2,406,037	895,867	4,343,733	101,679
Westerly	1,318,781	286,324	730,227	332,003	1,348,554	29,773
West Greenwich	256,775	75,508	101,497	84,578	261,583	4,808
West Warwick	757,083	366,504	323,440	89,146	779,090	22,007
Woonsocket	1,058,941	519,536	518,635	54,000	1,092,171	33,230
Total	\$40,495,014	\$13,202,094	\$21,777,177	\$6,518,292	\$41,497,563	\$1,002,549

Education Aid

The FY2014 Budget provides \$781.1 million in education aid to districts, including aid for transportation, high-cost special education, and group homes. The Budget also provides \$1.5 million for early childhood programs, \$3.5 million for career and technical education, and \$70.4 million in school housing aid. The FY2014 education aid package represents an increase of \$30.7 million over the FY2013 Budget as Enacted.

FY2014 Change to FY2013 Enacted	
Year 3 of Funding Formula	\$30.1
Transportation	1.1
Regionalization Bonus	(0.4)
High-Cost Special Education	0.5
Early Childhood	-
Career and Technical	0.5
Group Home Aid	(1.1)
Total	\$30.7

\$ in millions.

EDUCATION AID

Education Funding Formula

The FY2014 Budget as Enacted includes \$2.4 million more in general revenue to adjust the third year formula calculation based on revised student enrollment and free and reduced lunch data in March 2013, thereby increasing FY2014 formula education aid by \$30.1 million over the FY2013 enacted level.

Categorical Programs

The Budget includes the following categorical programs that are outside the formula but subject to the transition plan.

- **Transportation:** The Budget 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 Budget includes \$3.3 million in FY2014, an increase of \$1.1 million over the FY2013 Budget as Enacted.
- **Regionalization Bonus:** The Budget includes a bonus to regional districts. In the first year, the bonus is 2.0 percent of the State's share of the total foundation aid. In the second year the bonus is 1.0 percent of the State's share, and in the third year the bonus phases out. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget does not include funding in FY2014, the third year of funding, since the existing districts are not eligible, and no new regional districts have been formed. The FY2014 Budget as Enacted represents a decrease of \$421,951 from the FY2013 Budget as Enacted.
- **High-Cost Special Education:** The Budget includes a program for high-cost special education students. The program requires the State to reimburse special education costs when they exceed five times the per-pupil combined Core Instruction and Student Success Factor funding (\$62,279 for FY2014). The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget includes \$1.0 million in FY2014, an increase of \$500,000 over the FY2013 Budget as Enacted.
- **Early Childhood Education:** The Budget includes a program for early childhood education programs. The funds are distributed through a request-for-proposals process. Communities are categorized into three tiers with the first tier having the highest concentration of children at risk for poor educational outcomes. The Governor recommended funding this category at \$2.5 million in FY2014, an increase of \$1.0 million over the FY2013 Budget as Enacted. The General Assembly does not concur and maintains the funding at the FY2013 level of \$2.0 million, an increase of \$500,000 over the FY2013 Budget as Enacted.

- Career and Technical Education:** The Budget provides a state grant program to help districts with certain start-up and maintenance expenditures for career and technical education (CTE) programs. In FY2013, districts received aid to offset costs of operating programs that are designated as “provisionally approved” by the Department of Elementary and Secondary Education and are classified as a Tier 2 or Tier 3 programs based on FY2012 cost-benchmarking analysis by the Department of Elementary and Secondary Education. Tier 2 programs have an average cost of 26.0 percent to 75.0 percent of all CTE programs. Tier 3 programs have an average cost in the highest 25.0 percent of all programs. CTE categorical funds were provided based on the average program expenditure in FY2012, as derived from data in the Uniform Chart of Accounts (UCOA), times the number of in-district students in the program: (average per-pupil program costs) x (number of in-district students in program). The following table shows the distribution of the CTE offset for high-cost programs.

**FY2013 Career and Technical Education Categorical Program Offset
for High-Cost Programs**

School	Aid Amount
Academy for Career Exploration	\$34,291
Barrington High School	10,998
Bristol-Warren, Mt. Hope High School	22,208
Chariho Career and Technical Center	204,768
Coventry Career and Technical Center	184,831
Cranston Career and Technical Center	173,648
Davies Career and Technical High School	401,711
East Providence Career and Technical Center	300,810
Lincoln High School	40,034
Metropolitan Career and Technical Center	338,009
Newport Area Career and Technical Center	75,717
Pawtucket, Tolman High School	11,411
Portsmouth High School	67,824
Providence Career and Technical Academy	383,764
Providence, Mt. Pleasant High School	8,675
Smithfield High School	50,875
Warwick Career and Technical Center	123,749
West Warwick High school	11,914
Woonsocket Career and Technical Center	251,066
Total	\$2,696,303

Source: Rhode Island Department of Elementary and Secondary Education

Of the \$3.0 million provided for the CTE Categorical Fund in FY2013 Budget as Enacted, \$2.7 million was for high-cost programs, the remaining funds were distributed through competitive start-up grants. To qualify, the programs must support the career pathway and economic development efforts of the Governor’s Workforce Board by focusing on the growth sectors of Information Technology and Health Care.

In FY2014, the Governor recommended funding this category at \$3.5 million, an increase of \$500,000 over the FY2013 Budget as Enacted. The General Assembly does not concur and maintains funding at the FY2013 level of \$3.0 million. The Department has not yet determined the distribution for FY2014.

Charter School Growth

The FY2014 Budget includes \$55.1 million for public charter schools, an increase of \$8.4 million from the FY2013 Budget as Enacted. The FY2014 Budget assumes the following charter school growth:

- The Greene School, which is located in West Greenwich and currently enrolls 168 students, will add a twelfth grade (42 students).
- The Highlander Charter School, which is located in Providence and currently enrolls 312 students, will add 40 students, including a pre-kindergarten class (12 students), a ninth grade (20 students) and the remaining eight students will be distributed to bring all the grades up to a maximum capacity of 36 students.
- The Nurses Institute, which is located in Pawtucket and currently enrolls 204 students, will add a twelfth plus grade (68 students).
- The Paul Cuffee School, which is located in Providence and currently enrolls 706 students, will add a twelfth grade (72 students).
- RIMA – Blackstone Valley Prep, which is located in Cumberland and currently enrolls 768 students, will add a second, fourth, and eighth grade (252 students).
- Trinity Academy for the Performing Arts, which is located in Providence and currently enrolls 102 students, will add a tenth grade (34 students).

The Budget also includes funding for new charter schools scheduled to open in FY2014.

- Achievement First, which will be located in Providence and enroll students from Cranston, North Providence, Providence, and Warwick, will have kindergarten and first grades (176 students).
- Nowell Academy, which will be located in Central Falls and have a statewide recruitment area, will have ninth through twelfth grades (160 students).
- Village Green, which will be located in Providence and have a statewide recruitment area, will have ninth through twelfth grades (136 students).

Group Home Aid

The Budget maintains the current funding mechanism for group homes as a 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 FY2014 budget includes \$7.1 million to fund group home beds. This is \$1.1 million less than the FY2013 Budget as Enacted, and represents a decrease of 70 beds (13.0 percent) system wide.

Group Home Aid

LEA	FY2013 Enacted	FY2013 Revised	FY2014 Enacted	Change from Enacted	
				Number of Beds	Aid
Burrillville	\$330,000	\$330,000	\$330,000	-	\$0
Coventry	120,000	120,000	120,000	-	-
Cranston	-	60,000	60,000	4	60,000
East Providence	636,000	636,000	636,000	-	-
Johnston	120,000	120,000	120,000	-	-
Lincoln	135,000	135,000	135,000	-	-
Middletown	480,000	480,000	420,000	(4)	(60,000)
Newport	360,000	360,000	270,000	(6)	(90,000)
North Providence	240,000	240,000	240,000	-	-
North Smithfield	120,000	120,000	120,000	-	-
Pawtucket	855,000	855,000	735,000	(8)	(120,000)
Portsmouth	585,000	585,000	555,000	(2)	(30,000)
Providence	2,640,000	2,640,000	2,055,000	(39)	(585,000)
Smithfield	240,000	240,000	240,000	-	-
South Kingstown	375,000	375,000	315,000	(4)	(60,000)
Warwick	360,000	360,000	330,000	(2)	(30,000)
Woonsocket	165,000	165,000	120,000	(3)	(45,000)
Bristol-Warren	210,000	210,000	120,000	(6)	(90,000)
Exeter-West Greenwich	210,000	210,000	210,000	-	-
Total	\$8,181,000	\$8,241,000	\$7,131,000	(70)	(\$1,050,000)

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 the costs outside the foundation aid formula, such as transportation, facility maintenance and retiree health benefits, be shared between the State and Central Falls. Previously, the statute required Central Falls to pay its share of the local contribution prior to receiving stabilization funds; however, the portion of each share was not defined. The 2012 General Assembly amended the statute to provide for an annual review of the respective shares; however, the statute requires that the State's share may be provided through a reallocation of current appropriations to the Central Falls school district. The Governor did not recommend funding at this time; however, the Department continues to meet with the district to ensure it will be able to meet its obligations under the formula distribution. The General Assembly concurs.

Full-Day Kindergarten Accessibility Act

The Budget includes \$250,000 for the Full-Day Kindergarten Accessibility Act to help districts with one-time, start-up costs associated with establishing a full-day program. Allowable costs include, but are not limited to, desks, books, facility upgrades, ancillary costs associated with relocation of students, and costs associated with the development and implementation of new curriculum. If more than four eligible school districts apply in one year, or if the appropriation does not support four eligible districts, the Commissioner of Elementary and Secondary Education will determine which districts receive funding.

Telecommunications Education Access Fund (E-Rate)

The purpose of the Rhode Island Telecommunications Education Access Fund (RITEAF or E-rate) is to fund a basic level of internet access for all qualified schools (kindergarten through grade 12) and libraries in the State. In the past, the state match portion of the RITEAF has been derived from two sources: a

monthly E-rate surcharge on landlines of \$0.26 per line (\$1.5 million in FY2014 Budget as Enacted) and general revenues. 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 at a lower rate was proposed by the Governor in 2012 to correct this deficit and accommodate the increased demand in bandwidth needed to implement technology-based learning; however, the General Assembly did not concur.

The 2012 General Assembly reduced general revenue funding by \$350,000 and provided the state match for the federal funding with bond proceeds from the issuance of Certificates of Participation (COPs) for improvements to the technology infrastructure of local education agencies. Subsequent to the budget enactment, the Department indicated that there had been a misunderstanding. The Department thought the intent was to purchase bandwidth for the schools and libraries; however, it was later realized that the funds were intended be used to lease the lines, as is done through the current program. Leasing of the lines for bandwidth is not an appropriate use of the COPs Tech bond funding. The Governor recommended \$400,000 in FY2013 and FY2014 as the state general revenue match for the E-Rate program. Since the Department indicated the program could be sustained in FY2013 without the additional funds, the General Assembly provided the additional funding only in FY2014.

The table on the next page shows the education aid distribution including the formula distribution, categorical aid, and group home aid.

FY2014 Education Aid

Categorical Funding¹

LEA	FY2013 Revised ² (excluding group home and categoricals)	Year 3 Formula Change	FY2014 Education Aid (excluding group home and categoricals)	Year 3 Transportation	High-Cost Special Education	FY2014 Group Home	FY2014 Education Aid (including group home and categoricals)
Barrington	\$3,321,232	\$597,733	\$3,918,965	\$35,646	\$17,186	\$0	\$3,971,797
Burrillville	12,627,679	84,708	12,712,387	9,060	11,796	330,000	13,063,243
Charlestown	1,677,912	29,083	1,706,995	-	-	-	1,706,995
Coventry	19,561,513	618,645	20,180,158	14,636	33,648	120,000	20,348,442
Cranston	39,297,220	3,624,881	42,922,101	321,873	43,635	60,000	43,347,609
Cumberland	13,786,524	834,826	14,621,350	69,904	14,203	-	14,705,457
East Greenwich	1,933,139	333,029	2,266,168	25,728	31,672	-	2,323,568
East Providence	26,284,637	1,119,156	27,403,793	6,475	36,397	636,000	28,082,665
Foster	1,209,152	(20,082)	1,189,070	7,512	8,201	-	1,204,783
Glocester	2,785,722	(101,800)	2,683,922	10,535	10,987	-	2,705,444
Hopkinton	5,560,369	(44,834)	5,515,535	-	-	-	5,515,535
Jamestown	358,137	1,312	359,449	-	2,487	-	361,936
Johnston	10,796,882	839,203	11,636,085	218,602	22,906	120,000	11,997,593
Lincoln	8,003,012	819,035	8,822,047	7,574	25,985	135,000	8,990,606
Little Compton	338,666	26,604	365,270	-	-	-	365,270
Middletown	8,802,092	(123,230)	8,678,862	-	10,414	420,000	9,109,276
Narragansett	1,661,461	138,148	1,799,609	-	5,470	-	1,805,079
Newport	10,297,837	73,473	10,371,310	-	15,022	270,000	10,656,332
New Shoreham	69,634	5,732	75,366	-	6,396	-	81,762
North Kingstown	10,755,311	35,835	10,791,146	-	5,458	-	10,796,604
North Providence	13,785,693	958,911	14,744,604	98,224	11,558	240,000	15,094,386
North Smithfield	4,996,230	248,574	5,244,804	25,204	10,046	120,000	5,400,054
Pawtucket	67,386,462	3,332,770	70,719,232	-	5,460	735,000	71,459,692
Portsmouth	4,794,137	(223,993)	4,570,144	-	3,517	555,000	5,128,661
Providence	195,088,205	8,589,845	203,678,050	184,859	355,439	2,055,000	206,273,348
Richmond	5,420,353	(84,917)	5,335,436	-	-	-	5,335,436
Scituate	3,500,030	185,627	3,685,657	30,273	4,541	-	3,720,471
Smithfield	4,713,864	(29,823)	4,684,041	47,142	14,610	240,000	4,985,793
South Kingstown	8,099,120	(313,625)	7,785,495	48,065	5,927	315,000	8,154,487
Tiverton	5,671,905	97,099	5,769,004	-	6,386	-	5,775,390
Warwick	34,047,725	714,378	34,762,103	-	72,147	330,000	35,164,250
Westerly	6,560,341	562,620	7,122,961	-	41,258	-	7,164,219
West Warwick	19,739,060	526,929	20,265,989	31,258	11,810	-	20,309,057
Woonsocket	46,550,235	1,422,234	47,972,469	15,253	62,722	120,000	48,170,444
Bristol-Warren	17,121,724	(666,136)	16,455,588	480,009	34,272	120,000	17,089,869
Exeter-West Greenwich	6,118,850	(260,581)	5,858,269	484,504	26,447	210,000	6,579,220
Chariho	306,562	(38,320)	268,242	853,058	6,109	-	1,127,409
Foster-Glocester	5,091,550	(89,940)	5,001,610	196,904	14,843	-	5,213,357
Central Falls	39,705,880	(1,306,288)	38,399,592	41,222	11,045	-	38,451,859
Subtotal District Aid	\$667,826,057	\$22,516,817	\$690,342,874	\$3,263,520	\$1,000,000	\$7,131,000	\$701,737,394
Charter School Total	46,728,375	8,419,684	55,148,059	-	-	-	55,148,059
Davies ³	13,381,539	(589,491)	12,792,048	-	-	-	12,792,048
Met School	11,648,256	(563,207)	11,085,049	-	-	-	11,085,049
Urban Collaborative	-	296,703	296,703	-	-	-	296,703
Total	\$739,584,227	\$30,080,507	\$769,664,733	\$3,263,520	\$1,000,000	\$7,131,000	\$781,059,253

¹ Does not include Career and Technical (\$3.5 million) and Early Childhood (\$1.5 million) funding, which will be distributed through grants.² The FY2013 Revised Budget includes a one-time, data adjustment of \$354,426 to credit students in an alternative education program housed at a charter school to the resident district of Cranston since the program was not affiliated with a charter school.³ Funding for Davies is adjusted to provide the state share of the employer contribution for teacher retirement.

Source: Rhode Island Department of Education

The following table shows the difference in education aid relative to the FY2013 Revised Budget.

FY2014 Education Aid versus FY2013 Revised			
LEA	FY2013 Revised (including group home and categoricals)¹	FY2014 Education Aid (including group home and categoricals)	Change
Barrington	\$3,350,904	\$3,971,797	\$620,893
Burrillville	12,965,501	13,063,243	97,742
Charlestown	1,694,669	1,706,995	12,326
Coventry	19,707,074	20,348,442	641,368
Cranston	39,603,294	43,347,609	3,744,315
Cumberland	13,834,760	14,705,457	870,697
East Greenwich	1,955,236	2,323,568	368,332
East Providence	26,993,305	28,082,665	1,089,360
Foster	1,214,327	1,204,783	(9,544)
Glocester	2,792,685	2,705,444	(87,241)
Hopkinton	5,615,973	5,515,535	(100,438)
Jamestown	363,461	361,936	(1,525)
Johnston	11,083,498	11,997,593	914,095
Lincoln	8,156,329	8,990,606	834,277
Little Compton	338,666	365,270	26,604
Middletown	9,288,241	9,109,276	(178,965)
Narragansett	1,663,260	1,805,079	141,819
Newport	10,661,062	10,656,332	(4,730)
New Shoreham	72,292	81,762	9,470
North Kingstown	10,758,204	10,796,604	38,400
North Providence	14,139,108	15,094,386	955,278
North Smithfield	5,133,984	5,400,054	266,070
Pawtucket	68,246,641	71,459,692	3,213,051
Portsmouth	5,380,832	5,128,661	(252,171)
Providence	197,968,379	206,273,348	8,304,969
Richmond	5,474,556	5,335,436	(139,120)
Scituate	3,514,828	3,720,471	205,643
Smithfield	4,982,755	4,985,793	3,038
South Kingstown	8,511,975	8,154,487	(357,488)
Tiverton	5,677,809	5,775,390	97,581
Warwick	34,449,461	35,164,250	714,789
Westerly	6,572,162	7,164,219	592,057
West Warwick	19,775,027	20,309,057	534,030
Woonsocket	46,744,955	48,170,444	1,425,489
Bristol-Warren	17,832,371	17,089,869	(742,502)
Exeter-West Greenwich	6,705,948	6,579,220	(126,728)
Chariho	898,450	1,127,409	228,959
Foster-Glocester	5,289,023	5,213,357	(75,666)
Central Falls	39,744,688	38,451,859	(1,292,829)
Subtotal District Aid	\$679,155,693	\$701,737,394	\$22,581,701
Charter School Total	46,380,316	55,148,059	8,767,743
Davies	13,381,539	12,792,048	(589,491)
Met School	11,648,256	11,085,049	(563,207)
Urban Collaborative	-	296,703	296,703
Total	\$750,565,804	\$781,059,253	\$30,493,449

¹ Includes \$60,000 in group home aid to Cranston for 4 new beds; a one-time, data adjustment to credit students in alternative education program to the resident district; and \$6,367 in charter school adjustments.

