



**SENATE FISCAL OFFICE
REPORT**

FY2016 BUDGET AS ENACTED

INCLUDING FY2015 REVISED BUDGET

AUGUST 12, 2015

Senate Committee on Finance

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EXECUTIVE SUMMARY

Executive Summary

| Expenditures by Source | FY2014 ° | FY2015 Enacted | FY2015 Revised | Change to | | |
|---------------------------------|------------------|------------------|------------------|-----------------|------------------|------------------|
| | | | | Enacted | FY2016 Enacted | |
| General Revenue | \$3,336.4 | \$3,445.2 | \$3,476.6 | \$31.5 | \$3,552.0 | \$106.8 |
| Federal Funds | 2,676.2 | 3,086.5 | 3,051.2 | (35.3) | 2,947.3 | (139.2) |
| Restricted Receipts | 222.1 | 283.1 | 283.6 | 0.6 | 245.5 | (37.6) |
| Other Funds | 1,820.7 | 1,965.4 | 1,919.7 | (45.7) | 1,920.7 | (44.8) |
| Total | \$8,055.4 | \$8,780.2 | \$8,731.2 | (\$49.0) | \$8,665.4 | (\$114.8) |
| Expenditures by Function | | | | | | |
| General Government | \$1,456.8 | \$1,513.4 | \$1,518.4 | \$5.0 | \$1,432.5 | (\$80.9) |
| Human Services | 3,335.3 | 3,743.1 | 3,720.4 | (22.7) | 3,721.4 | (21.7) |
| Education | 2,287.4 | 2,360.9 | 2,351.8 | (9.1) | 2,408.0 | 47.1 |
| Public Safety | 490.5 | 528.8 | 534.5 | 5.7 | 534.7 | 5.9 |
| Natural Resources | 83.9 | 108.8 | 116.6 | 7.8 | 105.0 | (3.8) |
| Transportation | 401.5 | 525.1 | 489.5 | (35.7) | 463.8 | (61.3) |
| Total | \$8,055.4 | \$8,780.2 | \$8,731.2 | (\$49.0) | \$8,665.4 | (\$114.8) |
| FTE Authorization | 15,100.3 | 15,086.0 | 15,100.7 | 14.7 | 15,118.4 | 32.4 |

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

The Budget is an \$8.7 billion all funds spending plan that in large part includes the Governor's recommended initiatives, including proposals to spur economic development, such as the Rebuild RI tax credit program and increased funding for an enhanced statewide tourism program, and restructure the State's health care and human services delivery systems, including the Medicaid program. The results of the May 2015 Revenue and Caseload Estimating Conferences provided an opportunity for the General Assembly to advance the Governor's proposals as well as develop new initiatives. Estimators projected that general revenues will increase by \$173.7 million between FY2015 and FY2016, as compared to the prior estimates from the November 2014 Revenue and Caseload Estimating Conferences.

In light of these results, the General Assembly rejected the Governor's proposal to divert \$20.7 million in excess reserve funds from quasi-public agencies to the general fund. The General Assembly was also able to forego establishing a statewide property tax on non-owner occupied homes valued at over \$1.0 million, as was proposed by the Governor (\$11.8 million). Lastly, the Budget maintains the transfer of \$19.0 million in tobacco bond proceeds to the Information Technology Investment Fund, instead of to the general fund, as was proposed by the Governor.

These initiatives, along with other changes, result in a surplus of approximately \$500,000 in FY2016.

| FY2016 Deficit Solution | General Revenue |
|------------------------------------|------------------|
| Projected deficit (July) | (\$172.9) |
| Nov REC/CEC | (23.7) |
| Current services adjustments | 6.2 |
| Projected deficit (January) | (\$190.4) |
| Governor's Budget Surplus | \$0.6 |
| May REC/CEC | 50.0 |
| Projected Surplus (May) | \$50.6 |
| Enacted Budget Initiatives | 50.1 |
| Projected Ending Balance | \$0.5 |

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

FY2015 SUPPLEMENTAL BUDGET

The all funds budget for FY2015 is \$8,731.2 million, \$108.4 million less than proposed by the Governor, and \$49.0 million less than enacted, primarily driven by decreases in federal and other funds. General revenues are \$3,476.6 million, \$11.8 million less than the Governor and \$31.5 million more than enacted.

The May 2015 Revenue Estimating Conference increased net available general revenues for the State for FY2015 by \$105.5 million more than the Governor's budget. The May 2015 Caseload Estimating Conference adopted medical and cash assistance expenditures \$16.9 million less in general revenue (\$156.2 million from all fund sources) than the Governor's budget.

The Budget includes the following major expenditures items:

Delay Debt Issuance: General revenue debt service is reduced by \$25.0 million from a delay in issuing general obligation bonds and certificates of participation.

Municipal Road and Bridge Revolving Fund: Provides an additional \$6.4 million for the Municipal Road and Bridge Revolving Fund in FY2015, for total funding of \$11.4 million in FY2015. The Budget does not include funding for this program in FY2016.

Additional Support for DCYF: The Budget includes \$9.8 million in additional general revenue funding for the Department of Children, Youth, and Families, which includes increased support for the System of Care networks and additional funding to offset increased costs for youth in foster care.

UHIP: The Budget funds the Unified Health Infrastructure Project (UHIP) with Information Technology Investment Fund (ITIF) funding and general revenue totaling \$12.8 million in FY2015 (an increase of \$4.4 million in state funds from the ITIF over the FY2015 Enacted Budget).

Developmentally Disabled: The Budget includes \$4.2 million in additional general revenue funding for services for individuals with developmental disabilities. The program's deficit is primarily due to an increase in caseload and a change in service mix towards more expensive services as mandated by the federal Department of Justice's consent decree.

Correctional Officer Cost-of-Living Adjustments: The Budget includes \$4.6 in general revenue funding for estimated cost-of-living adjustments (COLA) that all members of the Rhode Island Brotherhood of Correctional Officers will receive once a contract has been finalized. The increase assumes a 2.0 percent COLA, consistent with the adjustments other state employees recently received. RIBCO is currently in contract negotiations with the State.

Correctional Officer Training Class: The FY2015 revised budget does not include a training class due to the ongoing U.S. Department of Justice lawsuit over bias in testing materials used by DOC; recruitment activities (marketing and advertising) is funded in FY2015 (\$104,000). The Budget includes savings of \$702,000.

Increased Inmate Population Expenditures: The Budget includes \$1.5 million for operating expenses due to an increase in average daily inmate population from the enacted level of 3,170 to 3,192 for FY2015, or 69 inmates (2.2 percent). Operating expenditures increase for food (336,099); inmate clothing (\$100,069); pharmaceuticals (\$463,742); medical supplies (\$38,801; and contract services (\$462,843).

State Police Cost-of-Living Adjustments: The Budget includes an increase of \$1.4 million in general revenue funding for estimated cost-of-living adjustments (COLA) for the State Police once the Rhode Island Trooper Association contract has been finalized. The assumed salary increase is consistent with the COLA (2.0 percent) other state employees recently received. The State Police are currently in contract negotiations with the State.

FY2016 BUDGET

The FY2016 Budget is \$8,665.4 million, a reduction of \$114.8 million from all fund sources as compared to the FY2015 Enacted Budget. General revenues are \$3,552.0 million, \$106.8 million more than enacted. The increase in the Hospital Licensing Fee (\$13.0 million) and results of the May Revenue Estimating Conference (\$36.4 million) added to available revenue. Specific revenue and expenditure changes to the FY2015 Enacted Budget are outlined below.

Major Revenue Changes

Commercial Energy Sales Tax: Eliminates sales tax on energy used by all businesses, a general revenue decrease of \$24.4 million.

Hospital Licensing Fee Increase: Increases the fee from \$13.0 million to \$26.0 million, a general revenue increase of \$13.0 million.

Social Security - Tax Exemptions: Establishes the income limits for single and married individuals to qualify for tax exemptions on certain taxable social security benefits, resulting in a revenue decrease of \$9.4 million.

Alcohol Taxes: Permanently sets the current alcohol sales and excise tax rates in law, which would have sunset June 30, 2015, and reverted back to pre-FY2014 rates (\$7.9 million).

Cigarette Excise Taxes: Increases the excise tax on cigarettes by \$0.25, which raises the tax from \$5.50 to \$3.75 per pack of twenty.

Hotel Tax Changes and Tourism Funding: Expands the taxable hotel base, increasing revenue collections from sales and use, hotel, and occupancy taxes (occupancy taxes are passed through back to municipalities where the tax was collected). The Budget also reallocates the distribution of hotel tax proceeds, which includes shifting hotel tax general revenue collections to the Commerce Corporation to fund tourism and marketing programs. The net revenue change is an increase of \$3.3 million.

Earned Income Tax Credit: Authorizes eligible taxpayers to claim 12.5 percent of the allowable federal earned income tax credit (EITC) beginning in TY2016, an increase from the current amount of 10.0 percent, a general revenue decrease of \$3.0 million.

Outpatient Facilities and Imaging Services Surcharge: Removes the 2.0 percent net patient revenue surcharge on outpatient facilities and imaging services, a general revenue decrease of \$2.3 million.

Minimum Corporate Tax Rate: Reduces the minimum corporate tax rate from \$500 to \$450; a general revenue decrease of \$1.6 million.

Newport Grand Marketing Expenses: Expands State participation in the lottery marketing program, increasing the State's share of marketing expenses at Newport Grand; a cost of \$760,000.

Major Expenditure Changes

The Budget includes the following major expenditure items, including statewide changes and changes at the agency level:

Personnel Reforms: The Budget includes \$5.0 million in general revenue savings from personnel reforms.

Pension Settlement: The settlement provides risk avoidance and security for retirees and State employees. In June, Moody's Investor's Service called the settlement a "credit positive."

Information Technology Investment Fund: The Budget invests \$26.3 million in proceeds from the Tobacco Settlement Financing Corporation be deposited into the Information Technology Investment Fund.

Economic Development

Economic Development Programs: Establishes several Economic Development Initiatives under the Executive Office of Commerce. This includes \$25.5 million to catalyze development for the former I-195 highway land, \$5.5 million for a state-backed Small Business Assessment Program, \$5.0 million to create the First Wave Closing Fund, and \$1.8 million to establish the Anchor Tax Credit Program.

Rebuild RI: Includes \$1.0 million in general revenue for the Rebuild Rhode Island Tax Credit Fund to be used to pay the redemption of tax credits or to reimburse the State for tax credits applied to a taxpayer's liability. The Rebuild Rhode Island Tax Credit is a new tax credit to be administered by the Commerce Corporation, intended to promote investment in real estate development for commercial and/or residential use. The Budget also caps the amount of credits at \$15.0 million per project.

Rhode Island New Qualified Jobs Incentive Program: Adds a new jobs incentive program that provides tax credits based on the number of new jobs a business adds or creates, subject to certain thresholds.

Transparency and Reporting Requirements: Establishes transparency measures and reporting requirements for economic development incentives and programs. The initiatives sunset on December 31, 2018.

Sustainable Transportation Funding and Other Transportation Issues

DMV Fee Transfer: Consistent with current law, the Budget maintains a transfer of \$13.0 million from transportation fees collected by the Division of Motor Vehicles to the Highway Maintenance Account in the Department of Transportation.

RIDOT Organization: Changes the organizational functions of RIDOT by establishing a project management-based program and an asset management system.

RIPTA Operating Deficit Offset: Adds \$2.0 million in general revenue for the Rhode Island Public Transit Authority (RIPTA) to help reduce an anticipated operating deficit.

License Plate Reissuance: Includes \$3.0 million in general revenue in the Department of Revenue (DOR) for startup costs related to the production of the new plates in FY2016.

Education

All Day Kindergarten: Requires all districts to provide full-day kindergarten by August 2016, and includes \$1.2 million for costs associated with transitioning to full-day programs.

School Building Authority: Establishes a School Building Authority and Capital Fund to reduce reliance on borrowing and prioritize funding for school construction projects. FY2016 includes \$20.0 million to capitalize the Fund.

RIC Budget Gap: Adds \$300,000 for Rhode Island College to help close a budget gap.

Polaris MEP: Adds a \$350,000 community service grant to enable Polaris Manufacturing Extension Partnership (Polaris MEP) to improve manufacturing processes for small Rhode Island manufacturers.

Eliminate RIHEAA: Eliminates the Rhode Island Higher Education Assistance Authority (RIHEAA) and transfers the powers and programs to a newly-created Division of Higher Education Assistance (DHEA) within the Office of the Postsecondary Commissioner (OPC) and to the Office of the General Treasurer.