School Housing Aid: In 1960, the school housing aid program was enacted by the General Assembly to guarantee adequate school facilities for all public school children in the state, and to prevent the cost of constructing and repairing facilities from interfering with the effective operation of the schools. Applications for aid to support the construction and renovation of school buildings are submitted to and evaluated by the Rhode Island Department of Elementary and Secondary Education (RIDE). State aid is provided for approved projects based on a percentage of cost. The percentage provided by the State to the school district is determined based on a share ratio designed to measure a community's need. For FY2014, the minimum state share is 35.0 percent and the maximum is 95.2 percent for Central Falls.

The 2010 General Assembly passed legislation increasing the minimum share ratio from 30.0 percent in FY2011 to 35.0 percent in FY2012 and to 40.0 percent in FY2013. The 2012 General Assembly froze the reimbursement rate at 35.0 percent, but provided that projects completed after June 30, 2010, and approved by the Board of Regents as of June 30, 2012, receive the 40.0 percent minimum.

The 2011 General Assembly enacted legislation limiting the approval of new projects between FY2012 and FY2015 to those necessitated by immediate health and safety reasons. Any project requested during the moratorium must be reported to the chairs of the House and Senate Finance Committees. Any project approval granted prior to the adoption of the school construction regulations in 2007, which is currently inactive, and any project approval granted prior to the adoption of the school construction regulations in 2007, which did not receive voter approval or which has not been previously financed, is no longer eligible for reimbursement.

As part of the 2011 legislation, RIDE was charged with developing recommendations for further cost containment strategies in the school housing aid program. The following recommendations were submitted on March 22, 2012:

- Establish capital reserve funds on the state and local level.
- Reduce the minimum share ratio.
- Limit costs associated with bonding by establishing a mechanism to allow districts with poor bond ratings to borrow at a lower interest rate, reduce the State's reimbursement rate on interest, and provide incentives for districts to refinance bonds.

Article 13 of the FY2014 Budget as Enacted provides an incentive to communities to refinance existing school housing bonds by allowing communities to receive 80.0 percent of the total savings, instead of distributing the savings based on the state share ratio. The increased savings to the communities would only apply to refinancing done between July 1, 2013, and December 31, 2015. In FY2014, this article is estimated to increase savings to local districts by \$1.4 million and to the State by \$425,000.

For FY2013, the Governor recommended \$72.1 million, a reduction of \$2.5 million from the FY2013 Budget as Enacted. For FY2014, the Governor recommended \$71.1 million in school housing aid, a decrease of \$3.4 million from the FY2013 Budget as Enacted. The decrease in both years is due to projects not being completed as projected. The General Assembly concurs and includes an additional reduction of \$24,246 in FY2013 and \$760,175 in FY2014 due to projects not being completed as projected.

The table on the following page shows the changes by district.

School Housing Aid

LEA	FY2013 Enacted	FY2013 Revised	Change to Enacted	FY2014 Enacted	Change to Enacted
Barrington	\$467,121	\$467,642	\$521	\$495,221	\$28,100
Bristol-Warren	2,483,435	1,870,031	(613,404)	1,996,154	(487,281)
Burrillville	1,316,864	1,317,946	1,082	1,368,695	51,831
Central Falls	1,752,908	1,693,903	(59,005)	1,616,121	(136,787)
Chariho	1,511,764	1,086,530	(425,234)	1,350,900	(160,864)
Charlestown	-	-	-	-	-
Coventry	1,265,880	1,062,874	(203,006)	1,164,787	(101,093)
Cranston	2,322,792	2,322,792	-	2,260,760	(62,032)
Cumberland	1,963,606	1,909,819	(53,787)	2,039,772	76,166
East Greenwich	2,153,083	1,638,060	(515,023)	1,544,917	(608,166)
East Providence	1,348,611	2,038,138	689,527	1,645,113	296,502
Exeter-West Greenwich	703,626	625,378	(78,248)	645,501	(58,125)
Foster	-	-	-	15,600	15,600
Foster-Glocester	3,302,049	3,140,126	(161,923)	3,223,143	(78,906)
Glocester	196,804	169,492	(27,312)	96,949	(99,855)
Hopkinton	-	-	-	-	-
Jamestown	136,800	95,996	(40,804)	120,526	(16,274)
Johnston	451,885	387,140	(64,745)	405,774	(46,111)
Lincoln	1,297,573	1,280,344	(17,229)	1,103,899	(193,674)
Little Compton	19,839	85,055	65,216	84,408	64,569
Middletown	378,419	222,570	(155,849)	217,642	(160,777)
Narragansett	615,271	655,881	40,610	786,830	171,559
New Shoreham	217,951	217,951	-	208,289	(9,662)
Newport	621,006	562,908	(58,098)	2,379,782	1,758,776
North Kingstown	942,730	938,703	(4,027)	993,603	50,873
North Providence	1,792,650	1,527,944	(264,706)	1,461,371	(331,279)
North Smithfield	1,109,652	1,109,652	-	1,091,071	(18,581)
Pawtucket	2,067,568	2,069,634	2,066	2,071,804	4,236
Portsmouth	441,038	416,539	(24,499)	475,939	34,901
Providence	29,026,848	28,950,999	(75,849)	24,849,398	(4,177,450)
Richmond	-	-	-	-	-
Scituate	279,109	279,109	-	275,945	(3,164)
Smithfield	509,667	332,642	(177,025)	342,905	(166,762)
South Kingstown	856,351	855,370	(981)	720,892	(135,459)
Tiverton	872,105	881,996	9,892	884,881	12,777
Warwick	1,148,412	1,070,900	(77,512)	1,221,269	72,857
West Warwick	984,336	994,868	10,532	1,809,843	825,507
Westerly	2,786,081	2,645,213	(140,868)	2,291,762	(494,319)
Woonsocket	5,883,051	5,744,780	(138,271)	5,644,257	(238,794)
Subtotal District Aid	\$73,226,884	\$70,668,925	(\$2,557,959)	\$68,905,723	(\$4,321,161)
Charter School Total	\$1,342,022	\$1,365,451	\$23,429	\$1,468,781	\$126,759
Davies	-	-	-	-	-
Met School	-	-	-	-	-
Total	\$74,568,906	\$72,034,376	(\$2,534,530)	\$70,374,504	(\$4,194,402)

Unified Health Infrastructure Project (UHIP)

The Unified Health Infrastructure Project (UHIP) is a two-phase, \$151.7 million multi-year IT project that will support the Affordable Care Act's health insurance marketplace (Exchange) as well as replace the State's existing health and human service eligibility system with an integrated eligibility system (IES). A collaborative undertaking between the Office of Health and Human Services, Department of Health, Office of the Health Insurance Commissioner, and the Department of Administration, it will allow Rhode Islanders to enroll in public and private health insurance plans and in other state social service programs through a single online interface. It is the largest multiagency IT build in the history of the State.

Current costs estimates for the technology build are as follows:

Fiscal Year	General Revenue	Federal Funds	All Funds
2013	\$3.4	\$39.7	\$43.1
2014	6.9	38.2	45.1
2015	9.8	35.6	45.4
2016	4.7	13.4	18.1
Total	\$24.7	\$126.9	\$151.7

in millions

The project takes advantage of 100 percent federal funding available through CY2014 for the establishment of the Exchange and 90 percent federal funding available through CY2015 for much of the eligibility system.

After UHIP is built and these funding opportunities expire, the system will require annual funding for maintenance and operations. The eligibility system will require an estimated \$2.4 million general revenue annually for ongoing costs, funding that will be eligible for 75 percent federal matching funds.

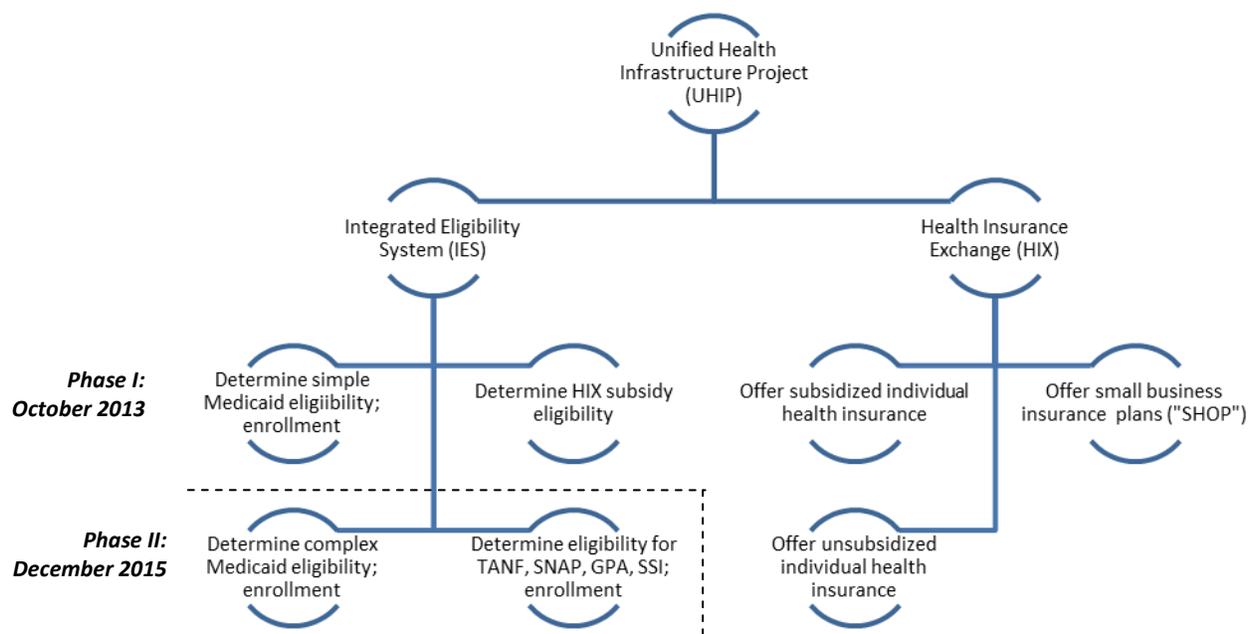
The Exchange, however, is required by ACA to support its own operations through mechanisms such as assessments or user fees. A revenue plan to cover the Exchange's operating costs, which is expected to be a challenge given the relatively low volume of anticipated enrollees, has not yet been released. Annual operating costs for the Exchange are currently estimated to be between \$17.9 million and \$23.9 million, or between \$200 and \$300 per enrollee.

FY2014 BUDGET AS ENACTED

In addition to the technology costs noted above, the FY2014 budget authorizes and funds 40.0 FTE positions for UHIP and the Health Benefits Exchange, according to the following table. These FTE positions are in addition to personnel supported through the project's contracts.

FY2014 Budget as Enacted	FTE positions
Department of Human Services	18.0
Department of Administration	15.0
Office of Health and Human Services	7.0
Total	40.0

PROJECT DESIGN AND TIMELINE



Analyst's Note: The time frame for UHIP, a project that would typically take several years, has been condensed significantly in order to meet federal funding deadlines. This has required that policy and business operations considerations be addressed in parallel with technology build.

INTEGRATED ELIGIBILITY SYSTEM (IES)

Eligibility for Medicaid, TANF, SNAP and other social service programs is currently determined through InRhodes, a legacy computer system used since 1990. The ACA provides Rhode Island with the opportunity to finance a replacement system with enhanced federal funding (90.0 percent for Medicaid; other programs at the regular match rate).

Phase I of the new IES portal will include Medicaid eligibility determination and enrollment for those who qualify based upon their Modified Adjusted Gross Income (MAGI), the national IRS income-tax based eligibility standard required by the ACA. This functionality will be operational at the launch of UHIP in October 2013.

Phase II of the IES system will include eligibility determination for complex, non-MAGI individuals who qualify for Medicaid based upon categories such as disability or age. It will also include eligibility determination and enrollment for TANF, Child Care, SNAP, GPA and SSI programs through a “no wrong door”, single point of entry for accessing all of the State’s human services programs. This functionality will be added to the portal by December 2015, at the expiration of enhanced federal funding. Long term plans envision the addition of eligibility functionality for WIC, LIHEAP and child support enforcement programs.

UHIP will require data migration from InRhodes to IES over the course of the project build; as such the two systems will run in parallel at least through 2017. IES also necessitates the use of real-time data from state agencies such as DLT, DOH, and DOC as well as live federal data feeds from the Internal Revenue Service and the Social Security Administration.

RHODE ISLAND'S HEALTH INSURANCE EXCHANGE (EXCHANGE)

The ACA requires that each state establish an electronic health insurance marketplace where individual consumers and small businesses with up to 50 employees can compare and purchase standardized health insurance plans. States may choose to participate in a federal exchange, establish a partnership exchange with the federal government, or build its own state-based exchange.

States must establish an exchange through which individuals can purchase coverage, with federal premium and cost-sharing subsidies available to individuals/families with income between 133-400 percent of the federal poverty level (\$25,975- \$78,120 for a family of three in 2013). A state's exchange must be able to determine eligibility for Medicaid and for federal subsidies. ACA also requires that exchanges operate a customer service center and provide a customer appeals process.

Exchanges must be fully-functional by October 1, 2013 for plans effective January 1, 2014. 100.0 percent federal funding is available for establishment and operation until January 1, 2015, after which the Exchange must be self-supporting.

Rhode Island's state-based exchange was established by executive order in September 2011. Branded HealthSource RI, it will offer 12 individual plans from two insurers (Neighborhood Health Plan of RI and UnitedHealthcare) and 16 small group plans from three insurers (Neighborhood Health Plan of RI, UnitedHealthcare, and Blue Cross Blue Shield of RI) in 2014. Plan premiums and deductibles for policies sold on the Exchange have not yet been published. HealthSource RI will be the only exchange in the country to allow for an employer defined contribution, whereby an employer gives each employee a fixed dollar amount (a "defined contribution") which employees use to select more or less comprehensive coverage to suit their individual preferences.

RI Medicaid and the Affordable Care Act

Full implementation of the Patient Protection and Affordable Care Act (ACA) on January 1, 2014, provides the State with both an influx of federal funds as well as opportunities for general revenue savings. To take advantage of these opportunities, the FY2014 Budget as Enacted shifts coverage for certain low income parents from the State’s Medicaid program to subsidized health insurance available through the Health Benefits Exchange (Exchange). It also shifts coverage for some participants in limited Medicaid programs to fuller healthcare coverage through either Medicaid or the Exchange.

The FY2014 Budget as Enacted includes \$85.2 million in new federal funding for the expansion of Medicaid benefits to an estimated 40,000 adults without dependent children, a population historically ineligible for the program.

General revenue savings are achieved through the transition of some current Medicaid populations from programs that are 50% federally-funded to those that are 100% federally-funded, saving what was formerly the state share. Total general revenue savings of \$11.6 million are partially offset by \$4.6 million in state funding that is targeted to ensure affordability and continuity of coverage for low-income individuals and families.

Medicaid coverage for low income children, parents with income under 133% of the federal poverty level (FPL), the disabled, and the elderly remains unchanged in FY2014.

ACA-Related Changes to Medicaid Eligibility and General Revenue Impact

Population	Current	FY2014	GR Savings	Affordability - GR Increase
Newly Eligible				
Low Income Childless Adults	—	Medicaid	—	—
Change in Eligibility				
Low Income Parents (>133)	Medicaid	Exchange	(\$5.6m)	Premium support - \$1.4m
Limited Medicaid Populations	Ltd Medicaid	Medicaid/Exchange	(\$6.0m)	Transition fund - \$2.0m
Unchanged Eligibility				
Low Income Parents (< 133)	Medicaid	Medicaid	—	—
Elderly, Disabled	Medicaid	Medicaid	—	—
Low Income Children	Medicaid	Medicaid	—	Eliminate premiums - \$1.2m

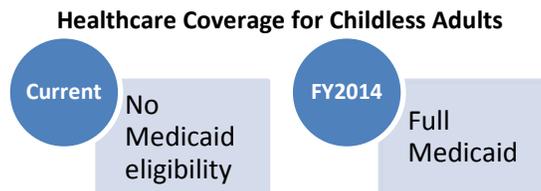
\$ in millions, general revenue.

The FY2014 Budget changes healthcare coverage for the following low income populations:

NEWLY ELIGIBLE

Low Income Adults without Dependent Children (Childless Adults)

Beginning January 1, 2014, the ACA permits the expansion of Medicaid eligibility to approximately 100,000 low income non-disabled childless adults who have historically been ineligible for the program. The Executive Office of Health and Human Services (OHHS) estimates that approximately 40,000 low-income, non-disabled childless adults will enroll by the close of FY2014.



The FY2014 Budget as Enacted includes \$85.2 million in federal funding for this Medicaid expansion. The cost of the expansion will continue to be fully federally funded until CY2016, after which federal participation is scheduled to drop to 90% by 2020 according to the following table.

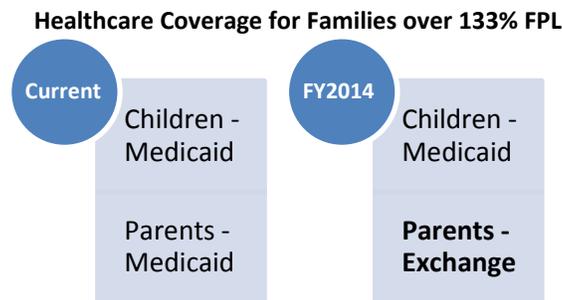
Medicaid Expansion	
Calendar Year	Federal Participation
2014	100%
2015	100%
2016	100%
2017	95%
2018	94%
2019	93%
2020	90%

The state share of the costs for the expansion is projected to be to \$4.5 million in FY2017 and \$10.8 million in FY2018.

CHANGE IN ELIGIBILITY

Low income parents with income over 133% FPL

The current Medicaid program extends coverage to adults with dependent children (parents) with income up to 175% FPL. After January 1, 2014, eligibility will be reduced from 175% FPL to 133% FPL and parents affected by this reduction will lose Medicaid coverage but will be eligible for federally-subsidized health insurance available through the Exchange.