Municipal Aid

PILOT Program: Funds the Payment in Lieu of Taxes (PILOT) program at the FY2015 level of \$40.1 million.

Property Revaluation Reimbursement: Includes \$1.8 million to reimburse municipalities for a portion of statistical property revaluation costs. This is an increase of \$1.1 million over the FY2015 Budget as Enacted.

Health Care and Human Services

Reinventing Medicaid: The Budget includes over 40 initiatives, including rate increases, payment reforms, and improved processes that result in \$55.3 million in general revenue Medicaid savings (\$112.7 million all funds). These initiatives are based on the recommendations of the Working Group to Reinvent Medicaid, a group of twenty-nine stakeholders charged by the Governor with developing reductions for FY2016 as well as a long range plan for improving care, improving outcomes and reducing costs of the Medicaid program.

HealthSource RI: Creates a funding source for the state-based health insurance marketplace, HealthSource RI (HSRI). The Department of Administration (DOA) is authorized to assess individual and small group health insurance and dental plans purchased through an assessment that mirrors that assessed on insurers offering insurance on the federal insurance marketplace. The Budget supplements this new assessment revenue with \$2.6 million general revenue. It establishes HSRI in statute and requires insurers to offer policies that exclude abortion coverage.

Child Care Providers: Child care provider rates increase by 3.0 percent for those participating in the Child Care Assistance Program (\$1.7 million in general revenue, \$2.2 million from all fund sources).

On the Job Training Child Care Assistance: Eliminates the sunset for the “Back to Work RI” Child Care Assistance Program, which provides child care subsidies to parents engaged in approved work-preparedness activities (approximately \$200,000 in federal funds).

Foster Care Support: Increases support for foster parents for the first time in 14 years. This will raise the foster care board rate by an average of \$1.00 per day (\$1.6 million in general revenue).

State SSI Payments: Adds \$301,320 to increase SSI state supplemental payments for those residing in assisted living facilities that are eligible for Medicaid-funded long term services and supports (LTSS) from \$332.00 to \$465.00 (\$797 for those under 120 percent of the federal poverty level). The Budget also adds a new eligibility category for those eligible for LTSS but living in the community in adult supportive housing.

Public Safety

Fire Marshal Personnel: Within the Fire Marshal’s office, the Budget shifts \$304,374 in personnel expenditures from restricted receipts back to general revenue.

Attorney General - Office Renovations: Authorizes the Department of Attorney General to spend \$6.0 million in Google forfeiture funds for office space renovations at both the headquarters building in Providence and secondary office space at the Pastore Complex in Cranston.

Corrections – Overtime and Personnel Costs: Increases personnel costs by \$2.7 million for additional overtime at institutions. Additionally, the Budget shifts \$406,789 in personnel costs associated with construction projects from general revenue to RICAP funds. The Budget also includes \$6.7 million in cost of living and salary increases assumed to be awarded once the Rhode Island Brotherhood of Correctional Officers contract is finalized.

Correctional Officer Training Class: The Budget includes \$809,602 to fully fund a correctional officer class despite uncertainty regarding the litigation between the State and U.S. Department of Justice concerning the fairness of the correctional officer examination process.

State Police Training Class: The Budget includes \$1.2 million to fund the 56th State Police Training Academy of 40 recruits. The recommendation includes \$390,835 in Google forfeiture funds for equipment and additional services.

State Police COLA: The Budget includes \$1.1 million for cost-of-living increases assumed to be awarded once the Rhode Island Trooper Association contract is finalized.

Natural Resources

Rhode Island Infrastructure Bank: Through Article 14, the Budget renames the Clean Water Finance Agency (CWFA) the Rhode Island Infrastructure Bank (RIIB), as of September 1, 2015, and expands the agency's functions to include the administration of a residential and commercial Property Assessed Clean Energy program, as expanded to include commercial properties; a new Efficient Buildings Fund; a potential brownfields revolving fund; and a storm water loan program for private commercial borrowers, consistent with changes to the federal program.

DEM Capital Consolidation: Reverses the Governor's proposal to consolidate construction, property, and asset management functions of the Department of Environmental Management within the Department of Administration.

Community Service Grants: Increases community service grants by \$450,000 to provide \$250,000 for improvements to the athletic field in Woonsocket and \$200,000 for North Providence drainage remediation. The Woonsocket grant was provided in FY2015 but was excluded from the recommended budget on the assumption that it was a one-time grant.



DEPARTMENTAL SUMMARIES

Department of Administration

| Expenditures by Program | FY2014 | FY2015 | FY2015 | Change from | | FY2016 | Change from | |
|--|----------------|----------------|----------------|---------------|-------------|----------------|-----------------|---------------|
| | Actual | Enacted | Revised | Enacted | | Enacted | Enacted | |
| Accounts & Control | \$3.7 | \$4.0 | \$3.8 | (\$0.2) | -5.0% | \$4.1 | \$0.1 | 2.5% |
| Auditing | 1.3 | 1.4 | 1.4 | - | 0.0% | 1.5 | 0.1 | 7.1% |
| Budget/Office of Management and Budget | 3.5 | 4.1 | 4.3 | 0.2 | 4.9% | 4.1 | - | 0.0% |
| Construction Permitting, Approvals and Licensing | 2.6 | 2.8 | 2.8 | - | 0.0% | 3.0 | 0.2 | 0.0% |
| Capital Projects and Property Management | 1.3 | 1.3 | 1.3 | - | 0.0% | 3.6 | 2.3 | 176.9% |
| Central Management | 2.6 | 2.5 | 3.2 | 0.7 | 28.0% | 3.8 | 1.3 | 52.0% |
| Debt Service Payments | 189.4 | 219.3 | 193.2 | (26.1) | -11.9% | 150.3 | (69.0) | -31.5% |
| Energy Resources | 10.3 | 5.7 | 10.8 | 5.1 | 89.5% | 10.6 | 4.9 | 86.0% |
| Facilities Management | 36.4 | 35.7 | 39.0 | 3.3 | 9.2% | 37.7 | 2.0 | 5.6% |
| General | 49.6 | 60.5 | 54.3 | (6.2) | -10.2% | 61.7 | 1.2 | 2.0% |
| Human Resources | 10.4 | 10.6 | 10.1 | (0.5) | -4.7% | 10.4 | (0.2) | -1.9% |
| Information Technology | 31.8 | 33.8 | 43.8 | 10.0 | 29.6% | 40.0 | 6.2 | 18.3% |
| Legal Services | 2.4 | 2.0 | 2.1 | 0.1 | 5.0% | 2.1 | 0.1 | 5.0% |
| Library and Information Services | 2.1 | 2.0 | 2.1 | 0.1 | 5.0% | 2.4 | 0.4 | 20.0% |
| Personnel Appeal Board | 0.1 | 0.1 | 0.1 | - | 0.0% | 0.1 | - | 0.0% |
| Personnel Reform | - | - | - | - | 0.0% | (8.2) | (8.2) | 0.0% |
| Planning | 14.5 | 20.9 | 28.0 | 7.1 | 34.0% | 5.6 | (15.3) | -73.2% |
| Purchasing | 3.1 | 3.0 | 2.9 | (0.1) | -3.3% | 3.1 | 0.1 | 3.3% |
| Rhode Island Health Benefits Exchange | 47.3 | 23.4 | 52.5 | 29.1 | 0.0% | 30.9 | 7.5 | 0.0% |
| Salary and Benefit Adjustments | - | (8.3) | - | 8.3 | 0.0% | - | 8.3 | 0.0% |
| Office of Diversity, Equity, and Opportunity | - | 0.9 | 1.0 | 0.1 | 0.0% | 1.2 | 0.3 | 0.0% |
| Total | \$412.4 | \$425.7 | \$456.7 | \$31.0 | 7.3% | \$368.0 | (\$57.7) | -13.6% |

| Expenditures by Source | | | | | | | | |
|------------------------|----------------|----------------|----------------|---------------|-------------|----------------|-----------------|---------------|
| General Revenue | \$259.2 | \$268.8 | \$250.0 | (\$18.8) | -7.0% | \$197.5 | (\$71.3) | -26.5% |
| Federal Funds | 72.7 | 51.5 | 89.2 | 37.7 | 73.2% | 43.3 | (8.2) | -15.9% |
| Restricted Receipts | 15.9 | 36.4 | 33.4 | (3.0) | -8.2% | 28.9 | (7.5) | -20.6% |
| Other Funds | 64.6 | 69.0 | 84.1 | 15.1 | 21.9% | 98.3 | 29.3 | 42.5% |
| Total | \$412.4 | \$425.7 | \$456.7 | \$31.0 | 7.3% | \$368.0 | (\$57.7) | -13.6% |

Authorized FTE Levels 720.7 710.7 710.7 - 0.0% 711.7 1.0 0.1%
\$ 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 21 sub-programs with specific functions.

MAJOR ISSUES AND TRENDS FOR FY2016

The Budget shifts funding, programs, and personnel from two programs in the Department of Administration to the newly created Executive Office of Commerce. This includes the transfer of 11.0 FTE positions along with \$23.0 million in all funds (\$8.3 million in general revenue) to support the transferred personnel and functions for Housing and Community Development and the pass-through line items associated with the Rhode Island Commerce Corporation.

The Budget consolidates capital oversight, currently administered in several agencies, by shifting the personnel funding for 7.0 FTE positions into the Department's Capital Projects and Property Management program. The Budget also adds 1.0 FTE Architect position in the State Building Code Commission to review I-195 Redevelopment District projects to ensure there are no delays with any proposed project and recommends funding the new position through the \$25.0 million I-195 Redevelopment Fund.

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 maintains 37.0 FTE positions in FY2015 and FY2016, consistent with the enacted level.

| Accounts and Control | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$3,973,748 |
| <i>Target and Other Adjustments</i> | <i>106,395</i> |
| FY2016 Enacted | \$4,080,143 |

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 maintains 12.0 FTE positions in FY2015 and FY2016, consistent with the enacted level.

| Auditing | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$1,434,565 |
| <i>Target and Other Adjustments</i> | <i>41,697</i> |
| FY2016 Enacted | \$1,476,262 |

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 environments.

The Budget maintains 31.0 positions in FY2015 and 31.0 FTE positions in FY2016, consistent with the enacted level.

| Office of Management and Budget | General Revenue |
|--|------------------------|
| FY2015 Enacted | \$4,018,136 |
| <i>Target and Other Adjustments</i> | |
| | 221,577 |
| Electronic Local Permitting Initiative | (302,000) |
| Turnover Restoration | 136,000 |
| Contracted Services | 73,000 |
| Regulatory Reform Ombudsman | Informational |
| FY2016 Enacted | \$4,146,713 |

Electronic Local Permitting Initiative ***(\$302,000)***

The Budget does not include an appropriation to fund the Electronic Local Permitting Initiative as a separate project in the Office of Management and Budget. Instead the project will be funded through the State's IT Investment Fund. This results in a decrease of \$302,000 from the FY2015 Budget as Enacted. The Initiative establishes a uniform web-based system for electronic plan review of the State's and municipalities' building plans, permit management, and building inspection methods using 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.

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

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

The FY2013 through FY2015 budgets included \$900,000 in general revenue to fund an e-permitting technology provider. These funds are dedicated to Phase I of the pilot program. According to the Office of Regulatory Reform, the project activity to date has been:

- Assembled a project team including representatives from the State Building Code Commission, Office of the State Fire Marshal, Office of Regulatory Reform, Office of Digital Excellence, Division of Information Technology, and Division of Planning.
- Reviewed and process-mapped permits from the Building Commission and Fire Marshal.
- Provided 3 communities with early support in mapping and streamlining permit processes, namely Pawtucket, North Kingstown, and North Smithfield.
- Participated in user demonstrations of e-permitting systems currently in use around New England.
- Secured a \$50,000 grant from the Rhode Island Foundation to purchase and upgrade technology used by the Building Commissioner and Fire Marshal.
- Drafted and issued a comprehensive RFP, which included just under 60 pages of system requirements.
- Reviewed and scored vendors based on RFP submissions and live product demonstrations.
- Issued a tentative letter of award; and
- Received an application from and interviewed 26 cities and towns to become a pilot community.

In December 2014, ORR announced the 10 pilot communities. They include Cranston, Pawtucket, Newport, Warwick, North Kingstown, West Warwick, North Providence, Westerly, North Smithfield, and Woonsocket.

Turnover Restoration **\$136,000**

The current services adjustment when developing the FY2016 budget target included the restoration of \$136,000 in unachieved turnover savings that were anticipated to occur and included in the FY2015 Budget as Enacted.

Contracted Services **\$73,000**

The Budget reflects a net increase of \$73,000 in general revenues for contracted professional services in the Office of Management and Budget (OMB). This includes an increase of \$50,000 for outside legal costs for the Office of Regulatory Reform to assist the office in its review of recommendations to amend general laws or regulations, a decrease of \$2,000 to hire economists, and an additional \$25,000 to continue funding the statewide LEAN process improvement program administered by OMB. The LEAN process improvement program allows State agencies to submit an application to OMB to use the LEAN process improvement program and to conduct the review. The additional \$25,000 increases the appropriation to \$100,000 for the LEAN process improvement program.

Regulatory Reform Ombudsman **Informational**

The Budget restores \$108,517 in general revenue for salary and benefits to maintain the 1.0 FTE Programming Services Officer (Small Business Ombudsman) position in the Office of Management and Budget, in the Department of Administration. The Governor proposed shifting this position to the Department of Business Regulation. The responsibility of the Ombudsman is to help customers of the regulatory system understand regulatory requirements, advocate for small businesses, and act as a catalyst to remove barriers to conducting business in the State.

CONSTRUCTION PERMITTING, APPROVALS, AND LICENSING

The Division of Construction Permitting, Approvals, and Licensing, consists of the following subprograms: State Building Code Commission, Contractor’s Registration Board, and the Fire Code Board of Appeal. The Budget includes 24.0 FTE positions in FY2015 and 25.0 FTE positions in FY2016, reflecting the addition of 1.0 FTE Architect position in the State Building Code Commission to review I-195 Redevelopment District projects. The new position is added to ensure there are no delays with any proposed project and funds the position through the proposed \$25.0 million I-195 Redevelopment Fund. Once the I-195 Redevelopment Fund is expended, funding for the added position, if still required, would need to be added to the Department’s annual budget.

- 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 |
|--|------------------------|
| FY2015 Enacted | \$1,483,525 |
| <i>Target and Other Adjustments</i> | <i>\$17,391</i> |
| Staff Training | 114,500 |
| FY2016 Enacted | \$1,615,416 |

Staff Training**\$114,500**

The Budget adds \$114,500 in general revenue to provide Building Code Commission training opportunities.

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 includes 9.0 FTE positions in FY2015 and 11.0 FTE positions in FY2016, reflecting the addition of 1.0 FTE Buyer position and 1.0 Chief Implementation Aide position to support the capital consolidation.

| Capital Projects and Property Management | General Revenue |
|--|------------------------|
| FY2015 Enacted | \$1,252,875 |
| <i>Target and Other Adjustments</i> | <i>81,659</i> |
| Capital Consolidation New Positions and Cost Allocations | 1,633,282 |
| FY2016 Enacted | \$2,967,816 |

Capital Consolidation New Positions and Cost Allocation**\$1.6 million**

The Budget consolidates the statewide capital oversight, currently administered in several agencies, into the Department's Capital Projects and Property Management program. This increases the FTE position oversight level in the program from 9.0 FTE positions that are currently in the Capital Projects and Property Management program to 26.0 FTE positions.

The Budget shifts the oversight of 7.0 FTE positions and \$412,665 in general revenue from three state agencies (BHDDH, Transportation, and Corrections) to the Capital Projects and Property Management program.

Analyst's Note: Although the funding and administration of these FTE positions shift to the Department of Administration, the employees will remain in their respective agencies.

In addition, the Budget adds a 1.0 FTE Buyer position (\$82,173) and 1.0 Chief Implementation Aide position (\$103,275) in the Capital Projects and Property Management program, and fills a vacant unfunded 1.0 Business Management Officer position in Central Management to support the capital consolidation. Funding for the Business Management Officer position will remain in the Central Management program.

| FTE Positions Under Capital Projects | | General Revenue |
|--|-------------|------------------------|
| Administration - Capital Projects (Current Staff Level) | 9.0 | \$0 |
| Administration - Capital Projects (New Positions) | 2.0 | 185,448 |
| Administration - Facilities Management (Cost Allocation Shift) | 7.0 | 1,035,169 |
| Administration - Central Business Office | 1.0 | - |
| Transportation | 3.0 | - |
| BHDDH | 2.0 | 170,614 |
| Corrections | 2.0 | 242,051 |
| Total | 26.0 | \$1,633,282 |

Lastly, the Budget shifts 7.0 FTE positions and \$1.0 million from the Facilities Management program, to Capital Projects and Property Management program as part of the capital consolidation. These positions include:

| Facilities Management Shift Within DOA | FTE |
|--|------------|
| Implementation Directory-Policy & Programs | 1.0 |
| Project Manager I (DOA) | 4.0 |
| Deputy Chief Division of Facilities Management | 1.0 |
| Chief Property Management | 1.0 |
| Total | 7.0 |

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 includes 27.0 FTE positions in FY2015 and 28.0 FTE positions in FY2016, reflecting the addition of 1.0 FTE Chief of Information and Public Relations position.

| Central Management | General Revenue |
|---|------------------------|
| FY2015 Enacted | \$2,502,964 |
| <i>Target and Other Adjustments</i> | <i>146,264</i> |
| Employee Classification Study | 500,000 |
| Turnover Restoration | 405,000 |
| Chief of Information and Public Relations | 97,186 |
| Business Management Officer | 93,947 |
| HealthSource RI Cost Allocation Reimbursement | 45,582 |
| FY2016 Enacted | \$3,790,943 |

Employee Classification Study

\$500,000

The Budget includes \$500,000 in general revenue to fund the second half of a two-year Employee Classification Study. This is an increase of \$500,000 from the FY2015 Budget as Enacted. The study was one of the recommendations received from the recently completed personnel study performed by The Segal Group. The total cost of the study is \$1.0 million. The Budget includes \$500,000 as part of FY2015 Revised Budget to begin the first half of the study.

The Department of Administration undertook a comprehensive analysis of the State's personnel system before the close of FY2013, to recommend alternatives to what some believe 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 that was awarded to The Segal Group. 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, \$500,000 was appropriated in the FY2014 Revised Budget to fund an Employee Classification Study and an Employee Compensation Study. The goal of the Employee Classification Study is to restructure the State employee classification system and develop a new system that clearly defines jobs, has a more understandable job classification system, and contains up-to-date position descriptions; to develop appropriate methods to identify the labor market for the job classification comparison; and to determine the right job compensation for the job classification with the goal of attracting and retaining quality employees. The new plan will establish performance standards and appropriate assessment measures for each class of positions.

Turnover Restoration ***\$405,000***

The current services adjustment when developing the FY2016 budget target included the restoration of \$405,000 in unachieved turnover savings that were anticipated to occur and included in the FY2015 Budget as Enacted.

Chief of Information and Public Relations ***\$97,186***

The Budget adds \$97,186 in general revenue and recommends the addition of a 1.0 FTE Chief of Information and Public Relations position to assist the Director with departmental communications. The increase reflects \$57,041 for salary and \$40,145 for benefits.

Business Management Officer ***\$93,947***

The Budget consolidates the statewide capital oversight into the Department’s Capital Projects and Property Management program. As part of the consolidation, the Budget fills a vacant unfunded 1.0 Business Management Officer position in Central Management to support the capital consolidation, resulting in an increase of \$93,947 in general revenue for salary and benefits.

HealthSource RI Cost Allocation Reimbursement ***\$45,582***

The Budget includes \$45,582 in general revenue for the costs incurred by the Central Business Office for the HealthSource RI. Previously, the Central Business Office received a federal reimbursement for operating costs to the State. However, the January 1, 2015, Notice of Grant Award notification from the federal government, informed the State that the federal government will no longer reimburse states for operating costs associated with the health benefit exchanges in FY2016. Therefore, general revenue funds are required to cover operating costs incurred by the Central Business Office for HealthSource RI.

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 |
|--------------------------------------|------------------------|
| FY2015 Enacted | \$168,055,031 |
| <i>Target and Other Adjustments</i> | |
| G. O. Debt Restructuring | (60,387) |
| Other Debt Service Changes | (64,458,000) |
| Certificates of Participation (COPs) | (6,572,782) |
| FY2016 Enacted | 2,173,314 |
| | \$99,137,176 |

G. O. Debt Restructuring **(\$64.5 million)**

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

The State will issue new debt that will be used to pre-pay prior bonds. Under the proposal, the State will defer payment of \$64.5 million of principal in FY2016 and \$23.5 million in FY2017 to subsequent fiscal years. This will be offset by an increase in interest due on outstanding debt by approximately \$4.1 million in FY2017. Principal and interest would increase \$10.0 million in FY2018, be lower in FY2019, and then increase to approximately \$15.0 million per year from FY2020 to FY2025 as compared to the current debt structure. The restructuring will result in the State paying an increase of \$13.6 million in debt service payments over the life of the debt relative to the current schedules.

Other Debt Service Changes **(\$6.6 million)**

The Budget includes \$6.6 million in additional general revenue savings on various debt issuances, including a reduction of \$1.8 million realized by deferring the issuance of new G. O. Bond debt until later in the fiscal year to avoid new debt service cost within the fiscal year, and a reduction of \$1.3 million in Rhode Island Airport Corporation debt service.

Certificates of Participation (COPs) **\$2.2 million**

The Budget includes \$31.6 million in general revenue to cover the debt service on nine projects financed through Certificates of Participation (COPs). This reflects an increase of \$2.2 million from the FY2015 Budget as Enacted, and includes the shift of \$1.2 million in general revenue certificates of participation debt service payments for the Rhode Island School for the Deaf from FY2015 to FY2016.

| Row Labels | FY2015 Enacted | FY2016 Enacted | Change |
|--|---------------------------|---------------------------|--------------------|
| COPS - Attorney General - Debt Service | \$326,826 | \$162,898 | (\$163,928) |
| Shepherd Building Lease Payment | 2,960,750 | 2,986,250 | 25,500 |
| BHDDH - Power Plant | 2,254,187 | 2,253,313 | (874) |
| COPS - DCYF Training School | 3,095,250 | 3,091,850 | (3,400) |
| COPS - Energy Conservation | 7,051,148 | 6,823,563 | (227,585) |
| COPS - Kent County Courthouse | 2,876,050 | 2,877,750 | 1,700 |
| COPS - School for the Deaf | 2,480,250 | 3,483,670 | 1,003,420 |
| COPS - Technology | 7,045,994 | 8,585,525 | 1,539,531 |
| COPS - Traffic Tribunal - Debt Service | 1,320,650 | 1,319,600 | (1,050) |
| Grand Total | \$29,411,105 | \$31,584,419 | \$2,173,314 |

OFFICE OF ENERGY RESOURCES

The Office of Energy Resources (OER) and the Energy Efficiency and Resource Management Council (EERMC) were established statutorily in 2006 to replace the former State Energy Office. The OER

provides comprehensive, integrated, development, administration and oversight of ongoing energy policies, plans, and programs to meet state and federal requirements and to provide policy guidance to executive leadership. There are no general revenue appropriations in the Office of Energy Resources. The Budget includes 10.0 FTE positions in FY2015 and 11.0 FTE positions in FY2016, reflecting the addition of a 1.0 Chief Program Development position.

| Office of Energy Resources | Other Fund Changes |
|------------------------------------|---------------------------|
| Regional Greenhouse Gas Initiative | \$4,700,000 |
| New Position | 116,869 |

Regional Greenhouse Gas Initiative (restricted receipts) \$4.7 million

The Budget includes \$8.7 million in restricted receipts for grant awards as part of the Regional Greenhouse Gas Initiative (RGGI). This reflects an increase of \$4.7 million over the FY2015 Budget as Enacted. The Office of Energy Resources (OER) received additional resources from the RGGI emissions auctions in calendar years 2013 and 2014. The increase in the RGGI allocation to the State allows OER to increase the grant program to promote energy efficiency projects.

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

New Position (restricted receipts) \$116,869

The Budget adds \$116,869 in restricted receipts to support a new 1.0 FTE Chief Program Development position. The position will be responsible for planning, program development and research for the various programs of OER.