The transfer of approximately 7,000 parents from Medicaid to the Exchange will result in savings of \$5.6 million general revenue (\$11.3 million all funds) due to a shift in program costs from state funds to federal funds as Medicaid is cost-shared 50% by the federal government while the Exchange offers 100% federally-funded subsidies. This represents six months of savings; annualized savings are estimated to be \$22.0 million all funds.

Depending upon income, families are currently required to pay a single premium co-share of between \$61 and \$92 per month for RItE Care, the Medicaid managed care program for families. When parents shift to Exchange coverage, however, families will incur a second co-share for Exchange coverage. In order to ensure that parents would not have to pay both a RItE Care co-share for their children's coverage and an Exchange co-share for their own Exchange coverage, the FY2014 Budget as Enacted eliminates RItE Care co-shares. The elimination of co-shares results in a general revenue loss of \$1.2 million (\$2.8 million all funds) and an annualized loss of \$2.4 million (\$5.6 million all funds).

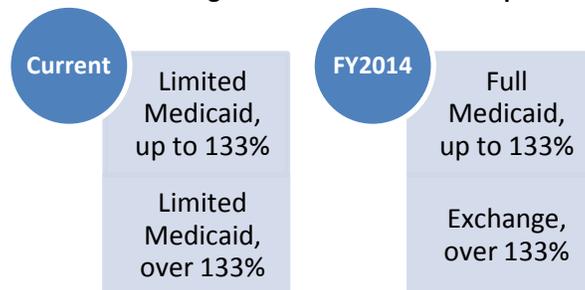
In addition, the Budget provides assistance to parents for out of pocket expenses associated with Exchange coverage. It includes \$1.4 million general revenue in premium assistance to reimburse parents for 50% of their Exchange premium co-share. Based upon recent CMS rulings in Vermont, the budget assumes \$1.5 million federal Medicaid matching funds for this premium assistance for a total of \$2.9 million.

Limited Medicaid Populations

The State's Medicaid program currently offers limited coverage through both OHHS and the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) to those with certain medical conditions or with certain income circumstances.

The FY2014 Budget as Enacted phases out some of these programs that provide limited Medicaid coverage as full Medicaid coverage will be available as of January 1, 2014 for individuals with income less than 133% FPL. For those with incomes above 133%, federally-subsidized coverage will be available through the Exchange.

Healthcare Coverage for Limited Medicaid Populations



The FY2014 Budget as Enacted includes \$6.0 million general revenue savings resulting from the shift of participants from limited Medicaid to either full Medicaid or coverage through the Exchange as follows:

- Those with income up to 133 percent FPL transitioning to full Medicaid are considered part of the newly-eligible expansion population. Savings from this transition arise from the transfer of individuals from programs that are 50 percent federally funded to a program that is 100 percent federally funded.
- Those with income over 133 percent FPL transitioning to the Exchange are eligible to purchase subsidized insurance coverage. Savings from this transition arise from the transfer of individuals from programs that are 50 percent federally funded to the Exchange where subsidies are 100 percent federally funded.

In order to ensure continuity of coverage for those transitioning from limited Medicaid to the Exchange, the budget includes a \$2.0 million general revenue transition fund.

RHODE ISLAND HEALTH BENEFITS EXCHANGE

The Exchange, anticipated to launch on October 1, 2013, will be an online marketplace for individuals to shop for and purchase health insurance and to receive assistance from a live help desk. Unlike insurance sold through the traditional commercial market, Exchange policies will be regulated to ensure that policies cover a specific set of benefits, meet certain state-defined quality measures, and provide satisfactory customer service.

Individuals and families with income up to 400% FPL will be eligible for federal premiums subsidies but will be required to contribute to the cost of their coverage according to an income-based schedule such that premium co-shares do not exceed 9.5% of family income. The balance of the premium is paid for by the federal government, although families can opt for more extensive coverage and pay the incremental cost themselves. Certain plans also limit out of pocket expenses for co-pays and deductibles through federal cost-sharing subsidies.

Because Exchange policies are required to cover a specific set of “essential health benefits”, it is anticipated that the populations noted above that are transitioning from Medicaid to the Exchange will experience little disruption in healthcare services. Since Neighborhood Health Plan, the predominate RIte Care insurer, will be offering individual plans on the Exchange, the opportunity for disruption is further minimized.

Medicaid 1115 “Global” Waiver

In response to significant program cost growth concurrent with ongoing economic distress, the Rhode Island Medicaid program applied for and was granted in 2008 a five-year exemption (or “waiver”) from a wide range of federally-mandated Medicaid rules. This waiver, known as the “Global Consumer Choice Compact”, or “Global Waiver”, has allowed the State broader flexibility to research and pilot new alternatives in healthcare to save money and to expand patient choice. It was approved by the General Assembly and became effective in 2009; it will expire on December 31, 2013.

In its first four years, the 1115 Waiver’s CNOM programs are generally credited with enabling the State to receive over \$75.0 million in federal matching funds for services and programs that had previously been financed entirely by the State. Efforts to deliver a growing percentage of long term care in community rather than institutional settings have been less successful.

The Executive Office of Health and Human Services (OHHS) has applied to the Centers for Medicare and Medicaid Services (CMS) for an extension of this 1115 waiver. Leveraging its initial experience, OHHS seeks to establish more comprehensive benefits and supports in order to maximize the effectiveness of the Medicaid program while continuing all existing waiver and expenditure authorities, including CNOMs. The extension would replace the original waiver’s federal financing cap with a more traditional budget agreement.

1115 WAIVER EXTENSION REQUEST

The Global Waiver has attempted to rebalance the long term care system through capacity building of community services and through the use of discharge planners and social workers that would facilitate placements in community rather than institutional settings. OHHS has concluded that this approach is too narrow and attempts to intervene too late in the process.

Likewise, the Office has concluded that its efforts at reducing costs and improving primary care through a case management model have also been too narrow and that a more effective program must offer a broader scope of services.

Finally, the Office has reassessed the original Waiver because of the passage of the Affordable Care Act, which broadens Medicaid eligibility and provides the State with new tools for achieving the Waiver’s goals.

Based upon these factors, the extension request seeks to broaden the scope of benefits to address social and function needs that fall outside of traditional Medicaid benefits. Defining health more broadly, the extension request looks to include funding of wraparound services such as extended family planning, wellness incentives, supportive housing and peer mentoring. It seeks to establish a program to assist customers access and utilize all benefits all OHHS agencies and to coordinate the Medicaid program with Medicare.

The 1115 Waiver Extension considers the following potential new services:

- Extended family planning that includes counseling and treatment for sexually transmitted infections. The current benefit includes only testing.
- Medicaid matching payments for substance abuse treatment services in facilities with greater than 16 beds. Federal matching payments are currently prohibited for services in these facilities, which are defined as Institutions for Mental Disease (IMDs).
- Incentives that reward healthy behaviors such as weight loss, smoking cessation and stress management.
- Peer mentors and navigators for those transitioning from nursing homes to the community.

- Evidence-based complementary therapies for the management of chronic pain such as chiropractic, acupuncture and massage therapy,
- Emergency department diversion program to treat inebriated individuals at a sobering center rather than hospital emergency departments.
- In-home behavioral health treatment programs for children in or at risk of entering DCYF custody.
- Expanded case-management services for those eligible for both Medicare and Medicaid.
- Supportive services to address housing instability, medication compliance, entitlement counseling, move-in and new tenant assistance, living skills training, job skills training, domestic violence intervention, life satisfaction support groups and other services.

The 1115 waiver extension replaces the federal financing cap with a more customary budget neutrality agreement, whereby federal spending under the waiver will not be more than projected federal spending without the waiver.

The request seeks to reinvest any general revenue savings from a reduction in Disproportionate Share Hospital (DSH) payments that result from the Affordable Care Act into a Delivery System Reform Incentive Payment (DSRIP) program whereby hospitals would receive special payments from Medicaid for participating in projects that successfully reform the State's health care delivery system.

THE 1115 GLOBAL WAIVER

The initial 1115 waiver has the following features and objectives:

- **Rebalance the State's long term care system:** Under standard rules, Medicaid will pay for long-term care (LTC) for the elderly only in institutional settings such as nursing homes and only if an individual requires an institutional level of care. Many states prefer to offer home- and community-based services (HCBS) such as home health care and adult day services, and receive authority from CMS to do so under a Section 1915(c) waiver. However, Rhode Island's Global Waiver permits the State to offer Medicaid-financed HCBS to those needing a lower level of care, with the goal of preventing or delaying admission into a nursing home. Because HCBS are less expensive than institutional LTC, the State expects to achieve savings.

In addition, the Global Waiver allows the State to use Medicaid funds to provide services for other populations at risk for needing long term care but not traditionally Medicaid-eligible, such as adults with disabilities, uninsured adults with mental illness, and HIV-positive individuals. Federally-matched funds for these "costs not otherwise matchable" (CNOM) provide services that prevent or delay an individual's becoming Medicaid eligible and are designed to generate long-term Medicaid cost savings.

- **Reduce emergency room utilization and improve access to primary care through case management services:** Focusing on children with special healthcare needs and adults with disabilities, case management services are offered through mandatory enrollment in managed care plans in order to lower emergency room utilization and improve access to primary care physician services.
- **Reform payment and purchasing strategies:** System reforms and program savings to be realized through efforts such as the use of selective contracting for durable medical equipment and the implementation of new acuity-based payment methodology for nursing homes.
- **Simplify program administration:** Operating under a single waiver rather than the 11 previous waivers, the Medicaid program is administratively simplified under the Global Waiver. Many types of changes to the program can be made without CMS approval, while more substantive changes are subject to a streamlined CMS approval process.

- **Limit federal participation:** While the Global Waiver grants the State enhanced flexibility to extend its program to new services and new populations, it also limits federal participation in the State's Medicaid program to a total of \$12.1 billion over the five-year demonstration.

Analyst's Note: This ceiling on federal funding has led Rhode Island's Medicaid program to be described as a block grant. The Office maintains that since actual aggregate spending is significantly less than the federal cap and since the program continues to be restrained by the availability of state funds, it is not, in fact, a block grant program.

EVALUATING WAIVER OUTCOMES

The CNOM programs have allowed the state to receive federal matching funds for costs that had been state-only in previous fiscal years. In the first four years of the demonstration, the Global Waiver has enabled the State to receive over \$75.0 million in additional federal Medicaid funds for these services, according to the following table.

CNOM Expenditures by Department - Federal Funds	FY2010	FY2011	FY2012	FY2013
	Actual	Actual	Actual	Enacted
Department Of Behavioral Healthcare, Developmental Disabilities And Hospitals	\$7.5	\$8.2	\$5.6	\$7.6
Department Of Children, Youth, And Families	3.2	4.4	3.9	2.7
Department Of Health	2.2	1.4	0.0	0.1
Department Of Human Services	4.5	6.3	8.1	5.0
Office Of Health And Human Services	-	-	-	4.3
Total	\$17.3	\$20.4	\$17.7	\$19.7

\$ in millions

Efforts to rebalance the long term care system are falling short of targets. In its design, the demonstration cited the experiences of Washington, New Mexico and Oregon, where more than 50 percent of long term care dollars are spent in home and community-based settings. Despite efforts such as the Nursing Facility Transition and Money Follow the Person programs, Rhode Island has been unable to rebalance its long term care system to this degree. In FY2014, only 19.1% of its long term care dollars will be spent in the community, according to the following estimates from the May 2013 Caseload Estimating Conference.

Long Term Care	FY2014
Nursing and Hospice Care	\$368.5
Home and Community Care	87.0
Total	\$455.5

\$ millions

Efforts to achieve program savings through selective contracting were unsuccessful.

FY2013 Revised Budget

Source of Funds	FY2013 Enacted	FY2013 Revised	Change from Enacted	
General Revenue	\$3,295.8	\$3,233.8	(\$62.0)	-1.9%
Federal Funds	2,676.4	2,723.2	46.9	1.8%
Other Funds	1,895.2	1,875.3	(19.9)	-1.1%
Restricted Receipts	232.5	269.3	36.8	15.8%
Total	\$8,099.9	\$8,101.6	\$1.7	0.0%

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

The Revised Budget for FY2013 totals \$8,101.6 million, of which \$3,233.8 million (39.9 percent) is general revenue (\$62.0 million less than enacted). Please see below for a brief summary of the major changes as well as the summary table on the last page portraying the all funds change by department from the FY2013 Budget as Enacted to the FY2013 Revised Budget.

DEPARTMENT OF ADMINISTRATION

Airport Impact Aid **(\$16,914)**

The General Assembly reduces general revenue expenditures by \$16,914 due to projected expenses for the Airport Impact Aid distribution in FY2013. Since FY2007, the State has made airport impact aid payments totaling approximately \$1.0 million each year to municipalities with airports. The funding is provided annually through Article 1 of the budget, flowing 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) to 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, with no community which hosts an airport receiving less than \$25,000.

Local Electronic Permitting Initiative – Shift to FY2014 **(\$280,000)**

The Budget shifts \$280,000 in unexpended general revenue from FY2013 to FY2014 to fund consultant services required to gather information pertaining to the State's and municipalities' building plans, permit management, and building inspection methods. The Office of Management and Budget will use the information to develop criteria for an online building permits system.

Maintain DoIT Software Upgrade at Corrections **(\$200,000)**

The Budget shifts \$200,000 in general revenue to the Department of Corrections to fund computer software upgrades, including the Microsoft operating system used by the Department of Corrections.

Personnel Reform Study Savings **(\$55,000)**

The FY2013 Budget as Enacted included \$250,000 in general revenue to fund a comprehensive analysis of the State's personnel system. The personnel study was completed by Segal Company and the total expense came to \$195,000. The FY2013 Revised Budget decreases the appropriation by \$55,000 to reflect the unexpended balance of the \$250,000 appropriation to perform the personnel study.

Community Development Block Grant Adjustment (federal funds) **\$2.5 million**

The Governor submitted two budget amendment letters increasing federal fund expenses by \$4.5 million within the Division of Planning to reflect the receipt of \$2.9 million in Community Development Block Grant funds, \$1.2 million in federal Disaster Recovery funds from the Housing and Urban Development (HUD), \$302,000 from the HUD Emergency Shelter Grant program, and \$145,000 in Housing Preservation funds. The Budget includes a federal fund increase of \$2.5 million in FY2013 and to appropriate the remaining \$2.0 million in FY2014.

Technology Investment Fund Correction (restricted receipts) (\$1.3 million)

The Budget decreases restricted receipts by \$1.3 million to correct an overstatement of resources available in the Fund.

Tort Court Awards \$114,293

The Budget includes \$114,293 in general revenue increasing the total expenditure to \$514,293. The increase reflects the Department's third quarter projection for tort awards during FY2013.

Utility and Other Operating Costs (\$938,187)

- The Budget includes a decrease of \$938,187 in general revenue reflecting the Department's projected personnel (\$600,000) and utility (\$338,187) costs within the Department for FY2013.

Other Funds Changes (RICAP) (\$4.6 million)

The Budget includes a net decrease of \$4.6 million in Rhode Island Capital Plan (RICAP) funding in FY2013 based on current expenditures and projections on various projects. Changes include:

- Eliminates \$250,000 for renovations or to acquire a new building for the Board of Elections.
- Increases \$1.1 million for demolition of the four buildings at the former Ladd School site, shifting \$1.1 million from FY2015 to FY2013 to accelerate the project.
- Decreases RICAP funds by \$200,000 for ongoing restoration and preservation work at the Old Colony House in Newport.
- Decreases \$1.1 million for building demolition at the Pastore Center in Cranston to reflect lower than anticipated costs to demolish two buildings in FY2013.
- Shifts \$1.6 million in unexpended funds from FY2013 to FY2014 and adds \$4,514 to provide a total of \$1.6 million to purchase a black start generator for the Pastore Center. The black start generator will enable the Pastore Power Plant to restart generation in the event of a total utility failure from the electrical grid.
- Increases Pastore Fire Code Compliance \$550,000 in FY2013 to address the smoke evacuation system at Regan Hospital and to install a fire alarm system at the Zambarano Power Plant and updated fire alarm system at the Wallum Lake House on the Zambarano campus.
- Accelerates \$943,200 in funding for the Pastore Center Medical Center Rehabilitation project from FY2013 to FY2014 and adds \$800,000 in FY2016 and \$400,000 in FY2017 for roof, masonry and window replacement at the Hazard Building.
- Adds \$1.2 million for the Pastore Center Parking project, including \$200,000 to accelerate the completion of the project. The increase will be offset by a reduction of \$725,000 scheduled for the project in FY2017.
- Reduces expenditures by \$500,000 to account for unexpended funds for Pastore Center Water Utility Systems, reflecting a reduced scope of work on the water line replacement.
- Reduces the Pastore Center Cottages Rehabilitation project by \$30,000 and adds \$500,000 to FY2014 and \$430,000 in FY2015 as more extensive renovations on these structures will be required.
- Shifts \$779,000 for the State House Renovations project from FY2013 to later years due to the rescheduling of the HVAC project and an expanded scope of work for fire sprinklers, IT server rooms, and electrical upgrades.
- Eliminates \$971,127 for the State Office Building project, leaving \$784,290 based upon revised estimates to complete renovations in the current fiscal year.

- Reduces the Washington County Government Center project by \$302,000 and shifts \$162,000 to FY2014 to design and install an emergency back-up generator.
- Shifts \$190,000 in unexpended funds for Pastore Center Utilities from FY2013 to FY2014 and adds \$10,000 for the final payments for the Simpson Hall generator.

DEPARTMENT OF BUSINESS REGULATION

Personnel and Operating **(\$275,000)**

The Budget reduces general revenue funding by \$275,000 to reflect current year savings associated with personnel and operating savings.

Office of the Health Insurance Commissioner (federal funds) **\$3.6 million**

The Budget adds \$3.6 million in total additional federal funding for the Office of the Health Insurance Commissioner, including \$3.3 million for the Health Exchange Establishment One grant relating to the implementation of the Health Benefits Exchange, pursuant to the Affordable Care Act. This increase also reflects \$225,000 in additional federal fund expenditures available from the rate review II grant for projected payroll and management consulting services to assure consumers that rates are proper and transparent, as required by federal requirements.

DEPARTMENT OF LABOR AND TRAINING

Police and Firefighter Relief Program **(\$100,000)**

The Budget includes a decrease of \$100,000 in general revenue reflecting the projected surplus of tuition benefit and annuity funds within the Police Officers and Firefighters Relief Program.

Federal Funds Changes **\$71.6 million**

The Budget includes an increase of \$71.6 million in federal funds. The increase includes \$66.4 million in additional federal support for extended unemployment benefits (Emergency Unemployment Compensation, or EUC) due to the federal government extending this funding an additional year, \$1.4 million for UI administrative costs, \$1.9 million for Short-time Compensation benefits, \$100,000 for UI Supplemental Requests, \$300,000 for Trade Readjustment Act funds, \$1.4 million to hire temporary workers to aid in the Hurricane Sandy clean up, and \$41,515 for Disaster Unemployment Insurance benefits to displaced workers due to Hurricane Sandy.

Other Funds Changes **\$12.0 million**

The Budget increases the Employment Security Trust Fund appropriation from \$308.0 million to \$316.0 million, an increase of \$8.0 million. In addition, the Budget increases the Temporary Disability Insurance Fund appropriation from \$167.7 million to \$171.7 million, an increase of \$4.0 million. These increases are based on revised estimates reflecting the most recent benefit expenditure projections. Lastly, the Budget increases expenditures by \$38,933 reflecting the receipt of a federal Workforce Development Services Self Employment Assistance program to educate unemployed individuals on becoming self-employed and starting new businesses.

Other Funds Changes (RICAP) **(\$475,000)**

The Budget shifts \$475,000 in unexpended RICAP funds from FY2013 to FY2014 for general asset protection projects to address deficiencies within three buildings at the Pastore Center.

DEPARTMENT OF REVENUE

Division of Municipal Finance – PILOT **\$2.0 million**

The FY2013 Revised Budget includes \$35.1 million in general revenue to fund the Payment in Lieu of Taxes (PILOT) program, an increase of \$2.0 million over the enacted level. This program reimburses

cities and towns for property taxes that would have been due on real property owned by the nonprofit higher education institutions and nonprofit hospitals if it were subject to taxation. The objective is to offset the costs to the community of providing public safety and other municipal services to the properties and facilities covered by the statute. Full funding for this program at the current law rate of 27.0 percent reimbursement would require \$43.0 million in FY2014. The amount included is \$7.9 million less than the current law level, and equates to 22.0 percent reimbursement.

Personnel and Operating **(\$614,802)**

Based on the third quarter financial report, the Budget removes \$614,802 in general revenue personnel funding across the Department for FY2013.

Division of Municipal Finance- Central Falls Receivership **\$110,502**

Based on the third quarter financial report, the Budget includes \$110,502 in additional general revenue funding for costs associated with the Receivership of Central Falls.

Division of Municipal Finance – Woonsocket Oversight **\$67,741**

The Budget includes \$67,741 in personnel based on expenditures through the third quarter of the fiscal year for one Human Resources position within the Government Oversight Unit. The position has been required to assist with the Human Resource issues which may occur at communities under State Oversight under the Fiscal Stability Act.

Division of Taxation - Operating Costs **\$21,000**

Based on the third quarter financial report, the Budget includes an additional \$21,000 for bankruptcy costs in the Division of Taxation. The operating budget for the Division of Taxation assumes legal costs of \$51,000, of which only \$30,000 was budgeted, for the Division of Taxation's portion of the bankruptcy of Landmark and Westerly Hospitals related to the Hospital License Fee which was unbudgeted.

OFFICE OF THE LIEUTENANT GOVERNOR

Turnover and Operating **(\$13,000)**

The Budget includes a reduction of \$13,000 in personnel and operating funding at the Office of the Lieutenant Governor based on year-to-date spending as presented in the Office's third quarter financial report.

Federal Funds Changes **\$661,666**

The Budget adds \$661,666 in federal funding for contract services, operating, and capital expenses, and is funded through the State Innovation Model Grant focused on healthcare payment and delivery system reform.

OFFICE OF THE SECRETARY OF STATE***Personnel and Operating*** **(\$60,000)**

The Budget includes a reduction of \$60,000 in personnel and operating funding in the Office of the Secretary of State based on the Office's third quarter financial report.

OFFICE OF THE GENERAL TREASURER***Bank Fees*** **\$300,000**

The Budget increases general revenue funding within the Office of the General Treasurer by \$300,000 for bank fees incurred by the Office of the General Treasurer for short-term investment of State funds. Currently, these fees are deducted from the departmental receipt account for interest earnings. This deduction from interest earnings masks the actual banking costs of the investment accounts. The State Auditor General recommended to the General Treasurer that the bank fees should be stated within a separate expenditure account to create better transparency of the actual costs. Because the fees will not be deducted from the interest earnings, creating the separate expenditure account will increase the amount of the reported interest earnings by the same amount.

Personnel and Operating **(\$56,300)**

The Budget reduces general revenue funding within the Office of the General Treasurer by \$56,300 for revised personnel and operating savings estimates.

Unclaimed Property (restricted receipts) **\$293,688**

The Budget adds \$293,688 in restricted receipt expenses associated with the transfer to the State's General Fund, reduced claim payments, and an increase in the fund liability reserve costs to support the Unclaimed Property program. The need for the additional expenditures was determined during the May 2013 Revenue Estimating Conference.

Research Fellowship Foundation Grant (restricted receipts) **\$30,000**

The Budget adds \$30,000 in restricted receipts associated with the Office of the General Treasury receipt of a private grant from the Murray Family Foundation in the amount of \$70,000. The grant will be used to hire an Economic Policy Analyst within Treasury. The fellowship will focus on economic policy, infrastructure investment, and cost models for delivering public and private sector services. The fellowship will represent 1.0 FTE position within Treasury's authorized FTE limit. The grant will provide part-year salary and benefits of \$30,000 in FY2013 and \$40,000 in FY2014.

OFFICE OF THE GOVERNOR***Personnel and Operating*** **(\$75,897)**

The Budget includes a reduction of \$75,897 in personnel and operating funding in the Office of the Governor based on the Office's third quarter financial report.

OFFICE OF HEALTH AND HUMAN SERVICES***Caseload Estimating Conference*** **(\$19.6 million)**

The May 2013 Caseload Estimating Conference reviewed medical assistance programs for FY2013 and determined that expenditures for these programs would total \$1.6 billion all funds, \$32.1 million less than the November projection that served as the basis for the Governor's proposed budget. The primary factors leading to these savings include reduced nursing home residency, lower hospital utilization, and savings in managed care programs.

Turnover **(\$816,572)**

The Revised Budget reduces funding for personnel due to delays in filling FTE positions created by the FY2013 Budget as Enacted. As of May 18, 2013, 149 of 168 of authorized FTE positions (88.7 percent) were filled.

AIDS Drug Assistance Program (ADAP) **(\$1.9 million)**

Available balance of federal rebate funds is used to reduce general revenue funding for the Ryan White ADAP program.

Adult Medicaid Quality Grant (federal funds) **\$100,000**

\$100,000 in federal funds is added to FY2013 to adjust for a newly received grant from the Centers for Medicare and Medicaid. This funding will be used by the newly formed Medicaid Quality and Evaluation Unit to develop measurement, reporting and analysis tools for the Medical Assistance program.

DEPARTMENT OF CHILDREN, YOUTH, AND FAMILIES**Networks of Care** **\$500,000**

The Budget adds \$500,000 in general revenue (\$2.4 million all funds) to provide additional support to the two networks of care (RI Care Management Network and Ocean State Network). The General Assembly requires the Secretary of the Executive Office of Health and Human Service to approve the specific amount and use of funds allocated by DCYF to each network that is above and beyond the System of Care contracts for FY2013.

Established in July 2012, the networks are the second phase of the Department's System of Care initiative, which in part seeks to reduce the number of youth in residential placements and increase the use of community and home-based supports. This additional funding will provide for costs associated with a higher than anticipated residential caseload.

Personnel **(\$626,000)**

Reflected in third quarter financial report, the Department of Children, Youth and Families projects a general revenue surplus of \$626,000 in personnel, attributable in part to savings for personnel expenditures within Juvenile Corrections.

Other Funds Changes (RICAP) **(\$767,000)**

The Budget shifts RICAP funding from FY2013 to out years based on progress to date for the following improvements to the Department's facilities:

- Shifts \$492,000 in RICAP funding from FY2013 to FY2016 for fire code upgrades at various group homes.
- Shifts \$275,000 from FY2013 to FY2015 for fire tower improvements at the Groden School at 86 Mt. Hope Avenue in Providence.

DEPARTMENT OF HEALTH**Personnel and Operating Expenditures** **(\$275,000)**

Based on the third quarter financial report, the Budget includes \$275,000 in general revenue personnel savings for FY2013 across all programs. The majority of the savings will be realized within the Health Laboratories division (approximately \$175,000, offset by increases in other expenditures) due to a shift in funding for a number of positions from general revenue to federal indirect cost recovery accounts.

Federal Funds Changes **\$265,834**

The Budget adds \$265,834 in federal funds to reflect additional grants received, including:

- \$165,000 to the Health Laboratories division associated with a new Highway Safety grant. The Department indicates that these funds will be used to purchase two new pieces of forensic toxicology equipment intended to improve technical and scientific support to both State and local law enforcement agencies in the investigation of driving while intoxicated (DWI) offenses.
- \$90,834 to the Public Health Information Program due to the receipt of \$80,000 in Health Information Systems and Newborn Screening grant funding and \$10,834 in carry-forward funding from FY2012 attributable to the National Association for Public Health Statistics and Information System – Electronic Verification of a Vital Event grant. A majority of these funds will support the development and enhancement of that State’s electronic birth registration systems.
- \$10,000 within the Office of the State Medical Examiner due to the carry forward of unexpended funding for the Coverdell Forensic Science Improvement Program, which is required to be expended by the end of FY2013.

DEPARTMENT OF HUMAN SERVICES

Caseload Estimating Conference **(\$626,239)**

The May 2013 Caseload Estimating Conference reviewed Rhode Island cash assistance programs for FY2013 and determined that expenditures for these programs are estimated to total \$108.4 million all funds, a decrease from the November projection that served as the basis for the Governor’s proposed budget. The decrease is due primarily to lower projected enrollment and costs per person in the General Public Assistance program.

Community Service Grants **\$120,000**

The FY2013 Revised Budget adds \$120,000 in general revenue for 12 community action programs (CAP agencies), restoring funding eliminated in the FY2013 Budget as Enacted.

CAP agencies are community-based organizations that operate a variety of grants from federal, state and local sources, including Head Start programs, Low-Income Home Energy Assistance (LIHEAP) utility grants and Weatherization Assistance Program (WAP) funded through the U.S. Department of Energy.

Work Support Strategies Grant **(\$336,460)**

The FY2013 Revised Budget includes savings due to delays in hiring and implementation of the Ford/Work Support Strategies foundation grant. This grant provides personnel, technical assistance and other resources for the design and implementation of a data-driven plan for streamlined access to work support benefits such as child care, subsidized employment and workforce training. It funds two currently vacant, time-limited FTE positions.

Turnover and Operations **(\$152,338)**

Increased operational expenditures in Child Support Enforcement and Elderly Affairs are offset by personnel savings stemming primarily from delays in hiring new staff associated with the Unified Health Infrastructure Project.

DEPARTMENT OF BEHAVIORAL HEALTHCARE, DEVELOPMENTAL DISABILITIES, AND HOSPITALS

Overtime **\$4.0 million**

The Revised Budget adds \$4.0 million (\$7.4 million all funds) for overtime at the Eleanor Slater Hospital and RICLAS.

Delays in hiring have resulted in substantial overtime expenses in FY2012 and FY2013 in both of these systems. In order to address the systemic issues leading to these large overtime expenses, the Department has implemented a program of continuous recruitment, maintaining an ongoing applicant pool in order to fill vacant positions more quickly and thus lower the overtime costs.

Other Funds Changes (RICAP)**(\$3.5 million)**

The Revised Budget includes a net decrease of \$3.5 million in Rhode Island Capital Plan (RICAP) funding in FY2013 based on current expenditures and projections on various projects. The Department has indicated that because of project delays, the following expenditure authorizations can be shifted to out years or eliminated:

- \$695,000 for the Eleanor Slater Hospital Consolidation project
- \$900,000 for renovations to the BHDDH administration building
- \$502,939 for fire code upgrades at community facilities for behavior healthcare
- \$603,650 for fire code upgrades to community facilities for the developmentally disabled
- \$700,000 for rehabilitation of the Medical Center
- \$29,000 for the purchase of furniture for mental health residences
- \$100,000 for renovations at the Zambarano Unit of the Eleanor Slater Hospital

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION**Personnel****(\$89,000)**

The Budget provides a reduction of \$89,000 in personnel costs due to a delay in hiring a Chief of Fiscal Integrity and Efficiencies at the Department and other vacant positions.

Race to the Top - Early Learning Challenge Grant (federal funds)**(\$1.9 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 recommended \$4.1 million in FY2014 for this program, a reduction of \$2.0 million from the FY2013 Budget as Enacted, and shifted these funds into later years. The primary reason for the shift of funds from one fiscal year to the next is a delay in the implementation of contracts. The General Assembly concurs.

Federal Funds Changes**\$113,952**

The Budget increases federal funds by a net of \$113,952 to reflect amendments to federal grants. Significant changes include the following:

- An increase of \$1.0 million for newly awarded WayToGo grant funds to the Department and a decrease of \$1.2 million to reflect the transfer of the grant funds to the Rhode Island Higher Education Assistance Authority (RIHEAA). WayToGoRI is a college and career resource that provides pathway and planning information. The funds are being used to complete a database portal grading system and other statewide data applications. The Department has a cooperative agreement with RIHEAA to upgrade the existing web portal, instead of creating a new system with redundant start-up costs.
- An increase of \$100,000 for the Workforce Investment Fund.
- An increase of \$98,000 in federal stimulus funding for the Head Start program.
- \$50,000 in additional funds for the Child Nutrition Meal Pattern TA fund.

Other Funds Changes (RICAP) (\$1.5 million)

The Budget includes the following changes to the FY2013 Rhode Island Capital Plan (RICAP) fund:

- A shift of \$652,996 from FY2013 to FY2016 to reflect projected expenditures for renovations at the Warwick Career and Technical Center.
- A shift of \$888,088 from FY2013 to FY2015 to reflect unspent funds for renovations at the Woonsocket Career and Technical Center.

School for the Deaf (\$24,000)

The Budget includes a reduction of \$24,000 in personnel costs at the School for the Deaf to recover savings projected in the Department's third quarter expenditure report.

School for the Deaf (restricted receipts) \$50,000

The Budget provides an additional \$50,000 in fee-for-services restricted receipts for costs associated with the fee-for-service lawsuit.

School Housing Aid (\$2.5 million)

The decrease in school housing aid is due primarily to projects not being completed as originally planned. The Governor recommended a reduction of \$2.5 million from the enacted level. The General Assembly eliminates an additional \$24,246 in school housing aid funding to reflect actual payments to communities. Both reductions are primarily due to projects not completed by June 30, 2013, as originally anticipated.

Teacher Retirement (\$3.7 million)

The Budget decreased teacher retirement by \$3.7 million based on actual FY2013 wages through March 31, 2013. The State pays 40.0 percent of the cost of the employer's share of required pension contributions. The FY2013 Budget as Enacted employer contribution was based on FY2011 wages, as reported by the Retirement System, and then inflated by a 2.0 percent growth rate.

PUBLIC HIGHER EDUCATION**Other Funds Changes (RICAP) (\$1.1 million)**

The General Assembly shifts RICAP expenditures of \$1.1 million in FY2013 to FY2015, based on anticipated expenditures, for URI Fire Safety (Academic and Administrative Buildings). These funds are part of a \$13.3 million project to install sprinkler systems and upgrade existing fire alarm systems in all of the University's academic and administrative buildings.

Other Funds Changes (College and University Funds) \$137,621

The General Assembly adds \$137,621 in College and University Funds to reflect the award of a private research grant to Rhode Island College from Rhode Island Hospital. This grant will be used to support a Professional Development Nurse Faculty Specialist to provide professional development and education services to professional nurses and nursing students.

HIGHER EDUCATION ASSISTANCE AUTHORITY**Federal Funds Changes \$1.2 million**

The General Assembly includes \$1,180,000 in federal funds be transferred from the Rhode Island Department of Education (RIDE) to the Rhode Island Higher Education Assistance Authority (RIHEAA). RIDE was awarded funds as part of a Longitudinal Data Systems grant from the federal Department of Education. The transfer of these funds from RIDE to RIHEAA avoids redundancy as RIHEAA's WaytogoRI is an established web portal with full student participation. Funds will be used for web portal enhancements; specific fund expenditures will include an e-transcript system.

DEPARTMENT OF THE ATTORNEY GENERAL***Personnel and Operating*** **(\$350,000)**

The Budget reduces general revenue funding by \$350,000 for the Department of the Attorney General based on estimated expenditures outlined in the Department's third quarter financial report.

Federal Funds Changes **\$30,000**

The Budget adds \$30,000 in additional federal funds from the Victims of Crime Assistance federal grant award. The Governor recommended the increase in a March 20, 2013, amendment letter.

DEPARTMENT OF CORRECTIONS***Personnel and Operating*** **\$400,000**

The Governor submitted a May 20, 2013, budget amendment letter to increase funds for overtime costs due to 24/7 staffing requirements caused by the state government's closure during the February blizzard. The General Assembly concurred.

Reversal of Transferred Expenses **(\$595,386)**

The Governor's revised budget includes a transfer of \$595,386 previously budgeted in the Department of Corrections to the Department of Administration. The General Assembly recommended that these expenditures remain in the Department of Corrections:

- \$0.2 million to upgrade various technologies including Microsoft operating systems and licensing costs;
- \$164,000 for sewer usage to centralize utility expenditures under the purview of the Division. This also includes a shift of \$231,386 for costs associated with grounds-keeping services for the State House and Waterplace Park.

Federal Funds Changes **\$93,680**

The Budget adds \$39,300 in federal funds to reflect two new grant programs and changes within existing programs:

- In a March 20, 2013, budget amendment, the Governor recommended an additional \$13,000 for the SEARCH program grant which would allow the purchasing of software licenses to enable information sharing between the Department and the Department of Children, Youth and Families. The Governor also recommended \$26,300 in additional funding for the inclusion of a new grant for the INL CERT Training program for training of corrections personnel from countries in the Caribbean basin.
- In a May 20, 2013, budget amendment letter, the governor increased federal funds by \$54,380. The Governor recommends \$43,079 in federal funds for a new grant to support the cost of database administration services to enhance the probation and parole module of the Inmate Facility Tracking System (INFACTS). The Governor also increased the Family Reunification grant by \$11,301 due to the receipt of additional funds.