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 maintains 116.5 positions in FY2015 and FY2016.

| Facilities Management | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$30,790,738 |
| <i>Target and Other Adjustments</i> | 415,925 |
| Capital Center Utilities | 706,911 |
| Operating Expenses Net of Utilities | 258,778 |
| FY2016 Enacted | \$32,172,352 |

Capital Center Utilities \$706,911

The Budget includes \$13.8 million for Capital Center utility expenses, reflecting an increase of \$706,911 from the FY2015 Budget as Enacted. The enacted appropriation is based on forecasted commodity and utility expenditures.

| Capital Center Utility Expenses | FY2015 Enacted | FY2016 Enacted | Change |
|--|-----------------------|-----------------------|------------------|
| CUF: Overhead | \$1,386,277 | \$1,774,167 | \$387,890 |
| Electricity | 206,421 | 262,480 | 56,059 |
| Fuel: Natural Gas | 7,811,648 | 8,000,000 | 188,352 |
| Fuel: Oil #2 - Home Heating Oil | 251,602 | 190,608 | (60,994) |
| Fuel: Oil #6 - Bunker 'C' | 497,400 | 280,000 | (217,400) |
| Fuel: Wood Chips | 189,841 | 350,000 | 160,159 |
| Sewer Use | 1,706,053 | 1,672,408 | (33,645) |
| Telecomm: Overhead | 10,524 | 10,321 | (203) |
| Telephone and Telegraph | 1,408 | 1,240 | (168) |
| Water | 994,800 | 1,221,661 | 226,861 |
| Total | \$13,055,974 | \$13,762,885 | \$706,911 |

Operating Expenses Net of Utilities**\$258,778**

The Budget includes a net increase of \$258,778 in general revenue, reflecting operating expenses net of utility expenses. The majority of the adjustments occur within three natural accounts.

| Operating Expenses | FY2015 Enacted | FY2016 Enacted | Change |
|--------------------------------|-----------------------|-----------------------|------------------|
| Building Maintenance & Repairs | \$584,445 | \$906,418 | \$321,973 |
| Insurance: Property/Casualty | 33,575 | 52,822 | 19,247 |
| Janitorial Supplies & Equip | 219,685 | 170,657 | (49,028) |
| All Other Adjustments | 1,033,093 | 999,679 | (\$33,414) |
| Total | \$1,870,798 | \$2,129,576 | \$258,778 |

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 Commerce Corporation, the Slater Centers of Excellence and the RI Research Alliance. The Budget includes 2.6 FTE positions in FY2015 and 0.0 FTE positions in FY2016, reflecting the transfer of 2.6 FTE positions in the Rhode Island Film and Television Office to the Rhode Island Council on the Arts.

| General | General Revenue |
|--|------------------------|
| FY2015 Enacted | \$23,176,469 |
| <i>Target and Other Adjustments</i> | |
| | - |
| RI Commerce Corporation | (4,044,514) |
| Rhode Island Public Transit Authority | 2,000,000 |
| EPScore | (1,150,000) |
| Airport Impact Aid | (1,025,000) |
| Community Service Objectives | 825,000 |
| Commerce RI - Volvo Ocean Race | (775,000) |
| Commerce RI - Community Service Objectives | (723,550) |
| Innovative Matching Grants | (500,000) |
| Library Construction Aid | 331,711 |
| RI Film and Television Office | (310,312) |
| I-195 Redevelopment District Commission | (301,000) |
| Health Information Exchange | (225,000) |
| Slater Centers of Excellence | (150,000) |
| FY2016 Enacted | \$17,128,804 |

RI Commerce Corporation ***(\$4.0 million)***

The Budget shifts \$4.0 million and the administration of the Rhode Island Commerce Corporation (Commerce RI) from the General program in the Department of Administration to the Executive Office of Commerce. The Rhode Island Commerce Corporation is a quasi-public entity charged with enhancing the delivery, performance, and accountability of the State's economic development activities. Commerce RI is administered by a 13-member Board of Directors and is chaired by the Governor. Commerce RI is responsible for managing the Industrial Facilities Corporation, Industrial-Recreational Building Authority, and the Small Business Loan Fund Corporation. In addition, the Corporation provides staff support to the Renewable Energy Fund, and the Rhode Island Science and Technology Advisory Council.

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

The Budget includes \$2.0 million in general revenue for the Rhode Island Public Transit Authority (RIPTA) to help reduce anticipated operating deficits. The Authority is projecting a deficit of \$5.6 million in FY2016. RIPTA is experiencing a major decline in revenues due to the introduction of a transportation broker. Under the new contract, rather than being the exclusive provider of elderly, disabled, and RIte Care transportation, RIPTA is now just one of twenty vendors subcontracted by LogistiCare to provide these transportation services. During the first ten months of the new program, ridership in RIPTA's paratransit program has decreased by 33.6 percent, and income has decreased by 29.1 percent.

EPScore ***(\$1.2 million)***

The Budget shifts \$1.2 million of the State's match to the National Science Foundation's Experimental Program to Stimulate Competitive Research (EPsCor) from the General program in the Department of Administration to the Executive Office of Commerce.

Airport Impact Aid ***(\$1.0 million)***

The Budget shifts \$1.0 million for the Airport Impact Aid from the General program in the Department of Administration to the Executive Office of Commerce. Airport impact aid payments to municipalities that have airports are level funded at approximately \$1.0 million for FY2015. The funding is provided annually through Article 1 of the budget and flows through the Rhode Island Commerce Corporation. The aid is distributed based upon a statutory formula that provides 60.0 percent of the first \$1.0 million (\$600,000) for communities with airports serving more than 1.0 million passengers per year. T.F. Green is the only airport in the State that meets this threshold. The remaining 40.0 percent is distributed to

communities based on each airport's share of total landings in a calendar year, including T.F. Green. No community that hosts an airport receives less than \$25,000.

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

The Budget adds \$825,000 in general revenue for community service grants within the Department of Administration. This includes \$125,000 to the Center for Women and Enterprise, \$300,000 to the Adams Library in Central Falls, \$300,000 for Central Falls shared services, and \$100,000 for planning support to the City of Cranston.

Commerce RI – Volvo Ocean Race **(\$775,000)**

The Budget eliminates \$775,000 in general revenue to support the Volvo Ocean Race international sailing competition in Newport. The yachting race is in its 12th edition and is a circumnavigation of the world. Newport, Rhode Island, was one of the stops in the round-the-world race. At each “leg” of the race, the sailors and yachts conduct an “in port” race. The race occurred in May 2015 and funding is not required in FY2016.

Commerce RI - Community Service Objectives **(\$723,550)**

The Budget shifts \$723,550 in general revenue to fund fifteen community service grants appropriated in the General program in the Department of Administration to the Executive Office of Commerce. This results in a reduction of \$723,550 in general revenue in the Department of Administration.

| Community Service Objectives | FY2016 |
|---|------------------|
| Bristol 4th Of July Parade | \$2,636 |
| Capital Center Commission | 12,169 |
| Cape Verdean American Community Development | 11,250 |
| Center to Advance Minority Participation in Construction Industry | 10,222 |
| Chafee Center at Bryant/RI Export Assistance Center | 126,200 |
| East Providence Waterfront Commission | 13,500 |
| Japan/America Society | 20,000 |
| Newport County Chamber of Commerce - Surplus Navy Land | 225,000 |
| OSHEAN | 50,000 |
| Pawtucket Visitors Center | 15,188 |
| Providence Plan | 48,674 |
| Providence Plan Ready to Learn | 2,921 |
| Providence Plan YouthBuild Providence | 2,921 |
| Small Business Development Center / Bryant | 42,869 |
| Urban Economic Development Strategies (EDC) | 140,000 |
| Total | \$723,550 |

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

The Budget shifts \$500,000 in general revenue from the Department of Administration to the Executive Office of Commerce for an innovative technology and bioscience and engineering internship program administered by the Rhode Island Science and Technology Advisory Council. The funds are used to assist eligible businesses to offset costs associated with applying for Small Business Technology research grants and to provide matching funds to assist businesses applying for federal research funds.

Library Construction Aid **\$331,711**

Rhode Island law grants authority to the Office of Library and Information Services to make grants to a municipality or a free public library for construction or capital improvements. Grants are limited to a maximum of 50.0 percent of the total eligible costs as determined by the Office of Library and Information Services and are paid on an installment basis, based on a community's debt service requirement, for a period of up to 20 years. For FY2015, the Budget includes \$2.3 million for Library Construction Aid, and for FY2016, the Budget includes \$2.7 million, an increase of \$331,711 to reflect actual reimbursement costs.

The moratorium on the acceptance of new applications for library construction projects, enacted in 2011 by the General Assembly, ended on July 1, 2014. No new applications for library construction have been received since the moratorium ended; however, letters of intent from Barrington, Jamestown, and the Providence Community Library have been received. For the Barrington Public Library and the Providence Community Library, reimbursement is expected to begin in FY2018. No cost or time frame has been received for the Jamestown Public Library.

RI Film and Television Office

(\$310,312)

The Budget transfers the Rhode Island Film and Television Office and 2.6 FTE positions from the General program in the Department of Administration to the Rhode Island Council on the Arts. The Office promotes Rhode Island for film and television projects. This results in a reduction of \$310,312 in general revenue in the Department of Administration.

I-195 Redevelopment District Commission

(\$301,000)

The Budget shifts funding for the I-195 Redevelopment District Commission from the General program in the Department of Administration to the Executive Office of Commerce. This results in a reduction of \$301,000 in general revenue in the Department of Administration. Created in 2011, the I-195 Redevelopment Commission is tasked with developing the land formerly covered by the old I-195 Highway.

Analyst's Note: The Budget includes \$761,000 in general revenue in FY2016 in the Executive Office of Commerce to fund administrative, legal and engineering costs incurred by the I-195 Redevelopment District Commission. This reflects an increase of \$460,000 from the FY2015 Budget as Enacted.

Health Information Exchange

(\$225,000)

The Budget does not fund the Health Information Exchange (HIE), CurrentCare. This reflects a reduction of \$225,000 from the FY2015 Budget as Enacted. CurrentCare, Rhode Island's Statewide Health Information Exchange (HIE), is a secure electronic system that collects more than 35,000 records each day which allows doctors and other care givers immediate access to a patient's up-to-date health information in order to provide the best possible and most comprehensive care.

CurrentCare is funded through a broad based financing strategy that voluntarily seeks \$1.00 per member per month (\$12 per year) from all commercial insurers and self-insured employers in the state. To encourage contributions the State began to make its own voluntary contribution in FY2014. Two other large self-insured employers, Lifespan and Care New England followed the State's example and began to contribute along with 19 other self-insured employers contributing to the HIE. The Budget does not include funding for CurrentCare in FY2016.

Slater Centers of Excellence

(\$150,000)

The Budget does not fund the Slater Centers of Excellence, ending the State's financing for the program. Begun in 1997, the State has appropriated \$45.6 million in general revenue to stimulate the growth of new industries in the state. The program was formerly known as the Centers of Excellence program and as the Slater Technology Fund. The Slater Centers of Excellence program design is to support the development of emerging industries with potential for significant long-term growth.

Analyst's Note: In August 2011, the State, through the former Rhode Island Economic Development Corporation, received a \$13.1 million federal fund award for the State Small Business Credit Initiative (SSBCI), of which the Slater Centers of Excellence received \$9.0 million over a 4-year period of time. The State funds reduction is offset by the receipt of the SSBCI federal funds. The state appropriation was reduced each year to make the Slater Centers self-sufficient by FY2016, through the use of the SSBCI award and private funding.

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 100.5 FTE positions in FY2015 and 95.5 in FY2016, reflecting the transfer of 5.0 FTE positions from the Office of Employee Benefit to the Health Benefits Internal Service Fund.

| Human Resources | General Revenue |
|---|------------------------|
| FY2015 Enacted | \$7,830,548 |
| <i>Target and Other Adjustments</i> | <i>(20,785)</i> |
| Worksite Wellness and Employee Benefits Contracts | (130,000) |
| FY2016 Enacted | \$7,679,763 |

Worksite Wellness and Employee Benefits Contracts (\$130,000)

The Budget shifts funding for the Worksite Wellness and Employee Benefits contracts from a general revenue appropriation to funding from the Health Benefits Internal Service Fund.