Other Funds Changes (RICAP) (\$598,906)

The Budget shifts \$598,906 in Rhode Island Capital Plan (RICAP) funding in FY2013 based on year-to-date expenditures on various projects. The Department has indicated that because of project delays, the Maximum General Renovations project expenditure authorizations can be shifted to future years. The Budget removes \$598,000 of RICAP funding in FY2013 and shifts \$300,000 to FY2014.

JUDICIARY**Restricted Receipts Grant Award \$5,000**

The General Assembly increases restricted receipts expenditures by \$5,000 attributable to a new grant award from the American Bar Association to expand access to civil justice for low income and disadvantaged persons.

MILITARY STAFF**Personnel and Operating \$107,625**

The Budget adds \$107,625 in general revenue for overtime costs related to Hurricane Sandy and the February 2013 Blizzard. These costs represent the 25.0 percent state portion of expenses recoverable from the Federal Emergency Management Agency. The increases include \$82,625 for the Rhode Island National Guard, and \$25,000 for the Rhode Island Emergency Management Agency.

Federal Funds Changes \$7.9 million

The Budget increases federal funding by a total of \$7.9 million across a number of programs for the Rhode Island Emergency Management Agency. This increase includes \$3.1 million in funding from the Federal Emergency Management Agency (FEMA) for the Warwick Wastewater Treatment System to repair damage incurred by the 2010 flood, a carry-forward of \$3.2 million in unspent funds from FY2012 to FY2013, \$1.5 million in federal grant adjustments to FY2013, and \$100,666 reflecting a new award of \$60,666 for the Cooperating Technical Partners program that provides funding assistance for states and municipalities to participate in the FEMA Flood Hazard Mapping program and \$40,000 for a 2012 Hazardous Materials Preparedness Grant.

Restricted Receipt Changes \$220,000

The Budget increases restricted receipt expenses by \$220,000 to reflect expenditures for 7 active duty National Guard personnel as part of the Guard's Counterdrug Program. The expenditures will be funded from the restricted receipt funds derived from the federal lawsuit against Google, of which the Rhode Island Guard will receive \$5.0 million.

Other Funds Changes (RICAP) (\$1.7 million)

The Budget reduces Rhode Island Capital Plan (RICAP) funds by \$1.7 million in FY2013, impacting six projects. The adjustments include:

- Shifts \$1.5 million for the State match for federal FEMA funds for Hurricane Sandy clean-up expenses to FY2014 based upon revised estimates.
- Reduces \$839,141 for general asset protection projects based on revised expenditure projections.
- Adds \$375,260 to complete the roof replacement, HVAC replacement and plumbing projects at the Armory of Mounted Commands on North Main Street in the City of Providence.
- Adds \$185,400 for the final build-out and furniture purchase for the Command Readiness Center addition. The project will be completed in FY2013.
- Reduces \$9,159 in funding for the Logistics/Maintenance Facilities Fire Code Compliance based on revised expenditure projections.

- Adds \$115,738 to restore the balance forward amount to \$135,988 to complete the fire alarm project at the Command Readiness Center.

DEPARTMENT OF PUBLIC SAFETY

Personnel and Operating **(\$250,000)**

The Budget reduces personnel and operating expenditures by \$250,000 based on the Department's third quarter financial report.

Restricted Receipts Municipal Police Training Academy **\$38,000**

The Budget includes \$38,000 in additional restricted receipts based on funding for the Edward Byrne Memorial Justice Grant Interest.

Restricted Receipts Federal Funds Forfeitures **\$40,000**

The General Assembly includes \$40,000 in additional federal funds forfeitures that are deposited as restricted receipts for the State Police for FY2013.

Other Funds Changes **\$382,015**

The Budget adds \$382,015 in additional federal funds authorizations for FY2013 to reflect changes to grant amounts received. The adjustments include:

Federal Grants	Amount
Fire Marshal - Hazardous Materials Emergency	\$30,000
Fire Marshal - State Fire Training Systems	23,971
Fire Marshal - State Fire Training Systems	19,000
State Police - Highway Safety	100,000
State Police - Internet Crimes Against Children	65,000
State Police - Homeland Security -- Bomb Squad	35,000
State Police - Victims Assistance	28,000
State Police - Sex Offender Registry	15,000
State Police - Paul Coverdell Forensic Science	10,000
State Police - NCIP	1,200
Central Management - Narcotics Control Assistance Program	50,000
Central Management - Stimulus Byrne Grant	4,844
Total	\$382,015

OFFICE OF THE PUBLIC DEFENDER

Turnover and Operating **(\$300,000)**

The Budget reduces personnel and operating expenditures by \$300,000 based on year-to-date spending as presented in the Office's third quarter financial report.

Other Funds Changes (RICAP) (\$3.2 million)

The Budget eliminates \$3.2 million in Rhode Island Capital Plan (RICAP) funded projects. Expenditure projections are revised due to reflect the lack of progress on project timelines, including:

RICAP	Amount
Barracks and Training Academy Repairs	(\$1,500,000)
Fire Academy Building	(700,000)
Headquarters Repairs/Rehabilitation	(300,000)
HQ Expansion	(200,000)
Parking Area Improvements GBA	(437,000)
State Police Headquarters	(82,000)
Total	(\$3,219,000)

DEPARTMENT OF ENVIRONMENTAL MANAGEMENT**Federal Funds Changes \$198,126**

The General Assembly increases federal funds by \$198,126 to reflect amendments to five federal grants, including:

- \$53,126 for Artificial Reef Research to adjust for funds received after the Governor's budget recommendation.
- \$50,000 for the EPA Brownfields Assessment to adjust for funds received after the Governor's budget recommendation.
- \$50,000 to restore funding inadvertently removed from the Village Planning Challenge Grant to develop guidance and training for rural and suburban towns to encourage village growth and stimulate economic development.
- \$40,000 for the Boating Infrastructure grant.
- \$5,000 for Renewable Energy grants.

Other Funds Changes (RICAP) (\$2.5 million)

The Budget includes a net decrease of \$2.4 million in RICAP funds for the following projects:

- An increase of \$140,000 in Recreational Facilities for improvements at Brenton Point.
- A reduction of \$1.1 million for Galilee Piers. Funds are shifted to FY2014 to reflect projected expenditures.
- Shifts \$983,558 for Fort Adams Sailing Improvements to FY2014 to reflect projected expenditures.
- Shifts \$350,000 for the Blackstone Valley Bike Path to FY2015 to reflect projected expenditures.
- A reduction of \$125,000 for the Natural Resources Office/Visitor Center, reflecting actual FY2013 spending and revised estimates for total project expenditures.

Department of Transportation Recreational Projects (other funds) \$331,360

The Budget provides \$331,360 in other funds transferred from the Department of Transportation. The transfer is from federal Intermodal Surface Transportation Efficiency Act funds for the maintenance of state trails.

COASTAL RESOURCES MANAGEMENT COUNCIL**Personnel** **(\$55,000)**

The Budget decreases personnel costs by \$55,000 to recover savings from the shift of expenses to a federal account as projected in the Department's third quarter expenditure report.

Rhode Island River Ecosystem Restoration (federal funds) **\$352,240**

The Budget shifts \$352,240 in federal funds for the Rhode Island River Ecosystem Restoration program from FY2014 into FY2013 to reflect the Department's revised spending plan.

DEPARTMENT OF TRANSPORTATION**Gas Tax Adjustment - Other Funds** **(\$60,574)**

The General Assembly reduces assumed gas tax funding by \$60,574. An estimate provided by the Department of Revenue reduces the per-penny yield of the gas tax from \$4,155,025 to \$4,152,240, a decrease of \$2,785 per penny. RIDOT receives 21.75 cents of the 33.0 cent gas tax, resulting in a loss of revenue of \$60,574 in FY2013.

Federal Funds Changes (Stimulus) **\$508,667**

The General Assembly increases federal funds by \$508,667 to account for the completion of two federal stimulus projects: \$455,402 for the commuter rail project and \$53,265 for "On the Job" Training. These projects were carried over from FY2012.

American Recovery and Reinvestment Act (ARRA) Funding

ARRA funding provided Rhode Island with \$137.4 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).

Most of the 66 projects are at substantial completion. Due to the nature of seasonal construction and permit and design-related delays, the FHWA has established a much less restrictive deadline for use of ARRA funds than other federal cabinet agencies, as a result, RIDOT expects to complete the last project funded through ARRA dollars in 2013, and \$1.7 million in ARRA funding is included in the FY2013 Revised Budget.

Other Funds Changes (RICAP) **\$1.2 million**

The General Assembly decreases RICAP funds by \$1.2 million in FY2013, including:

- A decrease of \$700,000 in RICAP expenditures in FY2013 to reflect the expected expenditures on salt storage facilities for the fiscal year.
- A decrease of \$500,000 in RICAP expenditures in FY2013 to reflect the expected expenditures on the construction of a new maintenance facility in Portsmouth for the fiscal year. The funding will be shifted to FY2015.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY**Gas Tax Adjustment - Other Funds** **(\$27,154)**

The General Assembly decreases assumed gas tax funding by \$27,154. An estimate provided by the Department of Revenue reduces the per-penny yield of the gas tax from \$4,155,025 to \$4,152,240, a

decrease of \$2,785 per penny. RIPTA receives 9.25 cents of the 32.0 cent gas tax, and additionally receives a half cent of the one-cent Underground Storage Tank remediation fee, resulting in a loss of revenue of \$27,154 in FY2013.

Other Funds Changes (RICAP)

(\$714,000)

The General Assembly includes a decrease of \$714,000 in Rhode Island Capital Plan (RICAP) funding in FY2013.

- A decrease of \$226,000 in RICAP expenditures in FY2013 for High Speed Fueling and Fluid Monitoring in FY2013. This is the state portion of a \$1.4 million project to retrofit all fixed route buses with fast fuel necks that would allow the new dispenser nozzles to lock onto the bus during fueling. The project would also include the installation of canceivers, a technological fuel management system.
- A decrease of \$216,700 in RICAP expenditures in FY2013 for security improvements to the current cash room at RIPTA's Elmwood facility
- A decrease of \$168,500 in RICAP expenditures in FY2013 for Fixed Route and Paratransit Cameras in FY2013. This is the state portion of a \$2.6 million project to provide digital security camera systems on 223 fixed route and 130 paratransit vehicles to improve employee and public safety as well as reduce insurance claims due to injury and accidents.
- A decrease of \$102,800 in RICAP expenditures in FY2013 for Newport Heating Units/Roof Replacement in FY2013. This is the state portion of a \$514,000 project for new HVAC units and to replace a 25 year old roof at the Newport Transportation Facility.

Expenditures by Function and Agency - All Funds

General Government	FY2012 Final	FY2013 Enacted	FY2013 Revised	Change to Enacted
Administration	\$390.2	\$389.9	\$413.0	\$23.1
Business Regulation	12.6	14.0	17.9	3.9
Labor and Training	801.8	661.6	723.6	62.0
Revenue	345.2	333.5	340.6	7.1
Legislature	35.3	38.8	41.9	3.1
Lieutenant Governor	1.1	1.1	1.7	0.6
Secretary of State	6.7	7.4	7.3	(0.1)
General Treasurer	39.7	37.6	45.7	8.1
Board of Elections	1.7	2.0	1.9	(0.1)
Ethics Commission	1.4	1.6	1.5	(0.0)
Office of the Governor	4.6	26.6	4.3	(22.3)
Commission for Human Rights	1.4	1.5	1.4	(0.0)
Public Utilities Commission	6.3	8.2	8.5	0.2
Total	\$1,648.1	\$1,523.7	\$1,609.5	\$85.7
Human Services				
Office of Health and Human Services	\$17.1	\$1,752.4	\$1,680.4	(\$71.9)
Children, Youth and Families	216.6	216.6	214.1	(2.5)
Health	104.1	119.5	126.7	7.2
Human Services	2,206.2	650.3	662.3	12.0
BHDDH	428.0	445.7	429.0	(16.6)
Office of the Child Advocate	0.6	0.7	0.6	(0.0)
Commission on the Deaf and Hard of Hearing	0.4	0.4	0.4	(0.0)
Commission on Disabilities	0.6	0.8	0.6	(0.2)
Office of the Mental Health Advocate	0.4	0.4	0.3	(0.1)
Total	\$2,973.9	\$3,186.7	\$3,114.6	(\$72.1)
Education				
Elementary and Secondary Education	\$1,122.7	\$1,198.2	\$1,205.5	\$7.2
Public Higher Education	1,009.9	1,031.7	1,036.0	4.3
Council on the Arts	2.8	3.4	3.9	0.5
Atomic Energy Commission	1.3	1.5	1.4	(0.1)
Higher Education Assistance Authority	24.0	27.7	28.2	0.5
Historical Preservation and Heritage Commission	1.9	2.7	2.5	(0.3)
Public Telecommunications Authority	1.6	1.5	0.8	(0.7)
Total	\$2,164.2	\$2,266.7	\$2,278.3	\$11.5
Public Safety				
Attorney General	\$24.6	\$30.0	\$29.2	(\$0.9)
Corrections	189.7	196.7	197.9	1.1
Judiciary	100.9	104.2	106.3	2.0
Military Staff	36.0	42.5	66.0	23.6
Public Safety	103.0	122.5	120.1	(2.4)
Public Defender	10.6	11.2	10.7	(0.5)
Total	\$464.8	\$507.2	\$530.2	\$23.0
Natural Resources				
Environmental Management	\$74.0	\$98.8	\$97.6	(\$1.2)
Coastal Resources Management Council	6.1	5.1	5.7	0.6
Total	\$80.1	\$103.9	\$103.3	(\$0.6)
Transportation				
Transportation	\$387.4	\$511.6	\$465.8	(\$45.8)
Grand Total	\$7,718.5	\$8,099.9	\$8,101.6	\$1.7

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



ARTICLES

Articles

Article 1: Relating to Making Appropriations in Support of FY2014

Article 1 contains appropriation amounts from all fund sources for FY2014. In most cases, the appropriations are by fund source at the program level in each department or agency. The article also includes the FTE position authorizations for each department or agency. Other sections of the article outline the use of the contingency funds; make out-year appropriation changes for projects funded with Rhode Island Capital Plan Funds; set expenditure limits for internal service funds; provide for necessary disbursements of Lottery, Temporary Disability Insurance, Employment Security, and University and College Funds; continue the requirement that the RI Housing and Mortgage Finance Corporation provide resources to the Neighborhood Opportunities Program; and provide \$2.5 million to restore the capital reserve fund after the payment of the 38 Studios debt service.

APPROPRIATIONS

Article 1 makes appropriations from general revenues and authorizes expenditures of federal funds, restricted receipts and other funds for the fiscal year ending June 30, 2014. The amounts identified for federal funds, restricted receipts and other funds shall be made available pursuant to section 35-4-22 and Chapter 41 of Title 42 of the Rhode Island General Laws.

	FY2013 Enacted	FY2014 Enacted	Change to Enacted
General Revenue	\$3,295.8	\$3,359.8	\$63.9
Federal Funds	2,676.3	2,717.7	41.3
Restricted Receipts	232.5	255.0	22.5
Other Funds	1,895.2	1,880.6	(14.6)
Total	\$8,099.9	\$8,213.1	\$113.2
FTE Authorization	15,026.3	15,107.3	81.0
<i>\$ in millions</i>			

In addition, Article 1 provides for the annual appropriation of the Contingency Fund, Temporary Disability Insurance Funds (TDI), employment security (UI Trust Fund), university and college funds, and allows the appropriation of Lottery Division funds for award winnings during FY2014. Article 1 also provides a formula for the distribution of airport impact aid to airports within the State.

Article 1 authorizes the State Controller to establish 17 specific internal service accounts to permit reimbursement of costs for work or other services performed by certain departments or agencies for any other department or agency. Reimbursements may only be made up to an expenditure cap, as set in this article. The Budget corrects Internal Service Fund amounts in the Governor's recommendation and delineates other post-employment (OPEB) expenditures by the category of employee. The following table shows the amounts by fund.

Internal Service Account	FY2013 Enacted¹	FY2014 Enacted
State Assessed Fringe Benefit	\$32,106,713	\$33,644,675
Administration Central Utilities	20,227,492	20,253,728
State Central Mail	5,613,323	5,336,633
State Telecommunications	2,881,461	4,084,660
State Automotive Fleet	13,953,031	13,668,556
Capital Police	828,732	872,233
Surplus Property	2,500	2,500
Health Insurance	306,268,634	250,127,757
Other Post-Employment Benefits		
Retired State Employees		49,727,160
Retired Higher Education Employees		2,536,462
Retired Teachers		7,531,279
Retired State Police		3,073,102
Retired Legislators		772,532
Retired Judges		931,493
Corrections Central Distribution Center	7,434,689	6,701,947
Correctional Industries	7,353,215	8,341,086
Secretary of State Records Center	897,072	869,457
Total	\$397,566,862	\$408,475,260

¹ FY2013 figures included for comparison purposes. They are not included in the FY2014 Article 1, Section 5.

JOB CREATION GUARANTY PROGRAM

Article 1 includes an appropriation of \$2.5 million in general revenue debt service to restore the Capital Reserve Fund of the Economic Development Corporation Job Creation Guaranty Program to provide sufficient funds for debt service on the 38 Studios bonds.

MUNICIPAL ROAD AND BRIDGE REVOLVING FUND

Article 1 transfers \$7.0 million of bond premium proceeds derived from the sale of 2013 general obligation bonds from the Rhode Island Capital Plan Fund (RICAP) to capitalize a Municipal Road and Bridge Revolving Fund. These funds will be available for municipalities to borrow for road and bridge projects. This initial investment allows for loans to begin in FY2014, and future capitalizations combined with the revolving funds will allow state-sponsored financing on an ongoing basis. This fund will be administered by the Rhode Island Clean Water Finance Agency.

PUBLIC HIGHER EDUCATION TUITION FREEZE

Article 1 includes language requiring the institutions of public higher education to maintain tuition in FY2014 at the same level as FY2013 and preventing the institutions from decreasing student financial aid in FY2014 below the FY2013 level. Prior to the commencement of the 2013-2014 academic year, the President of each institution must report to the chair of the Rhode Island Board of Education that the tuition charges and student aid levels have been maintained.

NEIGHBORHOOD OPPORTUNITIES PROGRAM

Article 1 requires the Rhode Island Housing and Mortgage Finance Corporation (RIHMFC) to provide an unspecified appropriation in FY2014 to support the Neighborhood Opportunities Program (NOP). RIHMFC will also issue a report to the Director of the Department of Administration, the Chair of the Housing Resources Commission, the Chairs of the House and Senate Finance Committees, and to the

State Budget Officer detailing the funding provided as well as information on the number of housing units funded.