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 maintains 190.5 FTE positions in FY2015 and FY2016, consistent with the enacted level.

| Information Technology | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$19,377,273 |
| <i>Target and Other Adjustments</i> | <i>740,690</i> |
| Operating | 83,626 |
| FY2016 Enacted | \$20,201,589 |

| Information Technology | Other Fund Changes |
|--|---------------------------|
| Information Technology Investment Fund | \$6,071,434 |

Operating \$83,626

The Budget includes \$83,626 in general revenue reflecting net adjustments for operating expenses under the Information Technology program, including a reduction of \$178,648 reflecting the elimination of printer leasing costs at the data center; an increase of \$170,532 for the annual Office 365 license fees (\$160.55 per user) that is related to the State's email conversion from the GroupWise program to Microsoft Outlook; an increase of \$86,425 for internet services; a decrease of \$60,297 for computer maintenance expenses; and other operating adjustments of \$65,614.

| Items | FY2015 | FY2016 | Change |
|---------------------------------|--------------------|--------------------|-----------------|
| | Enacted | Enacted | |
| Equipment Lease | \$178,648 | \$0 | (\$178,648) |
| Software Maintenance Agreements | 1,735,897 | 1,906,429 | 170,532 |
| Internet Services | 204,295 | 290,720 | 86,425 |
| Maintenance Computers | 522,193 | 461,896 | (60,297) |
| All Other Adjustments | 1,964,635 | 2,030,249 | 65,614 |
| Total | \$4,605,668 | \$4,689,294 | \$83,626 |

Information Technology Investment Fund (restricted receipts)

\$6.1 million

The Budget includes \$9.1 million in restricted receipts for the Information Technology Investment Fund, reflecting an increase of \$6.1 million from the FY2015 Budget as Enacted. The Information Technology Investment Fund (ITIF) is a restricted receipt program to fund the State's technology initiatives and improvement projects.

The ITIF derives funding through the sale of state property as well as from two additional sources. The FY2015 Budget as Enacted authorized the Tobacco Settlement Financing Trust to transfer an estimated \$10.0 million to the ITIF from proceeds of the recent issuance of bonds by the Tobacco Settlement Financing Corporation. As part of the Governor's FY2016 Budget, the Governor proposed to reallocate \$19.0 million of the proceeds from Tobacco bond refinancing to the General Fund in FY2016. However, the Budget reinstates these funds in the Information Technology Investment Fund (ITIF) providing a total of \$26.3 million for the IT account.

In addition, beginning July 1, 2015, 10.0 percent of the \$1.00 surcharge levied on each residence and business telephone line collected to support the E-911 Uniform Emergency Telephone System is deposited into the ITIF. The surcharge revenues are projected to generate an additional \$1.5 million annually for the ITIF. At present the Department has identified multiple IT projects to fund, however, the committee administering the ITIF has not met since June 2014 making the list outdated. It is not known at this time when the ITIF project list will be reorganized. As of June 30, 2014, the ITIF had an available cash balance of \$5.0 million.

The Budget added \$1.7 million in restricted receipts reflecting expenses associated with the Department of Labor and Training's Unemployment Insurance Modernization Project (UI Modernization) and on a new Case Management System and an E-Filing System in Judiciary.

- The State is collaborating with Maine and Mississippi in the development of the Unemployment Insurance Modernization Project. The Department anticipates the new computer system will be operational in 3 to 5 years.
- The Judiciary has been developing a new Case Management System and an E-Filing System. The system integrates information throughout the justice system and diminishes the requirement for paper storage of case materials as all the information will be stored electronically.

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 maintains 16.6 FTE positions in FY2015 and FY2016, consistent with the enacted level.

| Legal Services | General Revenue |
|------------------------------|--------------------|
| FY2015 Enacted | \$2,039,872 |
| Target and Other Adjustments | 126,824 |
| FY2016 Enacted | \$2,166,696 |

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 maintains 13.0 FTE positions in FY2015 and FY2016, consistent with the enacted level.

| Library and Information Services | General Revenue |
|---|------------------------|
| FY2015 Enacted | \$881,464 |
| <i>Target and Other Adjustments</i> | 32,531 |
| Interlibrary Delivery System | 316,000 |
| FY2016 Enacted | \$1,229,995 |

Library and Information Services - Interlibrary Delivery System **\$316,000**

The Budget adds \$316,000 in general revenue to reflect the increase in the new Interlibrary Delivery System contract price occurring in May 2015. The previous contract price was \$6.90 per stop and the new contract price is \$24.53 per stop, thereby increasing the annual cost to \$516,000. The Governor only recommended \$200,450 in general revenue in the FY2016 Budget. Therefore, an increase of \$316,000 is required to meet the new contracted delivery cost. RIGL 29-6-9 requires that the Office of Library and Information Services fund the Interlibrary Delivery System in its entirety.

PERSONNEL APPEAL BOARD

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

| Personnel Appeal Board | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$75,216 |
| <i>Target and Other Adjustments</i> | \$44,658 |
| FY2016 Enacted | \$119,874 |

PERSONNEL AND OPERATING REFORMS

| Personnel and Operating Reforms | General Revenue |
|---|------------------------|
| FY2015 Enacted | - |
| <i>Target and Other Adjustments</i> | - |
| Personnel, Contractual, and Operating Savings | (8,225,000) |
| FY2016 Enacted | (\$8,225,000) |

Personnel, Contractual, and Operating Savings **\$8.2 million**

The Budget includes \$5.0 million in general revenue savings from personnel reforms to be achieved in part through negotiations with the various labor bargaining units. The savings will be distributed statewide in the FY2016 Supplemental Budget. The Budget includes \$3.2 million in further contractual and operating savings that includes recouped costs on existing state contracts, savings from a competitive procurement program for the State's electricity supply, a reduction in the number of agency office printers

and encouraged use of managed printing services, a reduction of unused and underused telephone lines, the promotion of office teleconferencing and videoconferencing to encourage more remote-access meetings thereby reducing travel and mileage reimbursements, and the elimination of the public notice requirements for print media.

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 planning and prioritizing state and federal transportation funding.
- Strategic Planning and Economic Development uses policy analysis and the planning process to prepare issue briefs and draft strategic plans that address current topics of special interest. Housing and Community Development administers the Housing Resources Commission (HRC) and the federal Community Development Block Grant (CDBG) program.
- The 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 includes 38.0 FTE positions in FY2015 and 27.0 FTE positions in FY2016, reflecting the transfer of the Housing and Community Development program and 11.0 FTE positions from the Planning program in the Department of Administration to the Executive Office of Commerce.

| Planning | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$1,922,778 |
| <i>Target and Other Adjustments</i> | <i>(30,893)</i> |
| Personnel and Operating Transfer | (575,739) |
| FY2016 Enacted | \$1,316,146 |

| Planning | Other Fund Changes |
|-----------------------------------|---------------------------|
| Community Development Block Grant | (\$11,053,453) |
| Housing Resource Commission | (\$3,400,000) |

Personnel and Operating Transfer **(\$575,739)**

The Budget transfers the Housing and Community Development program and 11.0 FTE positions from the Planning program in the Department of Administration to the Executive Office of Commerce. The transfer includes \$565,937 for personnel costs and \$9,802 for operating expenses to support the program.

Community Development Block Grant (federal funds) **(\$11.1 million)**

The Budget shifts \$11.1 million in federal funds receipts from the Planning Program in the Department of Administration to the Executive Office of Commerce. The funds reflect the federal Community Development Block Grant (CDBG) funds. The State manages the program for 33 Rhode Island

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

Housing Resource Commission (restricted receipts)

(\$3.4 million)

The Budget shifts \$2.8 million in restricted receipts from the Planning Program in the Department of Administration to the Executive Office of Commerce for the Housing Resource Commission. The funding includes the Housing Rental Subsidy and the Lead Abatement Program. In addition, there is a \$600,000 reduction reflecting the loss of a one-time settlement received by the program in FY2015 and not reoccurring in the FY2016 Budget.

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 maintains 30.0 FTE positions in FY2015 and FY2016, consistent with the enacted budget.

| Purchasing | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$2,670,956 |
| <i>Target and Other Adjustments</i> | <i>93,965</i> |
| FY2016 Enacted | \$2,764,921 |

RHODE ISLAND HEALTH BENEFITS EXCHANGE

As part of the Affordable Care Act (ACA) and national health care reform, the Rhode Island Health Benefits Exchange was created by Executive Order in 2011 as a federally-funded program within the Office of the Governor. The FY2014 Budget as Enacted transferred the program to the Department of Administration and the FY2016 Budget as Enacted established the Exchange in statute.

Rhode Island's health benefits exchange, HealthSource RI (HSRI), became operational in October 2013 and is an online marketplace for individual and small group health insurance and an avenue through which Rhode Islanders can access federal health insurance subsidies. More than just an online health insurance marketplace, HSRI is envisioned as a driver of healthcare reform through negotiating lower-cost insurance options for individuals and small businesses, increasing accountability through new quality measures for plans and providers, and providing industry-wide transparency of costs and prices. It allows for broader regulatory authority over the health insurance market and supports larger health care system reform goals.

For FY2016, the Budget includes 10.0 FTE positions to support HSRI, including a new FTE position in support of the State Innovation Model (SIM) grant to the Executive Office of Health and Human Services.

| Rhode Island Health Benefits Exchange | General Revenue |
|--|------------------------|
| FY2015 Enacted | - |
| <i>Target and Other Adjustments</i> | |
| Operations | 2,625,841 |
| HSRI Assessment - Article 18 | Informational |
| FY2016 Enacted | \$2,625,841 |

Operations **\$2.6 million**

The Budget includes \$2.6 million in general revenue for operations in FY2016. This funding represents the first non-federal funds budgeted for HSRI since its creation in FY2013. Along with \$3.6 million in restricted receipts raised through a new health insurance assessment, the Budget fully funds HSRI's \$6.2 million operating budget.

Analyst's Note: While HSRI's operations are funded with general revenue and restricted receipts, \$24.7 million in federal funds will fund its continued design, development, and implementation.

HSRI Assessment – Article 18

Informational

The Budget includes \$3.6 million in restricted receipts as authorized by Article 18 of the FY2016 Budget as Enacted. The article authorizes the Department of Administration (DOA) to assess individual and small group health insurance and dental plans sold through HSRI in order to fund HSRI operations. The assessment is intended to begin with calendar year 2016 plans.

Revenue from the assessment is deposited as restricted receipts and is capped at the amount that would be raised if HSRI plans were sold through the federal exchange, which in 2016 raises 3.5 percent of premiums. As noted above, in order to fully fund HSRI's \$6.2 million operating costs, the Budget supplements assessment revenue with \$2.6 million in general revenue.

Rhode Island is one of the last states to establish a financing mechanism for its state-based exchange. The assessment established by Article 18 assesses only plans sold through the exchange, making the mechanism similar to that of California, Minnesota, and Washington.

See the full analysis of Article 18 for further detail regarding the assessment.

OFFICE OF DIVERSITY, EQUITY, AND OPPORTUNITY

The Budget establishes a new program titled the Office of Diversity, Equity, and Opportunity, consisting of the following subprograms: the State Equal Opportunity Office, Minority Business Enterprise Compliance Office, and the Outreach and Diversity Office; by merging the existing programs and functions of the Equal Employment Opportunity and Outreach and Diversity programs from the Human Resources program; and by merging the Minority Business Enterprise and the Disadvantaged Business Enterprise offices from the Purchasing program.

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

The Budget includes 7.0 FTE positions in FY2015 and 9.0 FTE positions in FY2016, reflecting the addition of a 1.0 Programming Services Officer position and a 1.0 Implementation Aide position.

| Office of Diversity, Equity, and Opportunity | General Revenue |
|---|------------------------|
| FY2015 Enacted | \$777,197 |
| <i>Target and Other Adjustments</i> | <i>144,518</i> |
| New Positions | 177,126 |
| FY2016 Enacted | \$1,098,841 |

New Positions

\$177,126

The Budget adds 2.0 FTE positions and \$177,126 in general revenue to support the personnel costs for a 1.0 FTE Programming Service Officer position (\$105,120) within the Equal Opportunity Office and a 1.0 FTE Implementation Aide position (\$72,006) in the Director's Office. The 1.0 Programming Services Officer position is required to increase the Office's ability to meet regulatory requirements to protect the State's federally funded programs which require non-discrimination and diversity management. The position will investigate claims of discrimination, provide non-discrimination training to the State's workforce, and review affirmative action plans for compliance with guidelines among other duties. The additional 1.0 FTE Implementation Aide position will provide administrative support to each office.