Analyst's Note: Each year since FY2012, the State has required RIHMFC to provide unspecified funding to NOP. RIHMFC allocated \$1.5 million in FY2012 and \$1.3 million in FY2013. According to RIHMFC, as of the date of this publication, the allocation of funding for NOP in FY2014 has yet to be determined. Federal sequestration may force RIHMFC to reduce program expenditures in FY2014, including NOP. Since its inception in 2001, NOP has funded approximately 1,200 housing units.

ACCELERATED DEPRECIATION FUND

Article 9 of the budget provides for an accelerated depreciation schedule that allows businesses to depreciate expenses in the year in which the asset was placed in service, instead of depreciating the asset evenly over the full life of the asset. As a result, the State would realize a revenue loss in the first year and an increase in revenue during the subsequent years when no depreciation deduction is taken against the assets. Article 1 establishes an Accelerated Depreciation Fund and transfers \$10.0 million in general revenue to the fund. The depreciation fund is intended to be used to help offset the initial \$30.0 million revenue loss anticipated in FY2015.

FTE POSITION CAP AND APPROVAL

Article 1 establishes the authorized number of full-time equivalent (FTE) positions for each State department and agency. Departments and agencies may not exceed the number of authorized FTE positions shown, in any pay period. Following are the changes included in the Budget:

Function	FY2013 Enacted	FY2013 Revised	Change to Enacted	FY2014 Enacted	Change to Enacted
General Government	2,276.7	2,294.1	17.4	2,276.7	0.0
Human Services	3,671.2	3,712.5	41.3	3,747.8	76.6
Education	3,904.0	3,903.4	(0.6)	3,883.4	(20.6)
Public Safety	3,189.6	3,189.6	-	3,233.6	44.0
Natural Resources	436.0	428.0	(8.0)	428.0	(8.0)
Transportation	772.6	772.6	-	772.6	0.0
Subtotal	14,250.1	14,300.2	50.1	14,342.1	92.0
Higher Ed Sponsored Research	776.2	776.2	-	776.2	0.0
Total FTE Positions	15,026.3	15,076.4	50.1	15,118.3	92.0

The Governor recommended eliminating the requirement for a determination of need by the Director of Administration for the use of contract employees. The Budget restores the requirement for a determination of need.

CAPITAL APPROPRIATIONS

Article 1 appropriates Rhode Island Capital Plan (RICAP) Funds not otherwise appropriated to be expended during the fiscal years ending June 30, 2015, June 30, 2016, June 30, 2017, and June 30, 2018. These amounts supersede appropriations provided for FY2014 within the FY2013 Budget as Enacted.

The Governor recommended language in this section to make the reappropriation of capital funds for the same purpose permissive at the discretion of the Governor, instead of mandatory as provided in the FY2013 Budget as Enacted. The Budget restores the enacted language making the reappropriation of capital funds mandatory, subject to the final approval of the General Assembly.

Article 2: Relating to the Establishment of a Retired Employees Medicare Exchange Program

This article allows the State to implement a Medicare Exchange for eligible State retirees (age 65 and older) who will be required to choose medical coverage from multiple Medicare supplement plans from different insurers. The Governor's Budget projected the exchange would save \$1.1 million in all funds, of which \$672,000 is general revenue. The Budget Office projected that the Exchange would lower the projected retiree health insurance charge on employees from 7.80 percent to 7.67 percent of salary. The General Assembly increased the retiree health insurance savings by \$937,259 in all funds, \$532,841 in general revenue, to reflect the additional savings achieved by correcting the rate to 7.07 percent based upon a revised actuarial valuation.

Article 3: Relating to Health Insurance Benefits

The Governor proposed that the State terminate medical insurance coverage for divorced spouses of State employees through the State's active employee medical plan, effective as of January 1, 2014. The Governor projected an all fund savings of \$1.4 million, of which \$915,200 is general revenue. The General Assembly did not concur, in part, with the Governor's proposal and restored funding for FY2014. The General Assembly recommends maintaining the insurance coverage of former spouses provided that the insurance coverage was part of a divorce settlement in accordance with RIGL 27-20.4-1 as of December 31, 2013.

Article 4: Relating to FICA – Alternative Retirement Plan (FARP)

This article allows the State to implement a FICA (Social Security) Alternative Retirement Plan (FARP) for seasonal, temporary, and part-time State employees who are not members of the Employees' Retirement System of Rhode Island (State Retirement System) and requires that all new seasonal, temporary, and part-time employees enroll in FARP. Eligible employees may opt out of FARP. The State Budget Office projects an all fund savings of \$367,539, of which \$263,588 is general revenue.

Article 5: Relating to Highways

This article, as subsequently amended by H- 6329, authorizes the Rhode Island Turnpike and Bridge Authority to charge and collect a toll, not to exceed ten cents (\$0.10), on the Sakonnet River Bridge from August 19, 2013, until April 1, 2014. This article also establishes a Special Legislative Commission to Study the Funding for Rhode Island Infrastructure. The commission, which will report its findings and results to the General Assembly on or before January 15, 2014, will make a comprehensive study of all types of equitable and reliable funding mechanisms and/or strategies to support capital transportation projects and preventative maintenance of Rhode Island infrastructure, including the Sakonnet River Bridge.

Article 6: Relating to Division of Motor Vehicles

This article delays current license plate reissuance requirements with the Department of Motor Vehicles (DMV) until September 1, 2015; renames the Rhode Island Highway Maintenance Trust Fund the Rhode Island Highway Maintenance Account and establishes the account in the Intermodal Surface Transportation Fund. This article also establishes the amount of surcharges on the registration fee to be paid for special registration plates (antique, farm, motorcycle, bailee, transporter, boat dealer, cycle dealer, manufacturer, new car dealer, used car dealer, racer tow, and in-transit) and requires that these fees be paid in full in order to register the vehicle and upon each subsequent renewal.

Article 7: Relating to Rhode Island Public Telecommunications Authority

This article eliminates the Rhode Island Public Telecommunications Authority (Authority) from statute and eliminates the Authority as a public agency. The article also makes technical changes to statute,

replacing references to the “Rhode Island Public Telecommunications Authority” with the “Rhode Island PBS Foundation” (Foundation), which is now empowered to operate the State’s public, education and government (PEG) access television.

In response to a report required by the FY2013 Budget as Enacted, the Authority outlined a plan to transfer the Authority from state general revenue to private support. The Authority recommended transferring station responsibilities to the Rhode Island Public Broadcasting System Foundation (the Foundation), which currently serves as the fundraising arm of the Authority. Since October 2012, the Foundation has operated Channel 36.

FY2014 funding for Rhode Island public television is reduced by \$500,000 compared to the FY2013 Budget as Enacted. The FY2014 Budget as Enacted provides transitional funding in FY2014 and FY2015 through Department of Elementary and Secondary Education grants rather than through direct appropriation to the Authority. After FY2015, the Foundation expects to be self-sustaining through additional fundraising and other forms of revenue generation.

	General Revenue	Type of Support	Recipient
FY2012	\$928,421	Appropriation	Authority
FY2013	799,077	Appropriation	Authority
FY2014	300,000	Grant	Foundation
FY2015*	250,000	Grant	Foundation
FY2016*	-	-	-

**proposed*

Article 8: Relating to Lease Agreements for Leased Office and Operating Space

Pursuant to RIGL 37-6-2 (d), this article provides the joint resolution whereby the General Assembly approves all lease, rental agreement or extension of an existing rental agreement for leased office and operating space with a term of five years or longer, or when the aggregate rent of the terms exceeds five hundred thousand dollars (\$500,000). The State Properties Committee must request approval of the General Assembly prior to entering into any new agreements. The article consists of joint resolutions to approve the following leases:

State Agency	Lease Term	Aggregate Rent
Corrections	5 years	\$440,000
Judiciary	10 years	2,345,400
Labor and Training	5 years (2 extensions)	5,322,000
Human Services	5 years	1,800,000
Higher Education - URI	9 years	1,990,000
Higher Education - URI	9 years	515,000

Article 9: Relating to Taxation

This article proposes changes to several state taxes and fees, including:

- Reinstates the annually-enacted Hospital License Fee at the rate of 5.24 percent upon net patient revenue of hospitals for the hospital’s first fiscal year ending on or after January 1, 2012, except for those hospitals located in Washington County, Rhode Island. Through a pending waiver application submitted to the Centers for Medicare and Medicaid, Washington County hospitals’ license fee is discounted by 37.0 percent. The fee is estimated to raise a total of \$141.1 million.
- Modifies the corporate tax by allowing businesses to deduct depreciation on assets in the year in which the asset is placed in service, instead of depreciating the asset over the useful life of the asset.

This will cause a temporary reduction in revenues over five years, however the Budget establishes an Accelerated Depreciation (\$10.0 million in FY 2014) fund to help offset these losses.

- Requires that all corporations add back into their Rhode Island taxable income any amount deducted under the federal “domestic production activities deduction.”
- Amends laws regarding the implementation date of sales and use tax changes that would be triggered by passage of the federal legislation known as the Marketplace Fairness Act of 2013.
- Expands the current art districts program statewide, exempting all original, one-of-a-kind limited production creative works from sales and use taxes in order to increase tourism and economic activity and to strengthen the Rhode Island’s marketability as the “state of the arts”. This article requires the tax administrator, along with the Rhode Island Council on the Arts, to report annually on the impact of the statewide tax exemption on employment, tourism, sales and spending within the arts sector. There is no sunset to the exemption.
- Eliminates the sales tax on spirits and wine for a limited time to allow for the Division of Taxation to collect necessary data to evaluate the impact of these tax changes in view of the rates in neighboring states.
- Increases Newport Grand’s share of video lottery terminal proceeds from revenues gained during the operation of the facility for two years by 2.0 percent to aid in operations of the casino. The Budget includes \$1.0 million for the enhanced share.
- Amends laws to require that all municipalities issue a universal summons for red-light camera violations, which will increase the state’s ability to record and track these violations throughout the state.
- Allows the Tax Administrator to contract with a collection agency, licensed in any state or the District of Columbia, to collect taxes, interest and/or penalties assessed by the Tax Administrator on sources outside of Rhode Island.
- Creates the Tax Preparers Act, allowing the Tax Administrator to promulgate rules and regulations and enforce penalties on tax preparers willfully assisting in filing a tax return resulting in undue claims.
- Includes farmland in an estate for the purpose of the estate tax imposed under RIGL 44-22 at its current use value rather than its full and fair cash value.
- Increases the aggregate state cap on Scholarship Tax Credits by \$500,000 to \$1.5 million annually.

Article 10: Relating to Making Supplemental Appropriations in Support of FY2013

This article revises general revenue, federal, restricted and other funds appropriations, and authorizes FTE levels for each agency and department. The article increases total appropriations by \$1.7 million, including \$46.9 million in increased federal funds appropriations, and a \$62.0 million reduction in general revenue appropriations.

	FY2013 Enacted	FY2013 Revised	Change to Enacted
General Revenue	\$3,295.8	\$3,233.8	(\$62.0)
Federal Funds	2,676.4	2,723.2	46.9
Restricted Receipts	232.5	269.3	36.8
Other Funds	1,895.2	1,875.3	(19.9)
Total	\$8,099.9	\$8,101.6	\$1.7
FTE Authorization	15,026.3	15,076.4	50.1

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

Article 11: Relating to Municipal Incentive Aid

This article creates a new program of state aid to municipalities entitled the “Municipal Incentive Aid Program.” For FY2014, \$5.0 million would be appropriated and distributed to municipalities that comply with certain requirements and provisions. The article also states that an appropriation of \$10.0 million will be requested for the program in FY2015 and FY2016. By providing additional state aid, the General Assembly intends to encourage municipalities to improve the sustainability of their retirement plans and to reduce unfunded liabilities.

Article 12: Relating to Hospital Uncompensated Care

This article establishes the authority for the Disproportionate Share Hospital (DSH) program for federal FY2014 (state FY2015) with the aggregate payment limit set at \$128.3 million.

Rhode Island’s community hospitals provide charity care to uninsured and indigent patients for free or at reduced prices. The DSH program provides limited reimbursement to these hospitals through payments from the Office of Health and Human Services (OHHS) and the federal government.

In FY2012, community hospitals provided \$207.7 million in charity care and were reimbursed \$129.5 million in DSH payments.

Article 13: Relating to Education Aid, Computation of School Housing Aid

This article provides an incentive to communities to refinance existing school housing bonds by allowing communities to receive 80.0 percent of the total savings, instead of distributing the savings based on the state share ratio. The increased savings to the communities would only apply to refinancing done between July 1, 2013, and December 31, 2015. In FY2014, this article is estimated to increase savings to local districts by \$1.4 million and to the State by \$425,000.

The article also includes language to ensure that Central Falls can apply for and receive housing aid through the Department of Elementary and Secondary Education and issue bonds through the Rhode Island Health and Educational Building Corporation to finance or refinance school facility projects.

Article 14: Relating to Employment Security Job Development Fund

This article maintains the 0.51 percent Job Development Assessment (JDA) paid by employers up to tax year 2015, and requires that 0.30 percent of these funds be solely used to pay the outstanding principle and interest due on the UI funds borrowed from FUA. Any funds remaining in the restricted receipts used to repay the FUA borrowings after the outstanding principal and interest are paid in full, shall be transferred to the Employment Security Trust Fund for the payment of UI benefits. Once the borrowed funds are repaid the JDA will decrease to 0.21 percent beginning the tax quarter following the repayment of the FUA loan.

The article also reduces attorney’s fee to 10.0 percent of the unemployment benefits awarded and stipulates that the payment will be made by the Department of Labor and Training only if the attorney is

successful in overturning a judgment that was originally unfavorable to the claimant. The State Budget Office projects that passage of this article will result in an approximate savings of \$300,000 in FY2014.

Lastly, this article authorizes the Governor and the Director of Administration the power to make advances from the State General Fund for use in repaying the outstanding principal and interest due on FUA borrowed funds. However, all such advances must be repaid back to the State General Fund, with interest, within the same fiscal year.

Passage of Article 14 anticipates that the State can repay the FUA borrowings by November 2014, forestalling further federal penalties on employers.

Article 15: Relating to Human Resources Investment Council

This article establishes the Statewide Work Immersion program and a Non-Trade Apprenticeship program to be administered by the Human Resource Investment Council (HRIC) in partnership with the Governor’s Workforce Board Rhode Island (GWBRI). The program will provide a 50.0 percent state match to businesses that hire youth and adults for a 10-week work immersion program, and will develop a non-trade apprenticeship program. The article also establishes the Back to Work Rhode Island Program designed to match unemployed individuals and employers in a job training program, the Enhanced Child Care program to assist families participating in job training programs, and requires the Department of Labor and Training to implement an enhanced job match system to increase opportunities for employers to match job needs to the unemployed. The Budget includes \$1.3 million in general revenue to fund these initiatives.

Article 16: Relating to Restricted Receipt Accounts

This article creates several new restricted receipt accounts and exempts these accounts from the 10.0 percent indirect cost recovery provision. These accounts include: “Emergency and Public Communications Access Account” in the Commission on the Deaf and Hard of Hearing, the “Violent Crimes Compensation – Refunds” account and Treasury Research Fellowship grant in the Office of the General Treasurer, and the Highway Maintenance Account in Transportation. The article also adds the following accounts to the list of accounts exempt from the indirect cost recovery:

- Demand-Side Management Grants
- Providence Water Lead Grant (FY2013 only)
- Pharmaceutical Rebates Account
- Judiciary - Third Party Grants

The article eliminates several obsolete accounts including ARRA Administrative Expenses accounts under the Bureau of Audits and Purchasing, within the Department of Administration and in the Office of Economic Recovery and Reinvestment as the accounts are obsolete and no longer required due to the expiration of funds from the American Recovery and Reinvestment Act.

Article 17: Relating to Emergency and Public Communications Access Fund

This article establishes the Emergency and Public Communications Access Fund within the Commission on the Deaf and Hard of Hearing. Targeting the deaf and hard of hearing population in the State, this fund will be used to improve emergency communication and communication access with state departments, and to support emergency responder training.

Beginning in FY2014, this article transfers \$80,000 in restricted receipts annually from the Public Utilities Commission (PUC) to the Emergency and Public Communications Access Fund, within the Commission on the Deaf and Hard of Hearing. Currently, the PUC collects relay assessments (a \$0.09

surcharge collected from telecommunications providers on landline telephones) and reports a surplus of approximately \$300,000 within the Relay Fund.

Analyst's Note: It is unclear as to whether or not this funding mechanism will be sustainable over the long-term without any increase to the relay assessment. PUC anticipates that the relay assessment will need to be increased in out years after the Relay Fund surplus is depleted. Revenue collections have declined over the last several years as the use of landlines has decreased. Despite the total surplus of \$300,000 within the Relay Fund, the average annual surplus over the last three years was approximately \$65,000 after accounting for other mandated transfers to the Department of Human Services. Though the PUC does not anticipate sufficient Relay Fund receipts for out-year funding of this program, no new revenue stream is authorized by the article.

Article 18: Relating to Human Services – Temporary Assistance for Needy Families and Child Care

This article establishes the Child Care Subsidy Transition Program, a 12-month pilot program beginning October 1, 2013 which addresses what is commonly referred to as the “child care cliff” by allowing families to retain eligibility for child care subsidies until their annual income exceeds 225% of the federal poverty level, or \$43,000 for a family of three. Currently, families lose eligibility for subsidies when their annual income exceeds 180% of the federal poverty level, or \$34,000 for a family of three.

The article also calls upon the Department of Human Services to contract with job development vendors that will help RI Works recipients acquire work readiness skills and increase compliance with the work participation requirements of the program. Such contract is to be awarded through a competitive bidding process and is to include performance benchmarks to track program outcomes.

In FY2014, these initiatives are funded by \$3.0 million in surplus Temporary Assistance for Needy Family (TANF) funds. The article requires DHS to provide monthly reports of the program.

Article 19: Relating to Medical Assistance

This article grants legal and statutory authority for the Executive Office of Health and Human Services (OHHS) to undertake the following ACA-related changes to the State Medical Assistance Program in FY2014. For a more complete discussion of these changes, refer to the *Special Reports* section of this publication.

- **Authorizes OHHS to expand Medicaid in accordance with the Affordable Care Act:** This article adds a new Chapter 40-8.11, “Health Care for Adults” to grant the Executive Office of Health and Human Services (OHHS) the authority to expand the State’s public health insurance program to include low income adults without dependent children, age 19 to 64, who do not qualify for Medicaid under existing state general and public law. Existing law generally allows only for coverage of low income families with children, the disabled, and the elderly. This expansion is applicable to childless adults with income at or below 133.0 percent of the federal poverty level, or about \$15,000 for a single individual.