CAPITAL PROJECTS

The Budget includes a total of \$39.8 million in RICAP projects for FY2016, a net increase of \$7.5 million from the FY2015 Budget as Enacted. Significant project changes include:

- \$21.0 million in RICAP funds for various projects at the Pastore Center in Cranston, including \$6.5 million to renovate the Virks building, \$3.1 million in RICAP funds to renovate the Mathias building, \$1.7 million to renovate Harrington Hall, and \$1.7 million for the Pastore Center Building Demolition project to continue building demolition and debris clearing.
- \$2.4 million in RICAP funds to renovate the Rhode Island Convention Center and Dunkin Donuts Center for the Renewal and Replacement Fund in accordance with the bond covenants of the 2006 Series A bonds and asset protection at the convention center.
- \$1.8 million for the Zambarano Building Rehabilitation project to fund the first phase of the Eleanor Slater roof replacement project and for environmental remediation work as required by the Department of Environmental Management.
- \$1.0 million in RICAP funds to fund Americans' with Disabilities Act compliance and accessibility renovations to state buildings.
- \$825,000 for exterior envelope, windows, and roof repairs for the Washington County Government Center.
- \$350,000 to renovate space within the State Office Building (Transportation) for the Executive Office of Commerce.
- \$319,000 for the DoIT Enterprise Operations Center RICAP project, to fund the purchase of a generator and transfer switch upgrades.
- \$250,000 for the Veterans' Memorial Auditorium Land Purchase project. The Budget provides additional funds for previously unforeseen environmental remediation required before construction to grade and pave the property is done to create additional parking spaces around the Capital Complex.
- \$346,000 for a new appropriation line to support architectural and engineering work for the State House Energy Management Improvement project.

Department of Business Regulation

| Expenditures by Program | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | | FY2016 Enacted | Change from Enacted | |
|--|--------------------------|---------------------------|---------------------------|--------------------------------|-------------|---------------------------|--------------------------------|--------------|
| Central Management | \$1.2 | \$1.2 | \$1.2 | (\$0.0) | -3.7% | \$1.3 | \$0.1 | 7.4% |
| Banking Regulation | 1.5 | 1.6 | 1.7 | 0.1 | 6.1% | 1.7 | 0.1 | 9.4% |
| Securities Regulation | 0.8 | 1.0 | 0.9 | (0.1) | -8.2% | 1.0 | (0.0) | -4.6% |
| Insurance Regulation | 4.9 | 5.2 | 5.6 | 0.4 | 8.6% | 5.8 | 0.6 | 11.3% |
| Board of Accountancy | 0.0 | 0.0 | 0.0 | - | 0.0% | 0.0 | - | 0.0% |
| Commercial Licensing, Racing & Athletics | 1.0 | 1.2 | 1.2 | 0.0 | 1.9% | 1.2 | 0.1 | 4.3% |
| Boards for Design Professionals | 0.3 | 0.3 | 0.3 | 0.0 | 1.6% | 0.3 | 0.0 | 4.7% |
| Office of Health Insurance Commissioner | 2.5 | 2.5 | 2.9 | 0.4 | 15.8% | 3.3 | 0.8 | 31.6% |
| Total | \$12.2 | \$13.0 | \$13.8 | \$0.8 | 6.5% | \$14.6 | \$1.6 | 12.7% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$8.5 | \$9.0 | \$8.8 | (\$0.2) | -2.3% | \$9.2 | \$0.2 | 2.5% |
| Federal Funds | 2.0 | 2.0 | 2.5 | 0.4 | 22.1% | 2.8 | 0.8 | 38.3% |
| Restricted Receipts | 1.7 | 1.9 | 2.5 | 0.6 | 31.1% | 2.6 | 0.6 | 33.4% |
| Total | \$12.2 | \$13.0 | \$13.8 | \$0.8 | 6.5% | \$14.6 | \$1.6 | 12.7% |
| Authorized FTE Levels | 94.0 | 94.0 | 98.0 | 4.0 | 4.3% | 98.0 | 4.0 | 4.3% |

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

The Department of Business Regulation (DBR) implements state laws mandating the regulation and licensing of designated businesses, professions, occupations and other specified activities. The Department is composed of seven programs: Central Management, Banking Regulation, Securities Regulation, Commercial Licensing, Racing and Athletics, Insurance, and Design Professionals. The Office of the Health Insurance Commissioner 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 FY2016

DBR is primarily a regulatory agency, with the bulk of funding (95.8 percent) going towards personnel expenses. Of the total budget, 75.7 percent is for salaries and wages, and another 20.1 percent is for contracted professional services. At \$9.2 million, the general revenue budget is nearly level funded as compared to the FY2015 Budget as Enacted. A 12.7 percent all funds increase is primarily due to increases in two federal grants in the Office of the Health Insurance Commissioner to establish an effective health insurance rate review program and to develop data centers that provide insurance pricing data to consumers.

The Budget increases the department-wide FTE authorization by 4.0 to 98.0 positions for DBR in FY2016. This reflects the addition of 4.0 FTE positions to administer federal grant programs funded by the Rate Review Grants in the Office of the Health Insurance Commissioner. The Rate Review Grants are intended to establish an effective health insurance rate review program and to develop data centers that publish insurance pricing data for consumers.

The FY2015 Budget as Enacted required functions of the agency to be transferred to the Commerce Corporation as of February 1, 2015; however, DBR remains a stand-alone agency and the FY2016 Budget does not transfer any of the programs to the Commerce Corporation.

CENTRAL MANAGEMENT

Central Management is composed of the Director's office, budget, regulatory standards, compliance, and enforcement. The specific functions include conducting administrative and rate hearings; providing legal services to the Director and Deputy Directors; compiling, submitting and monitoring the budgets of the

respective divisions; approving vouchers and contracts; and providing management services. The Budget includes 9.0 FTE positions in FY2015 and 10.0 FTE positions in FY2016 for the program, consistent with the FY2015 enacted level.

| Central Management | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$1,234,949 |
| <i>Target and Other Adjustments</i> | <i>2,823</i> |
| E-Licensing Software Maintenance | 89,000 |
| FY2016 Enacted | \$1,326,772 |

E-Licensing Software Maintenance* **\$89,000*

The Budget includes \$89,000 for the e-licensing software maintenance contract. In FY2015, this maintenance fee was charged to the Integrated Web Based Licensing (e-Licensing) account financed by remaining certificate of participation funds which were used to purchase the system. E-Licensing has been implemented for all banking, board of accounting, commercial licensing, design professionals, insurance, racing and athletic, and securities credentials offered by the Department. This is the first year the maintenance contract is financed through general revenue.

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 14.0 FTE positions in FY2015 and FY2016 for the program, consistent with the FY2015 Budget as Enacted.

| Banking Regulation | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$1,514,260 |
| <i>Target and Other Adjustments</i> | <i>160,513</i> |
| FY2016 Enacted | \$1,674,773 |

SECURITIES REGULATION

Securities Regulation is responsible for the registration of certain securities, and the licensing and regulation of broker-dealers, sales representatives, certain investment advisers, and certain investment adviser representatives. The Budget includes 10.0 FTE positions in both FY2015 and FY2016, consistent with the FY2015 Budget as Enacted.

| Securities Regulation | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$1,009,651 |
| <i>Target and Other Adjustments</i> | <i>31,297</i> |
| Turnover | (78,251) |
| FY2016 Enacted | \$962,697 |

Turnover* **(\$78,251)*

The Budget includes turnover savings of \$78,251 in general revenue by maintaining two current vacancies, 1.0 Administrative Officer position, a position that primarily aids the director of the program, and 1.0 Licensing Aide position, which is responsible for reviewing and processing of licensing and registration applications in an agency with regulatory responsibility for specific business, industries, professions/occupations or similar activities.

INSURANCE REGULATION

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

The Budget includes 37.0 FTE positions in FY2015 and FY2016 for the program, consistent with the FY2015 Budget as Enacted.

| Insurance Regulation | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$3,883,238 |
| <i>Target and Other Adjustments</i> | <i>193,517</i> |
| Turnover | (191,003) |
| FY2016 Enacted | \$3,885,752 |

Turnover **(\$191,003)**

The Budget includes turnover savings of \$191,003 in general revenue by maintaining 5.0 current vacancies: 1.0 Market Conduct Examiner position, 1.0 Senior Insurance Examiner position, 1.0 Senior Insurance Analyst position, 1.0 Insurance Examiner position, and 1.0 Insurance Analyst position. These positions assist the Department in conducting market research, underwriting, and evaluating the financial condition of insurance companies for the purpose of ascertaining their ability to meet obligations and compliance with state laws.

BOARD OF ACCOUNTANCY

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

| Board of Accountancy | General Revenue |
|-----------------------------|------------------------|
| FY2015 Enacted | \$16,654 |
| FY2016 Enacted | \$16,654 |

COMMERCIAL LICENSING, RACING AND ATHLETICS

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

The Budget includes 11.0 FTE positions in FY2015 and FY2016, consistent with the FY2015 Budget as Enacted.

| Commercial Licensing Racing & Athletics | General Revenue |
|--|------------------------|
| FY2015 Enacted | \$586,948 |
| <i>Target and Other Adjustments</i> | <i>29,942</i> |
| Shift Personnel Costs to Restricted Receipts | (55,069) |
| FY2016 Enacted | \$561,821 |

Shift Personnel Costs to Restricted Receipts ***(\$55,069)***

The Budget saves \$55,069 by shifting one-half of the costs of two hourly employees to restricted receipt financing through an account paid by the Division of Lottery. These employees (state inspector, monitors, and auditors) are responsible for the oversight of off-track simulcast racing and athletics wagering and mutual pools. The Lottery reimburses salaries and benefits of these employees through this account.

BOARDS FOR DESIGN PROFESSIONALS

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

The Budget includes 2.0 FTE positions in FY2015 and FY2016 for the program, consistent with the FY2015 Budget as Enacted.

| Design Professionals | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$260,635 |
| <i>Target and Other Adjustments</i> | <i>12,374</i> |
| FY2016 Enacted | \$273,009 |

OFFICE OF THE HEALTH INSURANCE COMMISSIONER

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

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

The Budget includes 13.0 FTE positions in both FY2015 and FY2016 for the Office, an increase of 4.0 FTE positions from the FY2015 Budget as Enacted.

| Office of Health Insurance Commissioner | General Revenue |
|--|------------------------|
| FY2015 Enacted | \$507,142 |
| <hr/> | |
| <i>Target and Other Adjustments</i> | <i>41,270</i> |
| Turnover | (13,395) |
| FY2016 Enacted | \$535,017 |

| Office of Health Insurance Commissioner | Other Fund Changes |
|--|---------------------------|
| Rate Review Grants | \$573,074 |

Turnover ***(\$13,395)***

The Budget decreases general revenue by \$13,395 for 1.0 currently vacant Administrative Officer position, which will be vacant for one-half year in FY2016.

Rate Review Grants (federal funds) ***\$573,074***

The Budget includes a federal funds increase of \$573,034 for the Rate Review Cycle II and IV Grants for management consultants and 4.0 Principal Policy Associate positions. The activities funded by the grants are intended to establish an effective health insurance rate review program and to develop data centers that provide pricing data to consumers.

Department of Labor and Training

| Expenditures by Program | FY2014 | FY2015 | FY2015 | Change from | | FY2016 | Change from | |
|---------------------------------|----------------|----------------|----------------|-----------------|--------------|----------------|-----------------|---------------|
| | Actual | Enacted | Revised | Enacted | Enacted | Enacted | Enacted | Enacted |
| Central Management | \$0.7 | \$2.4 | \$2.5 | \$0.1 | 4.2% | \$2.2 | (\$0.2) | -8.3% |
| Income Support | 470.6 | 462.3 | 429.3 | (33.0) | -7.1% | 399.2 | (63.1) | -13.6% |
| Injured Workers Services | 8.0 | 9.0 | 8.6 | (0.4) | -4.4% | 8.5 | (0.5) | -5.6% |
| Labor Relations Board | 0.4 | 0.4 | 0.4 | - | 0.0% | 0.4 | - | 0.0% |
| Workforce Development Services | 28.6 | 34.8 | 45.1 | 10.3 | 29.6% | 30.5 | (4.3) | -12.4% |
| Workforce Regulation and Safety | 3.0 | 2.7 | 2.8 | 0.1 | 3.7% | 2.9 | 0.2 | 7.4% |
| Total | \$511.3 | \$511.6 | \$488.7 | (\$22.9) | -4.5% | \$443.7 | (\$67.9) | -13.3% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$8.0 | \$8.7 | \$8.7 | \$0.0 | 0.0% | \$8.3 | (\$0.4) | -4.6% |
| Federal Funds | 72.0 | 42.2 | 51.9 | 9.7 | 23.0% | 38.2 | (4.0) | -9.5% |
| Restricted Receipts | 36.7 | 41.5 | 51.4 | 9.9 | 23.9% | 21.5 | (20.0) | -48.2% |
| Other Funds | 394.6 | 419.2 | 376.7 | (42.5) | -10.1% | 375.7 | (43.5) | -10.4% |
| Total | \$511.3 | \$511.6 | \$488.7 | (\$22.9) | -4.5% | \$443.7 | (\$67.9) | -13.3% |
| Authorized FTE Levels | 410.0 | 410.0 | 410.0 | - | 0.0% | 410.0 | - | 0.0% |

\$ 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 FY2016

The outstanding principal balance of the Federal Unemployment Account (FUA) loan was paid off in November 2014, down \$113.7 million from the balance stated on January 7, 2014. In conjunction with eliminating the FUA loan balance, the temporary increase in the Job Development Assessment to 0.51 percent terminated at the end of tax year 2014 and the 0.3 percent transfer ended in December 2014. The result is a decrease of \$20.5 million in restricted receipts in FY2016 as compared to the FY2015 Budget as Enacted. Any funds remaining in the restricted receipt account that were raised solely through the 0.3 percent temporary assessment must, by state law, be deposited into the State's Employment Trust Fund. Funds deposited into the Trust Fund are, by federal law, limited to only pay unemployment benefits.

The Governor announced a new two-year workforce training initiative, Real Jobs Rhode Island, modeled after a similar program in the State of Maryland. In the first year, the program will use the Industry Partners program, developed Governor's Workforce Board, and transform the "partnership" into a system that the industry partners become the drivers of workforce development.

Since 2009, the General Assembly has monitored the timeliness of the Department's processing of claimant queries and unemployment insurance benefits. On January 20, 2009, the Department had in excess of 10,000 internet filed claims, 1,800 individuals awaiting a return telephone call, almost 1,700 emails requiring a response to individuals requesting assistance or information, and an average telephone wait time exceeding 75 minutes. As of June 24, 2015, the Department had 439 pending internet filed claims, 39 emails requiring a response to individuals requesting assistance or information, and an average telephone wait time of 23 minutes.

The Budget maintains 410.0 FTE positions in FY2015 and FY2016, consistent with enacted level.

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 maintains 3.0 FTE positions in FY2015 and in FY2016, consistent with the enacted level.

| Central Management | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$93,361 |
| <i>Target and Other Adjustments</i> | <i>17,176</i> |
| FY2016 Enacted | \$110,537 |

INCOME SUPPORT

The Income Support program encompasses all functions and activities related to Unemployment Insurance, Temporary Disability Insurance (TDI), and the Police and Firefighters' Relief Funds. The Budget includes 219.8 FTE positions in FY2015 and 216.7 FTE positions in FY2016. The fluctuation in FTE levels is solely due to changes in interdepartmental cost allocations.

| Income Support | General Revenue |
|--------------------------------------|------------------------|
| FY2015 Enacted | \$4,317,409 |
| <i>Target and Other Adjustments</i> | <i>(18,819)</i> |
| Police and Firefighters' Relief Fund | (104,159) |
| FY2016 Enacted | \$4,194,431 |

| Income Support | Other Fund Changes |
|---|---------------------------|
| Employment Security Trust Funds - Assistance and Grants | (\$38,605,670) |
| Job Development Fund 0.3 Percent Surcharge | (20,460,000) |
| UI Trust Fund Principal and Interest Payment | (5,000,000) |
| Employment Security Trust Funds - Assistance and Grants | (1,500,778) |

Police and Firefighters' Relief Fund **(\$104,159)**

The Budget decreases general revenues \$104,159 for Police and Firefighters' annuity and tuition benefits, reflecting a decline in the need of services. This reflects a decrease of \$26,800 in tuition benefits paid to the families of deceased or injured police officers and firefighters, and a decrease of \$77,359 in annuity benefit payments.

| | FY2015 | FY2016 | |
|-------------------------------------|--------------------|--------------------|--------------------|
| Police Officers' Relief Fund | Enacted | Enacted | Change |
| Police Officer Annuities | \$949,875 | \$869,004 | (\$80,871) |
| Tuition Benefits | 327,285 | 240,978 | (86,307) |
| Supplemental Pension | - | - | - |
| Total | \$1,277,160 | \$1,109,982 | (\$167,178) |
| Firefighters' Relief Fund | | | |
| Firefighter Annuities | \$2,565,667 | \$2,619,738 | \$54,071 |
| Tuition Benefits | 396,460 | 405,408 | 8,948 |
| Supplemental Pension | - | - | - |
| Total | \$2,962,127 | \$3,025,146 | \$63,019 |
| Grand Total | \$4,239,287 | \$4,135,128 | (\$104,159) |

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

Employment Security Trust Fund – Assistance and Grants (other funds) (\$38.6 million)

The Budget contains a \$38.6 million decrease in net expenditures from the Employment Security Trust Fund as compared to the FY2015 Budget as Enacted. The Budget reflects a \$33.5 million decrease in unemployment insurance (UI) benefit payments primarily due to the expiration of federal funding for emergency unemployment compensation benefits and lower benefit payments as projected by the Department's Labor Market Information office. Other adjustments include a net decrease of \$5.0 million in Temporary Disability Insurance (TDI) payments, reflecting a decrease of \$10.0 million for TDI Caregiver benefits offset by an increase of \$5.0 million for TDI Benefit payments.

Job Development Fund 0.3 Percent Surcharge (restricted receipts) (\$20.5 million)

The Budget reflects the sunset of the temporary increase in the Job Development Assessment. In FY2011, the Job Development Assessment was temporary raised to 0.51 percent. The purpose of the increase was to fund the principal and interest payments due on the state's Federal Unemployment Account (FUA) loans. The FUA loan balance was in full by November 2014 and the 0.3 percent transfer ended in December 2014.

UI Trust Fund Interest Payment (other funds) (\$5.0 million)

The Budget decreases other fund expenses by \$5.0 million for the payment of principal and interest on the Federal Unemployment Administration (FUA) loans from the federal government that were used to maintain the solvency of the state's Unemployment Trust Fund. The FY2015 Budget as Enacted included \$5.0 million for the interest payment on the FUA loan. There are no funds required for FY2016 as the final payment due on the loan was paid in November 2014. The loan payments were derived from a portion of the 0.51 percent Job Development Assessment.

Title XII of the federal Social Security Act allows states to borrow from the Federal Unemployment Account (FUA) in the event of insufficient State Unemployment Trust Fund reserves. The Rhode Island Unemployment Trust Fund became insolvent in March 2009 as Unemployment Insurance (UI) benefit payments outpaced employer UI contributions. Rhode Island borrowed a total of \$905.5 million from March 2009 through November 2014. The State fully repaid the loan in November 2014 and that action ended the FUTA tax credit reduction on RI employers. At the peak, the State's highest loan balance was approximately \$290.0 million in April 2012.

The State still borrowed funds on a short-term basis for cash flow in 2015 (the first quarter of the calendar year is the State's highest payout period and the lowest tax receipt period). The State will repay the current loans out of the Unemployment Trust Fund in early May and should no longer need to borrow funds from FUA going forward.

Employment Security Trust Fund – Assistance and Grants (federal funds) (\$1.5 million)

The Budget reduces expenditures from the Employment Security Trust Fund by \$1.5 million as compared to the FY2015 Budget as Enacted, reflecting a reduction of \$900,000 for short-time compensation and a \$600,000 reduction for Trade Readjustment Act benefit payments.

INJURED WORKERS SERVICES

The Injured Workers Services program operates the state's Workers' Compensation System. The Donley Rehabilitation Center provides evaluations, therapy, and counseling for workers injured on the job. A Workers' Compensation Education Unit provides information to workers and employers regarding workers' compensation laws and regulations. The Budget maintains 39.1 FTE positions in FY2015 and FY2016, consistent with the enacted level.

| Injured Workers Services | Other Fund Changes |
|-------------------------------------|---------------------------|
| FY2015 Enacted | \$8,951,372 |
| <hr/> | |
| <i>Target and Other Adjustments</i> | <i>(172,896)</i> |
| Assistance and Grants | (669,849) |
| Professional Services Changes | 482,181 |
| Operating | (88,862) |
| FY2016 Enacted | \$8,501,946 |

Assistance and Grants (restricted receipts) (\$669,849)

The Budget decreases restricted receipts by \$669,849 for Second Injury Fund assistance awards. This reflects the "aging out" of the population receiving payments from the Second Injury Fund. The Second Injury Fund assists recipients of workers' compensation benefits who were injured and totally disabled prior to September 1, 1974. Prior to September 1, 1974, there was a maximum amount of weeks that a beneficiary could receive workers' compensation. If the injury lasted longer than the set period, or if the injury made the worker totally disabled, the insurer would be reimbursed from the Second Injury Fund. In addition, the Second Injury Fund would assume the insurer payments if the insurer went out of business.

Contracted Professional Services (restricted receipts) \$482,181

The Budget increases restricted receipt expenses by \$482,181 for contracted purchased services reflecting an increase of \$305,524 for information technology programming services to support on-going system upgrades, an increase of \$122,118 for medical services due to projected increases in client caseload at the Donley Rehabilitation Center, and a net decrease of \$54,239 in other contract service adjustments.

Operating Adjustments (restricted receipts) (\$88,862)

The Budget decreases restricted receipts by \$88,862 reflecting a reduction of \$94,208 due to lower than expected costs for software maintenance agreements and a net increase of \$5,346 in other operating expenses.

LABOR RELATIONS BOARD

The Labor Relations Board is a semi-autonomous body that makes public sector bargaining unit determinations, oversees collective bargaining elections, and investigates charges of unfair labor practices. The Board is comprised of seven members, one of which is designated as the chairperson. The board members are compensated, but do not participate in the State Retirement System and are not considered State employees. The Budget maintains 2.0 FTE positions in FY2015 and FY2016, consistent with the enacted level. The two positions provide staff support to the Board.

| Labor Relations Board | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$388,648 |
| <hr/> | |
| <i>Target and Other Adjustments</i> | <i>1,003</i> |
| FY2016 Enacted | \$389,651 |

WORKFORCE DEVELOPMENT SERVICES

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

The Budget includes 126.0 FTE positions in FY2015 and 126.4 FTE positions in FY2016, reflecting an increase of 0.4 FTE position due to a change in cost allocation between programs in the Department.

| Workforce Development Services | General Revenue |
|---|------------------------|
| FY2015 Enacted | \$1,148,769 |
| <i>Target and Other Adjustments</i> | - |
| Workforce Development Initiative Personnel and Grants | (444,252) |
| FY2016 Enacted | \$704,517 |

| Workforce Development Services | Other Fund Changes |
|---------------------------------------|---------------------------|
| Workforce Assistance Grants | (\$4,199,580) |
| Governor's Workforce Board | 223,238 |
| Workforce Innovation Fund | (75,000) |
| Real Jobs Rhode Island | Informational |

Workforce Development Initiative Personnel and Grants **(\$444,252)**

The Budget includes \$704,517 in general revenue for funding the Statewide Work Immersion program and the Non-trade Apprenticeship program. This is a decrease of \$444,252 from the FY2015 Budget as Enacted, reflecting a \$145,093 reduction for personnel costs associated with the Department's Back to Work Rhode Island Program employees, a decrease of \$199,159 in grants, and a further reduction of \$100,000 recognizing that the child care program will be funded by federal Temporary Assistance to Needy Families funds provided within the Department of Human Services appropriation. The Budget extends the Back to Work Rhode Island Program for child care assistance to families participating in job training programs, which was due to expire on June 30, 2015. The 3.0 FTE positions assigned to administer the Back to Work Program were reassigned to positions within the Department's One-Stop employment assistance offices.

Workforce Assistance Grants (federal funds) **(\$4.2 million)**

The Budget decreases federal funds by \$4.2 million for assistance and grants in the Workforce Development Services program, reflecting multiple changes across many of the federally funded training programs including:

- A reduction of \$2.2 million in Workforce Investment Act program, which is a federal act that provides workforce investment activities, through statewide and local workforce investment systems, to provide a variety of employment and training programs to prepare youth, unskilled adults, and dislocated workers for entry or re-entry into the labor force. It offers vocational planning, job search workshops, work readiness training, classroom training, and on-the-job training opportunities. The decreases reflect estimated federal level funding for FY2016, and no carry-forward of unspent funds from FY2015. If there are unspent funds at the projected by the close of FY2015, those funds will be included in the revised FY2016 budget during the next budget cycle.
- A decrease of \$1.4 million for the Trade Readjustment Act program. The Trade Adjustment Assistance (TAA) Program is a federal program established under the Trade Act of 1974 that provides aid to workers who lose their jobs or whose hours of work and wages are reduced as a result of increased imports. The program offers a variety of benefits and reemployment services to help unemployed workers prepare for and obtain suitable employment. Workers may be eligible for

training, job search and relocation allowances, income support, and other reemployment services. The reduction in Trade Readjustment Act funds is a result of fewer companies being certified trade eligible which also reduces the number of participants in the Trade program. The Department will continue to provide services as needed.