The Affordable Care Act (ACA) provides full federal funding for the costs of this expansion in calendar years 2014 through 2016, with federal matching rates incrementally decreasing to 90.0 percent in 2020.

Analyst's Note: Though this ACA-supported Medicaid expansion does not have any general revenue impact, the enacted budget includes \$85.2 million in federal funds. This reserve represents the OHHS's best approximation of the cost of this expansion.

- **CNOM program federal funding:** This article grants OHHS authority to pursue full Medicaid coverage for certain newly Medicaid eligible populations that currently receive services referred to as Costs Not Otherwise Matchable (CNOM) under the State’s Global Waiver.

Under the Affordable Care Act, as of January 1, 2014, childless adults will be eligible for full Medicaid benefits at a cost fully covered by the federal government. This will allow for State savings as services previously provided as CNOM at the regular federal medical assistance percentage (50.11 percent) will now be provided at 100.0 percent federal participation. The proposed FY2014 budget anticipates a total of \$4.2 million general revenue savings across all CNOM programs.

Currently, the Global Waiver permits the State to use Medicaid funds for a number of populations that are not eligible for services under the state plan. The use of federally-matched funds for these “costs not otherwise matchable” (CNOM) is intended to provide services that prevent or delay an individual's becoming Medicaid eligible, and thereby generate long-term Medicaid cost savings. Prior to the Global Waiver, many of these programs were funded entirely through general revenue; presently, they are cost-shared by the State and the federal government.

- **Reduction in Medicaid Eligibility – Parents:** Eligibility of adults with dependent children is reduced from 175% FPL to 133% FPL, effective as of the establishment of the State’s Health Benefits Exchange on January 1, 2014. Parents impacted by this reduction will lose Medicaid coverage but will be eligible for federally-subsidized health insurance available through the Exchange.

The transfer of approximately 7,000 parents from Medicaid to the Exchange will result in savings of \$5.6 million general revenue (\$11.3 million all funds) due to a shift in program costs from state funds to federal funds as Medicaid is cost-shared 50% by the federal government while the Exchange offers 100% federally-funded subsidies.

- **Elimination of RIte Care Premium Co-share:** This article eliminates RIte Care co-shares for families. Prior to this change, families were required to pay a co-share of between \$61 and \$92 per month, depending upon income, for RIte Care, the Medicaid managed care program for families. This change ensures that after January 1, 2014, families will not have to pay premiums for both parent coverage through the Exchange and child coverage through RIte Care.
- **Premium Assistance Program:** OHHS is directed to implement a premium assistance program for parents previously eligible for Medicaid but transferred to Exchange-purchased coverage as of January 1, 2014. This program will reimburse parents for 50% of their Exchange premium co-share.
- **Medicaid Requirements and Opportunities under the Affordable Care Act:** Authority is given to the Executive Office of Health and Human Services (OHHS) to pursue any requirements and/or opportunities established under ACA that may warrant approval from the Centers for Medicare and Medicaid Services (CMS) under the terms and conditions of the Global Consumer Choice Waiver, granted those actions do not adversely impact beneficiaries or increase expenditures beyond those appropriated for FY2014.

This article grants legal and statutory authority for the Executive Office of Health and Human Services (OHHS) to undertake the following additional programmatic changes to the State Medical Assistance Program in FY2014:

- **Suspension of rate increases for nursing homes in FY2014:** Under this article, payments made to skilled nursing facilities and associated hospice organizations that provide services to Medicaid-eligible individuals will not be adjusted by the change in the national nursing home inflation index. This adjustment was to be made on October 1, 2013, but has been suspended for FY2014 and reinstated for FY2015, to be applied to rates on October 1, 2014.
- **Suspension of rate increase for inpatient and outpatient hospital services in FY2014:** Article 19 suspends the scheduled rate increase for inpatient and outpatient hospital services in both the fee-for-service and managed care environments. Typically, the base price for hospital services is annually

adjusted for trends in a nationally recognized price index. For FY2014, however, this adjustment is suspended and charges for hospital services are limited to the rates in effect in FY2013.

- **Authorizes OHHS to renew the Global Waiver:** Authority is granted to OHHS to renew or extend the Section 1115 Research and Demonstration Waiver (known as the Global Waiver), which is set to expire on December 31, 2013. Should the Global Waiver not be renewed, the Office is directed to ensure that, at a minimum, the waiver authorities in existence prior to the Global Waiver are continued.

In 2009, CMS approved Rhode Island's application for significant changes to the administration of the Medicaid program. Since that time, Rhode Island's entire Medicaid program has operated under a single Section 1115 demonstration project that grants Rhode Island broader flexibility in the provision of long-term care services, in exchange for accepting a five-year aggregate cap on federal financial participation.

With the expiration of the current waiver on December 31, 2013, OHHS has applied to CMS for an extension. Its application requests authority to continue efforts to rebalance the State's long term care system through further development of community-based services and supports and through a more comprehensive approach to system reform that recognizes participants' non-medical needs for employment and housing. It also seeks to deliver care through a case management, health home model, and to establish an integrated system of care for those eligible for both Medicare and Medicaid.

For a more complete discussion of the Global Waiver's initial outcomes and renewal application, refer to the Special Reports section of this publication.

- **Integrated Care Initiative:** This amendment authorizes any further Category II or III change required by the implementation of the Integrated Care Initiative for Adults as included in the 2011 amendment to the Global Waiver. The Integrated Care Initiative seeks to transform the delivery system of services to those eligible for both Medicaid and Medicare through purchasing person-centered, comprehensive, coordinated, quality health care and support services, thus achieving better health outcomes and lower costs.

Service delivery to those eligible for both Medicaid and Medicare (also known as "duals" and "dually eligibles" and who are predominately adults with developmental disabilities and the elderly) is complicated by the existence of two separate sets of complex rules, requirements and payment schemes. This fragmented delivery system is further complicated by cross-incentives between Medicaid (which is cost shared between the State and the federal government) and Medicare (which is entirely federally funded).

- **Implementation of the Employment First Initiative:** This article authorizes system reforms to BHDDH's Medicaid payments to service providers in order to incentivize employment as the primary expected goal for development disabilities clients in publicly-funded day services.

For its behavioral health clients, the Employment First initiative will promote the use of the Individualized Placement and Support (IPS) model in collaboration with the Opportunities Industrialization Centers of Rhode Island. In this federally recognized, evidence-based model, employment specialists provide coaching, job search training, and on-the-job support, while also working to develop relationships with employers who may have job openings that align with client preferences. Unlike traditional vocational rehabilitation programs, the IPS model focuses on work as integral to both treatment and recovery and does not require clients to complete training, workshops, or intermediate work experiences before pursuing competitive employment.

For providers of services to the Developmentally Disabled (DD), the initiative makes changes to the rates paid for day services to developmentally disabled adults in order to incentivize employment for those with mild and moderate needs. Under this initiative, payments for services provided through center-based day programs is reduced while funding for day programs with a 1:8 staffing ratio is eliminated in order to incentivize its funding equivalent of 5 hours of 1:1 supported employment services.

- **New Medicaid Service – Cortical Integrative Therapy:** OHHS is directed to seek CMS approval for cortical integrative therapy and to add this service to its covered benefits.

Article 20: Relating to Municipal Road and Bridge Revolving Fund

This article creates the “Municipal Road and Bridge Revolving Fund,” to be administered by the Rhode Island Clean Water Finance Agency. For FY2014, \$7.0 million of bond premium proceeds derived from the sale of 2013 general obligation bonds will be transferred from the Rhode Island Capital Plan Fund (RICAP) to capitalize a Municipal Road and Bridge Revolving Fund. These funds will be available for municipalities to borrow from for road and bridge projects approved by the Department of Transportation. This initial investment allows for loans to begin in FY2014, and future capitalizations combined with the revolving funds will further allow state-sponsored financing on an ongoing basis.

Article 21: Relating to Rhode Island Public Transit Authority

This article clarifies the intent of the General Assembly that \$4.2 million of State Fleet Revolving Loan funds made available to the Rhode Island Public Transit Authority (RIPTA) in the FY2013 Budget as Enacted is a direct grant from the revolving loan fund to RIPTA and need not be repaid to the fund. These funds are to be used as the 20.0 percent state match for federal funds to purchase buses through FY2017.

Article 22: Relating to Historic Structures – Tax Credit

Article 22 reopens the historic structures tax credit program, reaffirming the issuance of up to \$356.2 million in general obligation bonds to finance up to \$299.9 million in tax credits for the redevelopment of historic structures. The program has not authorized new tax credits since FY2008.

The reopened program varies from the former program in the following ways:

- Allows for the reissuance of tax credits previously issued but subsequently abandoned or forfeited by developers.
- Creates two tiers of tax credits. Approved projects qualify for tax credits of 25 percent of qualified expenditures if the first floor or at least 25 percent of the structure will be rentable by a trade or business; all other approved projects qualify for tax credits of 20 percent.
- Requires that projects over \$10.0 million in hard construction cost utilize contractors and sub-contractors with approved apprenticeship programs.
- Includes a three-year sunset, with no new credits to be issued after June 30, 2016.
- Limits credits to \$5.0 million per project.
- Allows for the forfeiture of credits if substantial construction (defined as expenditure of 10 percent of qualified rehabilitation expenditures) have not commenced within 12 months of project approval or if the project remains idle for more than six months.
- Makes application fees nonrefundable.

Analyst's Note: There are currently 22 outstanding projects in this program with tax credits valued at \$107.4 million. \$34.5 million in tax credits are available for reissuance beginning July 1, 2013, which will apply to between \$138.1 million and \$172.6 million in qualified rehabilitation expenditures. Tax expenditures are offset by \$4.1 million in application fees.

Tax Expenditures Associated with Reissued Credits	\$34,527,514
(Less Application Fees)	(4,143,302)
Debt Service	8,021,432
Total Cost of Reissued Credits	\$38,405,644

Article 23: Relating to the Innovate Rhode Island Small Business Program

This article creates the Innovate Rhode Island Small Business Program to enhance job creation and economic development in the State. The program will be administered by the Rhode Island Science and Technology Advisory Council (STAC). STAC may award grants to assist eligible businesses to offset 50.0 percent of the costs associated with applying to the United States Small Business Administration for Small Business Innovation Research (SBIR) grants or Small Business Technology Transfer Research (SBTTR) grants. The maximum amount of the grant is \$3,000.

In addition, STAC is authorized to establish a matching fund program to assist businesses receiving a SBIR or SBTTR research grant. Through this program, STAC may award Phase I Matching Grants not to exceed \$100,000 to an eligible business. In addition, STAC may award loans of up to \$300,000 to match SBIR/SBTTR Phase II research proposals.

This article also establishes a bioscience and engineering internship program to reimburse businesses up to \$3,000 per intern participating in the bioscience and engineering internship program. The prospective intern must be a resident of the State and must attend a college or university located in Rhode Island.

The Budget includes \$500,000 in general revenue to establish the innovative technology and bioscience and engineering program.

Article 24: Relating to Economic Development

This article repeals in its entirety P.L. 2010 Chapter 26 establishing the Job Creation Guaranty Program administered by the Rhode Island Economic Development Corporation. The purpose of Job Creation Guaranty Program was to enhance business access to capital and credit. The Job Creation Guaranty Program was authorized to issue up to \$125.0 million in moral obligation bonds to grow Rhode Island companies and generate employment.

Article 25: Effective Date

This article provides that the Act would take effect on July 1, 2014, except as otherwise provided therein.



APPENDIX

Summary Tables

GENERAL REVENUE STATEMENT

	FY2012	FY2013	FY2013	FY2014
Opening Surplus	Actual	Enacted	Revised	Enacted
Free Surplus	\$64,229,426	\$93,870,509	\$115,187,511	\$93,407,399
Reappropriated Surplus	4,532,242	-	7,726,521	-
Subtotal	\$68,761,668	\$93,870,509	\$122,914,032	\$93,407,399
Revenues				
Enacted/Actual/Estimated	\$3,270,716,491	\$3,320,888,743	\$3,320,888,743	\$3,236,945,000
November Revenue Estimate	-	-	7,526,257	-
Governor Changes	-	-	2,835,000	138,254,480
Assembly Changes	-	-	(7,425,000)	5,808,938
Total Revenues	\$3,270,716,491	\$3,320,888,743	\$3,323,825,000	\$3,381,008,418
To Cash Stabilization Fund	(\$93,378,486)	(\$102,442,778)	(\$103,170,375)	(\$104,232,475)
Total Available Resources	\$3,246,099,673	\$3,312,316,474	\$3,343,568,657	\$3,370,183,342
Expenditures				
Actual/Enacted	\$3,110,242,012	\$3,295,836,490	\$3,295,836,490	-
Governor	-	-	(28,175,819)	3,399,154,309
Assembly	-	-	(13,643,312)	(30,514,023)
Reappropriations	-	-	-	-
November Caseload Estimate	-	-	(20,206,101)	(8,885,163)
Total Expenditures	\$3,110,242,012	\$3,295,836,490	\$3,233,811,258	\$3,359,755,123
Total Surplus	\$135,857,661	\$16,479,984	\$109,757,399	\$10,428,219
Accelerated Depreciation	(\$12,943,629)	(\$16,350,000)	(\$16,350,000)	(\$10,000,000)
Reappropriations	(7,726,521)	-	-	-
Free Surplus	\$115,187,511	\$129,984	\$93,407,399	\$428,220

EXPENDITURES FROM ALL FUNDS

	FY2013 Enacted	FY2013 Revised	Change to Enacted	FY2014 Enacted	Change to Enacted
General Government					
Administration	\$389,897,691	\$412,981,480	\$23,083,789	\$428,701,337	\$38,803,646
Business Regulation	13,977,309	17,887,800	3,910,491	12,989,880	(987,429)
Labor and Training	661,604,139	723,610,771	62,006,632	592,481,112	(69,123,027)
Revenue	333,502,288	340,617,136	7,114,848	353,439,739	19,937,451
Legislature	38,844,218	41,913,816	3,069,598	37,791,548	(1,052,670)
Lieutenant Governor	1,092,692	1,738,416	645,724	2,095,378	1,002,686
Secretary of State	7,418,107	7,317,488	(100,619)	6,952,764	(465,343)
General Treasurer	37,571,560	45,718,506	8,146,946	35,407,461	(2,164,099)
Board of Elections	1,952,116	1,886,823	(65,293)	1,739,361	(212,755)
Ethics Commission	1,557,881	1,530,853	(27,028)	1,577,204	19,323
Office of the Governor	26,581,535	4,325,010	(22,256,525)	4,443,513	(22,138,022)
Commission for Human Rights	1,463,760	1,439,817	(23,943)	1,459,423	(4,337)
Public Utilities Commission	8,246,708	8,489,940	243,232	8,420,293	173,585
Total	\$1,523,710,004	\$1,609,457,856	\$85,747,852	\$1,487,499,013	(\$36,210,991)
Human Services					
Office of Health and Human Services	\$1,752,372,084	\$1,680,440,795	(\$71,931,289)	\$1,867,935,132	\$115,563,048
Children, Youth, and Families	216,622,996	214,110,548	(2,512,448)	213,873,566	(2,749,430)
Health	119,522,083	126,742,680	7,220,597	120,980,759	1,458,676
Human Services	650,256,012	662,291,578	12,035,566	662,090,161	11,834,149
BHDDH	445,671,144	429,040,289	(16,630,855)	437,848,408	(7,822,736)
Commission on Disabilities	751,439	599,003	(152,436)	1,455,336	703,897
Commission on the Deaf	390,251	381,701	(8,550)	471,609	81,358
Office of the Child Advocate	657,572	636,732	(20,840)	648,648	(8,924)
Office of the Mental Health Advocate	447,119.00	323,307.00	(123,812.00)	486,144.00	39,025.00
Total	\$3,186,690,700	\$3,114,566,633	(\$72,124,067)	\$3,305,789,763	\$119,099,063
Education					
Elementary and Secondary Education	\$1,198,219,358	\$1,205,460,794	\$7,241,436	\$1,225,973,266	\$27,753,908
Public Higher Education	1,031,676,319	1,036,013,963	4,337,644	1,057,498,950	25,822,631
Council on the Arts	3,408,107	3,907,496	499,389	2,765,495	(642,612)
Atomic Energy Commission	1,476,951	1,402,436	(74,515)	1,436,731	(40,220)
Higher Education Assistance Authority	27,722,149	28,223,979	501,830	26,763,735	(958,414)
Historical Preservation and Heritage	2,728,977	2,450,493	(278,484)	3,506,949	777,972
Public Telecommunications Authority	1,500,972	799,077	(701,895)	-	(1,500,972)
Total	\$2,266,732,833	\$2,278,258,238	\$11,525,405	\$2,317,945,126	\$51,212,293
Public Safety					
Attorney General	\$30,009,938	\$29,151,427	(\$858,511)	\$30,400,101	\$390,163
Corrections	196,749,862	197,868,409	1,118,547	204,702,527	7,952,665
Judiciary	104,248,298	106,251,433	2,003,135	107,624,121	3,375,823
Military Staff	42,450,127	66,012,642	23,562,515	43,157,514	707,387
Public Safety	122,500,068	120,142,885	(2,357,183)	123,477,749	977,681
Public Defender	11,213,124	10,749,410	(463,714)	11,326,682	113,558
Total	\$507,171,417	\$530,176,206	\$23,004,789	\$520,688,694	\$13,517,277
Natural Resources					
Environmental Management	\$98,837,511	\$97,596,949	(\$1,240,562)	\$116,179,523	\$17,342,012
Coastal Resources Management Council	5,092,818	5,694,945	602,127	4,709,906	(382,912)
Total	\$103,930,329	\$103,291,894	(\$638,435)	\$120,889,429	\$16,959,100
Transportation					
Transportation	\$511,621,101	\$465,845,728	(\$45,775,373)	\$460,249,997	(\$51,371,104)
Grand Total	\$8,099,856,384	\$8,101,596,555	\$1,740,171	\$8,213,062,022	\$113,205,638

GENERAL REVENUE EXPENDITURES

	FY2013 Enacted	FY2013 Revised	Change to Enacted	FY2014 Enacted	Change to Enacted
General Government					
Administration	\$272,514,956	\$265,410,090	(\$7,104,866)	\$264,801,211	(\$7,713,745)
Business Regulation	9,362,048	8,925,512	(436,536)	9,245,878	(116,170)
Labor and Training	7,859,170	7,728,901	(130,269)	9,064,061	1,204,891
Revenue	95,342,244	96,482,436	1,140,192	102,007,495	6,665,251
Legislature	37,217,044	40,388,233	3,171,189	36,186,933	(1,030,111)
Lieutenant Governor	962,955	945,311	(17,644)	986,890	23,935
Secretary of State	6,913,038	6,833,325	(79,713)	6,497,833	(415,205)
General Treasurer	2,542,115	2,826,501	284,386	2,654,692	112,577
Board of Elections	1,952,116	1,886,823	(65,293)	1,739,361	(212,755)
Ethics Commission	1,557,881	1,530,853	(27,028)	1,577,204	19,323
Office of the Governor	4,418,290	4,325,010	(93,280)	4,443,513	25,223
Commission for Human Rights	1,137,768	1,133,129	(4,639)	1,150,785	13,017
Total	\$441,779,625	\$438,416,124	(\$3,363,501)	\$440,355,856	(\$1,423,769)
Human Services					
Office of Health and Human Services	\$825,065,703	\$778,931,286	(\$46,134,417)	\$843,227,650	\$18,161,947
Children, Youth, and Families	152,586,452	151,871,086	(715,366)	152,976,991	390,539
Health	24,821,836	24,446,722	(375,114)	24,308,001	(513,835)
Human Services	97,023,967	95,668,119	(1,355,848)	93,479,195	(3,544,772)
BHDDH	193,137,995	193,234,700	96,705	202,091,382	8,953,387
Commission on Disabilities	371,096	324,421	(46,675)	357,711	(13,385)
Commission on the Deaf	390,251	381,701	(8,550)	391,609	1,358
Office of the Child Advocate	611,469	590,664	(20,805)	608,651	(2,818)
Office of the Mental Health Advocate	447,119.00	323,307.00	(123,812.00)	486,144.00	39,025.00
Total	\$1,294,455,888	\$1,245,772,006	(\$48,683,882)	\$1,317,927,334	\$23,471,446
Education					
Elementary and Secondary Education	\$935,364,061	\$928,916,698	(\$6,447,363)	\$964,706,909	\$29,342,848
Public Higher Education	172,456,170	172,696,230	240,060	180,013,795	7,557,625
Council on the Arts	1,565,813	1,565,813	-	1,335,630	(230,183)
Atomic Energy Commission	876,213	841,750	(34,463)	861,710	(14,503)
Higher Education Assistance Authority	5,617,064	5,693,667	76,603	4,281,726	(1,335,338)
Historical Preservation and Heritage	1,361,801	1,265,417	(96,384)	1,357,510	(4,291)
Public Telecommunications Authority	799,077	799,077	-	-	(799,077)
Total	\$1,118,040,199	\$1,111,778,652	(\$6,261,547)	\$1,152,557,280	\$34,517,081
Public Safety					
Attorney General	\$23,076,324	\$22,637,371	(\$438,953)	\$23,656,979	\$580,655
Corrections	183,293,277	185,542,143	2,248,866	185,379,198	2,085,921
Judiciary	89,249,996	87,871,436	(1,378,560)	91,681,359	2,431,363
Military Staff	3,548,775	3,648,700	99,925	3,869,983	321,208
Public Safety	94,790,039	91,240,794	(3,549,245)	96,361,799	1,571,760
Public Defender	10,791,226	10,457,414	(333,812)	11,034,686	243,460
Total	\$404,749,637	\$401,397,858	(\$3,351,779)	\$411,984,004	\$7,234,367
Natural Resources					
Environmental Management	\$34,546,300	\$34,261,357	(\$284,943)	\$34,756,318	\$210,018
Coastal Resources Management Council	2,264,841	2,185,261	(79,580)	2,174,331	(90,510)
Total	\$36,811,141	\$36,446,618	(\$364,523)	\$36,930,649	\$119,508
Grand Total	\$3,295,836,490	\$3,233,811,258	(\$62,025,232)	\$3,359,755,123	\$63,918,633

FEDERAL FUNDS EXPENDITURES

	FY2013 Enacted	FY2013 Revised	Change to Enacted	FY2014 Enacted	Change to Enacted
General Government					
Administration	\$25,578,747	\$63,667,321	\$38,088,574	\$62,189,669	\$36,610,922
Business Regulation	2,719,081	7,002,215	4,283,134	1,747,589	(971,492)
Labor and Training	111,743,981	166,276,062	54,532,081	95,710,236	(16,033,745)
Revenue	2,450,709	2,897,330	446,621	3,048,651	597,942
Lieutenant Governor	129,737	793,105	663,368	1,108,488	978,751
Secretary of State	-	2,566	2,566	-	-
General Treasurer	1,159,712	1,099,497	(60,215)	1,130,422	(29,290)
Office of the Governor	22,163,245	-	(22,163,245)	-	(22,163,245)
Commission for Human Rights	325,992	306,688	(19,304)	308,638	(17,354)
Public Utilities Commission	321,795	348,421	26,626	166,818	(154,977)
Total	\$166,592,999	\$242,393,205	\$75,800,206	\$165,410,511	(\$1,182,488)
Human Services					
Office of Health and Human Services	\$914,833,795	\$888,267,679	(\$26,566,116)	\$1,014,710,198	\$99,876,403
Children, Youth, and Families	58,440,291	57,005,897	(1,434,394)	56,692,405	(1,747,886)
Health	65,015,651	70,657,028	5,641,377	62,004,542	(3,011,109)
Human Services	539,731,758	550,001,881	10,270,123	554,368,102	14,636,344
BHDDH	234,125,964	223,826,063	(10,299,901)	217,759,723	(16,366,241)
Commission on Disabilities	120,649	215,368	94,719	129,989	9,340
Office of the Child Advocate	46,103.00	46,068.00	(35.00)	39,997.00	(6,106.00)
Total	\$1,812,314,211	\$1,790,019,984	(\$22,294,227)	\$1,905,704,956	\$93,390,745
Education					
Elementary and Secondary Education	\$230,760,206	\$238,106,081	\$7,345,875	\$225,746,654	(\$5,013,552)
Public Higher Education	4,852,615	5,226,649	374,034	6,190,306	1,337,691
Council on the Arts	998,794	754,191	(244,603)	797,329	(201,465)
Atomic Energy Commission	267,616	267,044	(572)	267,044	(572)
Higher Education Assistance Authority	13,346,283	13,994,483	648,200	13,274,020	(72,263)
Historical Preservation and Heritage	836,139	589,279	(246,860)	609,949	(226,190)
Total	\$251,061,653	\$258,937,727	\$7,876,074	\$246,885,302	(\$4,176,351)
Public Safety					
Attorney General	\$1,483,604	\$2,674,447	\$1,190,843	\$1,619,532	\$135,928
Corrections	1,995,588	3,128,620	1,133,032	1,788,688	(206,900)
Judiciary	2,682,107	2,760,203	78,096	2,624,248	(57,859)
Military Staff	33,842,074	55,878,959	22,036,885	34,878,752	1,036,678
Public Safety	6,940,151	10,741,797	3,801,646	6,155,535	(784,616)
Public Defender	421,898	291,996	(129,902)	291,996	(129,902)
Total	\$47,365,422	\$75,476,022	\$28,110,600	\$47,358,751	(\$6,671)
Natural Resources					
Environmental Management	\$34,997,551	\$36,876,754	\$1,879,203	\$38,391,731	\$3,394,180
Coastal Resources Management Council	1,677,977	2,537,403	859,426	2,160,593	482,616
Total	\$36,675,528	\$39,414,157	\$2,738,629	\$40,552,324	\$3,876,796
Transportation					
Transportation	\$362,340,586	\$316,969,784	(\$45,370,802)	\$311,761,586	(\$50,579,000)
Grand Total	\$2,676,350,399	\$2,723,210,879	\$46,860,480	\$2,717,673,430	\$41,323,031

RESTRICTED RECEIPTS EXPENDITURES

	FY2013 Enacted	FY2013 Revised	Change to Enacted	FY2014 Enacted	Change to Enacted
General Government					
Administration	\$16,286,426	\$13,968,691	(\$2,317,735)	\$15,912,808	(\$373,618)
Business Regulation	1,896,180	1,960,073	63,893	1,996,413	100,233
Labor and Training	36,292,695	60,844,618	24,551,923	43,125,719	6,833,024
Revenue	1,845,255	1,821,849	(23,406)	1,821,886	(23,369)
Legislature	1,627,174	1,525,583	(101,591)	1,604,615	(22,559)
Secretary of State	505,069	481,597	(23,472)	454,931	(50,138)
General Treasurer	33,618,221	41,575,920	7,957,699	31,393,424	(2,224,797)
Public Utilities Commission	7,924,913	8,141,519	216,606	8,253,475	328,562
Total	\$99,995,933	\$130,319,850	\$30,323,917	\$104,563,271	\$4,567,338
Human Services					
Office of Health and Human Services	\$12,472,586	\$13,241,830	\$769,244	\$9,997,284	(\$2,475,302)
Children, Youth, and Families	2,825,253	2,538,664	(286,589)	2,614,170	(211,083)
Health	29,512,596	31,512,619	2,000,023	34,632,906	5,120,310
Human Services	9,111,103	12,057,553	2,946,450	9,762,500	651,397
BHDDH	7,188,834	7,177,366	(11,468)	7,396,872	208,038
Commission on Disabilities	9,694	9,214	(480)	10,365	671
Commission Deaf & Hard Of Hearing	-	-	-	80,000	80,000
Total	\$61,120,066	\$66,537,246	\$5,417,180	\$64,494,097	\$3,374,031
Education					
Elementary and Secondary Education	\$25,643,868	\$26,634,021	\$990,153	\$27,658,516	\$2,014,648
Public Higher Education	702,583	702,583	-	702,583	-
Historical Preservation and Heritage	456,037	454,191	(1,846)	454,491	(1,546)
Total	\$26,802,488	\$27,790,795	\$988,307	\$28,815,590	\$2,013,102
Public Safety					
Attorney General	\$5,162,510	\$3,239,609	(\$1,922,901)	\$5,073,590	(\$88,920)
Corrections	61,397	73,362	11,965	64,890	3,493
Judiciary	10,641,195	11,245,237	604,042	11,803,514	1,162,319
Military Staff	481,278	736,890	255,612	1,000,779	519,501
Public Safety	12,687,548	12,752,856	65,308	12,753,188	65,640
Total	\$29,033,928	\$28,047,954	(\$985,974)	\$30,695,961	\$1,662,033
Natural Resources					
Environmental Management	\$14,309,942	\$15,360,459	\$1,050,517	\$18,081,515	\$3,771,573
Coastal Resources Management Council	250,000	250,000	-	374,982	124,982
Total	\$14,559,942	\$15,610,459	\$1,050,517	\$18,456,497	\$3,896,555
Transportation					
Transportation	\$998,758	\$1,010,255	\$11,497	\$8,010,496	\$7,011,738
Grand Total	\$232,511,115	\$269,316,559	\$36,805,444	\$255,035,912	\$22,524,797

OTHER FUNDS EXPENDITURES

	FY2013 Enacted	FY2013 Revised	Change to Enacted	FY2014 Enacted	Change to Enacted
General Government					
Administration	\$75,517,562	\$69,935,378	(\$5,582,184)	\$85,797,649	\$10,280,087
Labor and Training	505,708,293	488,761,190	(16,947,103)	444,581,096	(61,127,197)
Revenue	233,864,080	239,415,521	5,551,441	246,561,707	12,697,627
General Treasurer	251,512	216,588	(34,924)	228,923	(22,589)
Total	\$815,341,447	\$798,328,677	(\$17,012,770)	\$777,169,375	(\$38,172,072)
Human Services					
Children, Youth, and Families	2,771,000	2,694,901	(76,099)	1,590,000	(1,181,000)
Health	172,000	126,311	(45,689)	35,310	(136,690)
Human Services	4,389,184	4,564,025	174,841	4,480,364	91,180
BHDDH	11,218,351	4,802,160	(6,416,191)	10,600,431	(617,920)
Commission on Disabilities	250,000.00	50,000.00	(200,000.00)	957,271.00	707,271.00
Total	\$18,800,535	\$12,237,397	(\$6,563,138)	\$17,663,376	(\$1,137,159)
Education					
Elementary and Secondary Education	\$6,451,223	\$11,803,994	\$5,352,771	\$7,861,187	\$1,409,964
Public Higher Education	853,664,951	857,388,501	3,723,550	870,592,266	16,927,315
Council on the Arts	843,500	1,587,492	743,992	632,536	(210,964)
Atomic Energy Commission	333,122	293,642	(39,480)	307,977	(25,145)
Higher Education Assistance Authority	8,758,802	8,535,829	(222,973)	9,207,989	449,187
Historical Preservation and Heritage	75,000	141,606	66,606	1,084,999	1,009,999
Public Telecommunications Authority	701,895	-	(701,895)	-	(701,895)
Total	\$870,828,493	\$879,751,064	\$8,922,571	\$889,686,954	\$18,858,461
Public Safety					
Attorney General	\$287,500	\$600,000	\$312,500	\$50,000	(\$237,500)
Corrections	11,399,600	9,124,284	(2,275,316)	17,469,751	6,070,151
Judiciary	1,675,000	4,374,557	2,699,557	1,515,000	(160,000)
Military Staff	4,578,000	5,748,093	1,170,093	3,408,000	(1,170,000)
Public Safety	8,082,330	5,407,438	(2,674,892)	8,207,227	124,897
Total	\$26,022,430	\$25,254,372	(\$768,058)	\$30,649,978	\$4,627,548
Natural Resources					
Environmental Management	\$14,983,718	\$11,098,379	(\$3,885,339)	\$24,949,959	\$9,966,241
Coastal Resources Management Council	900,000	722,281	(177,719)	-	(900,000)
Total	\$15,883,718	\$11,820,660	(\$4,063,058)	\$24,949,959	\$9,066,241
Transportation					
Transportation	\$148,281,757	\$147,865,689	(\$416,068)	\$140,477,915	(\$7,803,842)
Grand Total	\$1,895,158,380	\$1,875,257,859	(\$19,900,521)	\$1,880,597,557	(\$14,560,823)

FULL-TIME EQUIVALENT POSITIONS

General Government	FY2013 Enacted	FY2013 Revised	Change from Enacted	FY2014 Enacted	Change from Enacted
Administration	687.2	712.1	24.9	720.7	33.5
Business Regulation	94.0	94.0	0.0	94.0	0.0
Labor and Training	462.5	423.0	(39.5)	392.0	(70.5)
Revenue	458.0	489.0	31.0	492.0	34.0
Legislature	298.5	298.5	0.0	298.5	0.0
Lieutenant Governor	8.0	8.0	0.0	8.0	0.0
Secretary of State	57.0	57.0	0.0	57.0	0.0
General Treasurer	82.0	82.0	0.0	83.0	1.0
Board of Elections	11.0	11.0	0.0	11.0	0.0
Ethics Commission	12.0	12.0	0.0	12.0	0.0
Office of the Governor	45.0	45.0	0.0	45.0	0.0
Commission for Human Rights	14.5	14.5	0.0	14.5	0.0
Public Utilities Commission	47.0	48.0	1.0	49.0	2.0
Total	2,276.7	2,294.1	17.4	2,276.7	0.0
Human Services					
Office of Health and Human Services	168.0	169.0	1.0	184.0	16.0
Children, Youth, and Families	665.5	671.5	6.0	670.5	5.0
Health	497.3	498.0	0.7	494.1	(3.2)
Human Services	940.7	933.1	(7.6)	959.1	18.4
BHDDH	1,383.2	1,424.4	41.2	1,423.4	40.2
Office of the Child Advocate	5.8	5.8	0.0	6.0	0.2
Governor's Commission on the Deaf	3.0	3.0	0.0	3.0	0.0
Governor's Commission on Disabilities	4.0	4.0	0.0	4.0	0.0
Office of the Mental Health Advocate	3.7	3.7	0.0	3.7	0.0
Total	3,671.2	3,712.5	41.3	3,747.8	76.6
Education					
Elementary and Secondary Education	355.4	357.4	2.0	357.4	2.0
Public Higher Education	3,464.8	3,464.8	0.0	3,471.8	7.0
Council on the Arts	6.0	6.0	0.0	6.0	0.0
Atomic Energy Commission	8.6	8.6	0.0	8.6	0.0
Higher Education Assistance Authority	38.6	36.0	(2.6)	23.0	(15.6)
Historical Preservation and Heritage Comm.	16.6	16.6	0.0	16.6	0.0
Public Telecommunications Authority	14.0	14.0	0.0	0.0	(14.0)
Total	3,904.0	3,903.4	(0.6)	3,883.4	(20.6)
Public Safety					
Attorney General	233.1	233.1	0.0	233.1	0.0
Corrections	1,419.0	1,419.0	0.0	1,419.0	0.0
Judiciary	723.3	723.3	0.0	726.3	3.0
Military Staff	112.0	112.0	0.0	117.0	5.0
Public Safety	609.2	609.2	0.0	645.2	36.0
Public Defender	93.0	93.0	0.0	93.0	0.0
Total	3,189.6	3,189.6	0.0	3,233.6	44.0
Natural Resources					
Environmental Management	407.0	399.0	(8.0)	399.0	(8.0)
Coastal Resources Management Council	29.0	29.0	0.0	29.0	0.0
Water Resources Board	0.0	0.0	0.0	0.0	0.0
Total	436.0	428.0	(8.0)	428.0	(8.0)
Transportation					
Transportation	772.6	772.6	0.0	772.6	0.0
Higher Education Sponsored Research					
Office of Higher Education	1.0	1.0	0.0	1.0	0.0
CCRI	100.0	100.0	0.0	100.0	0.0
RIC	82.0	82.0	0.0	82.0	0.0
URI	593.2	593.2	0.0	593.2	0.0
Total	776.2	776.2	0.0	776.2	0.0
Grand Total	15,026.3	15,076.4	50.1	15,118.3	92.0

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Higher Education Assistance Authority
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Convention Center Authority
Economic Development Corporation
Ethics Commission
General Treasurer
Human Rights Commission
Labor and Training
Military Staff
Public Utilities Commission
Quonset Development Corporation

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Coastal Resources Management Council
Elementary and Secondary Education
Environmental Management
Narragansett Bay Commission
Resource Recovery Corporation

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Arts Council
Atomic Energy Commission
Behavioral Health, Developmental Disabilities,
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Historic Preservation and Heritage Commission
Human Services
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Child Advocate
Children, Youth, and Families
Commission on Deaf and Hard of Hearing
Commission on Disabilities
Health
Mental Health Advocate