- A decrease of \$521,929 for the Workforce Innovation Fund program. The Workforce Innovation Fund (Act) is a 2012 federal program from which the State received \$2.8 million to support employment and training services. The Budget includes \$140,607 in federal funds, reflecting a decrease of \$521,929 from the Budget as Enacted. The FY2016 funds represent the final disbursement of funds from the federal grant. The Department indicates that there could be a minimal carry-forward of funds for that program at the close of FY2015.
- A decrease of \$116,701 for various other federally funded workforce programs.

Governor’s Workforce Board (restricted receipts)

\$223,238

The Budget increases the Human Resource Investment Council (HRIC) – Phase II program by \$223,238, reflecting the Governor’s Workforce Board’s increased projection on the amount of workforce training awards the Board will issue in FY2016. The Board administers multiple grant recipient programs to employers to conduct skills training, to make businesses more efficient or competitive, or to assist a company to expand services.

Workforce Innovation Fund (other funds)

(\$75,000)

This item reflects the removal of \$75,000 in other funds for the Workforce Innovation Fund. The FY2015 Budget as Enacted included \$75,000, reflecting the receipt of a \$100,000 grant from the Rhode Island Foundation for workforce training to assist individuals who are not eligible to participate in any other workforce training program. The award was split with \$25,000 appropriated in the FY2014 Revised Budget. There is no additional grant award for the program in FY2016.

Real Jobs Rhode Island

Informational

The Governor announced a new two-year workforce training initiative, Real Jobs Rhode Island, modeled after a similar program in the State of Maryland. In the first year, the program will use the Industry Partners program, developed Governor’s Workforce Board, and transform the “partnership” into a system that the industry partners become the drivers of workforce development.

The program will provide Planning Grants of up to \$25,000 to assemble partners in a Strategic Industry Partnership (SIP), identify training and human resource needs, and to develop a SIP Workforce Training Plan to implement solutions. In addition, the program will provide Implementation Grants to execute developed SIPs. Approximately \$1.3 million in restricted receipts from the Jobs Development Fund Funding is dedicated for the program.

Analyst’s Note: The Department of Labor and Training (DLT) received two federal grants from the U.S. Department of Labor (USDOL) that are not included in the FY2016 Budget as Enacted, but will be added to the FY2016 Supplemental Budget.

The first grant is a \$3.0 million Workforce Investment Act (WIA) incentive grant. The State exceeded its performance goals for WIA programs for Program Year 2013 - as such, the USDOL awarded \$3.0 million to the State, of which \$2.6 million will go to DLT and \$400,000 going to the Rhode Island Department of Education. DLT will use the funds to leverage \$1.3 million in State dollars appropriated to develop the Real Jobs RI program.

The second award is another \$5.25-million federal grant from the USDOL. This award will be applied to the Real Jobs Rhode Island program to boost the State’s efforts to train unemployed people and help them land available jobs at companies that have had trouble finding skilled workers.

WORKFORCE REGULATION AND SAFETY

The Workforce Regulation and Safety Program enforces laws relating to professional regulation, labor standards, occupational health and safety, and certification of weights and measures. The Budget includes 20.1 FTE positions in FY2015 and 22.8 FTE positions in FY2016 (an increase of 2.7 FTE positions from FY2015), as result of reduced intradepartmental FTE cost allocation between programs.

| Workforce Regulation and Safety | General Revenue |
|--|------------------------|
| FY2015 Enacted | \$2,720,916 |
| <i>Target and Other Adjustments</i> | <i>204,717</i> |
| FY2016 Enacted | \$2,925,633 |

CAPITAL PROJECTS

The Budget includes a total of \$7.1 million in capital projects between FY2015 and FY2020, funded with RICAP funds. The projects include:

- \$1.3 million in RICAP funds (\$1.0 million in FY2015 and \$256,691 in FY2016) to complete the replacement of slate roofs on buildings 68, 69, and 71, housing both the Department of Labor and Training and the Department of Business Regulation.
- \$5.8 million in RICAP funds for the Center General Asset Protection plan, with \$750,000 in FY2015 and \$1.5 million in FY2016. The plan is comprised of 13 projects that address deficiencies throughout buildings housing both the Department of Labor and Training and the Department of Business Regulation. Projects include design and engineering work involving the roof on building 72 and work to address water penetration through the buildings' foundations. The Budget provides a "lump sum" appropriation for each year, allowing the Department to prioritize the capital expenditures without designating funds to a specific project.

Department of Revenue

| Expenditures by Program | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | | FY2016 Enacted | Change from Enacted | |
|--------------------------------|--------------------------|---------------------------|---------------------------|--------------------------------|--------------|---------------------------|--------------------------------|--------------|
| Director of Revenue | \$1.0 | \$1.1 | \$1.1 | (\$0.0) | -0.7% | \$1.1 | \$0.0 | 2.0% |
| Lottery Division | 318.2 | 342.3 | 330.6 | (11.7) | -3.4% | 303.9 | (38.5) | -11.2% |
| Municipal Finance | 1.7 | 2.3 | 2.3 | 0.0 | 1.0% | 2.2 | (0.1) | -3.1% |
| Office of Revenue Analysis | 0.5 | 0.6 | 0.5 | (0.0) | -3.4% | 0.6 | 0.0 | 1.8% |
| Division of Motor Vehicles | 18.9 | 24.8 | 22.3 | (2.5) | -10.1% | 24.5 | (0.4) | -1.5% |
| State Aid | 61.6 | 67.0 | 67.2 | 0.2 | 0.3% | 68.2 | 1.1 | 1.7% |
| Taxation | 20.3 | 22.1 | 23.4 | 1.3 | 5.7% | 22.8 | 0.7 | 3.3% |
| Total | \$422.3 | \$460.2 | \$447.5 | (\$12.7) | -2.8% | \$423.2 | (\$37.0) | -8.0% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$99.8 | \$107.8 | \$107.3 | (\$0.5) | -0.5% | \$113.2 | \$5.4 | 5.0% |
| Federal Funds | 1.7 | 5.1 | 6.1 | 1.0 | 19.1% | 1.3 | (3.8) | -74.3% |
| Restricted Receipts | 1.7 | 4.0 | 2.3 | (1.7) | -42.3% | 3.9 | (0.1) | -2.7% |
| Other Funds | 319.1 | 343.3 | 331.2 | (12.1) | -3.5% | 304.8 | (38.5) | -11.2% |
| Total | \$422.3 | \$460.2 | \$447.5 | (\$12.7) | -2.8% | \$423.2 | (\$37.0) | -8.0% |
| Authorized FTE Levels | 492.0 | 505.0 | 505.0 | - | 0.0% | 514.5 | 9.5 | 1.9% |

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

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

MAJOR ISSUES AND TRENDS FOR FY2016

The FY2016 Budget increases general revenue expenditures by \$5.4 million to \$113.2 million, primarily due to increases in the Division of Motor Vehicles and State Aid programs. A decrease of \$38.5 million in other funds is based on revised Revenue Estimating Conference estimates of video lottery terminal play and reflects the anticipated impact of the Plainridge, Massachusetts, casino which opened in June 2015.

An increase of \$268,001 in general revenue funds 3.0 new FTE positions to support the Division of Taxation's expanded tax collection enforcement activities created in Article 11. The positions, 2.0 FTE Revenue Agent positions and 1.0 Principal Revenue Agent position, will implement the new Self-Audit and Contingency Fee Contract Services programs, which are projected to increase revenues by \$2.3 million.

Article 4 delays the license plate reissuance to FY2017 to allow the Governor's administration time to incorporate the statewide marketing campaign into the design of the new plates. The Budget includes \$3.0 million in general revenue for FY2016 startup costs to begin issuing the new license plates in FY2017.

Within the Division of Motor Vehicles (DMV), the Budget includes \$248,406 to fund 12.0 additional part-time Customer Service Representative I positions to cover the busiest times at the DMV. These additional part-time positions will reduce wait times and enable experienced staff members to consult on the development of the Rhode Island Motor Vehicle System (RIMS) information technology project.

DIRECTOR OF REVENUE

The Office of the Director is responsible for the administration of the Department. Functions include personnel management and legal support for the Department of Revenue. The Budget includes 9.0 FTE positions in FY2015 and FY2016, consistent with the FY2015 Budget as Enacted.

| Director of Revenue | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$1,122,100 |
| <i>Target and Other Adjustments</i> | <i>22,138</i> |
| FY2016 Enacted | \$1,144,238 |

LOTTERY DIVISION

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

The Budget includes 84.0 FTE positions in FY2015 and FY2016, consistent with the FY2015 Budget as Enacted.

| Lottery Division | Other Fund Changes |
|-------------------------------------|---------------------------|
| FY2015 Enacted | \$342,306,302 |
| <i>Target and Other Adjustments</i> | <i>693,659</i> |
| Commissions and Prize Payments | (40,979,481) |
| Marketing Expenses | 1,830,300 |
| FY2016 Enacted | \$303,850,780 |

Commissions and Prize Payments (other funds) (\$40.9 million)

The net decrease of \$40.9 million in Commissions and Prize Payments is based on the Revenue Estimating Conference (REC) estimates of video lottery terminal (VLT) net terminal income. Impact from Massachusetts gaming facilities are incorporated into the estimates beginning in FY2016 as the slot parlor in Plainville began operations in June 2015. Commissions and prize payments decline by \$56.2 million due to the estimated reductions in VLT play. This amount is partially offset by an increase of \$15.2 million in Commissions and Prize payments made from net table game revenue (NTGR). NTGR is deposited in the State lottery fund for administrative purposes with commissions distributed to Twin River and the balance being remitted to the General Fund.

Marketing Expenses (other funds) \$1.8 million

The Budget includes \$1.8 million for increased marketing expense reimbursement to Twin River, for a total of \$5.5 million in FY2016.

In response to the expected impact on table games from the commencement of casino gaming in Massachusetts, the State assumed that Twin River will increase marketing efforts and included the full allowable state share of marketing expenses as part of the FY2015 Budget as Enacted. The FY2015 Budget included \$1.1 million in reduced revenues based on the enacted budget change, bringing marketing expense reimbursements to Twin River to \$3.7 million.

Analyst Note: The Budget amends the State and Newport Grand net terminal income shares for FY2016 and FY2017, adding 1.9 percentage points to the Newport Grand share. The impact is expected to reduce general revenue to the State by \$760,000.

The 2014 Budget as Enacted 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 2.25 percent enhanced share increase to aid in operations of the casino in both FY2014 and again in FY2015. Unlike the last two years, the funds garnered by the 1.9 percent enhanced share must be applied exclusively to the marketing expenditures, as approved by the Lottery. If the funds are not used for Lottery-approved marketing, they must be returned to the State.

DIVISION OF MUNICIPAL FINANCE

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

The Division played a pivotal role in managing the Receivership of the City of Central Falls, and an increasing number of communities are requiring state assistance to navigate fiscal challenges. In FY2016, the Division will oversee a state-appointed administrative fiscal advisor which will split time between the communities of East Providence and Woonsocket. Under the Fiscal Stability Act, the State is required to reimburse these municipalities 50.0 percent of cost of the advisor, which totals \$64,600 in FY2016, consistent with the FY2015 enacted level.

The Budget includes 17.0 FTE positions in FY2015 and FY2016, consistent with the FY2015 enacted level.

| Municipal Finance | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$2,256,992 |
| <i>Target and Other Adjustments</i> | <i>(4,994)</i> |
| Contract Expenses | (65,000) |
| FY2016 Enacted | \$2,186,998 |
| Contract Expenses | (\$65,000) |

The Budget reduces contract expenses for outside consultants by \$130,000 based on past expenditures for financial services (\$105,000) and actuarial services (\$25,000) for the Pension and OPEB Study Commission. The Commission was established as part of the 2011 pension reform to review existing legislation and pension plan administrative practices and to make recommendations for the improved security and funding of locally-administered pension and other post-retirement benefit obligations of local entities. The Commission issued its final report on January 9, 2015.

Savings from decreased contract expenses are offset by \$65,000 for anticipated legal counsel expenses for the Central Falls Receivership (\$15,000) and Coventry Fire District (\$50,000).

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 FY2015 and FY2016 for the program, consistent with the FY2015 Budget as Enacted.

| Office of Revenue Analysis | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$564,334 |
| <i>Target and Other Adjustments</i> | |
| | <i>10,156</i> |
| FY2016 Enacted | \$574,490 |

DIVISION OF MOTOR VEHICLES

The Division of Motor Vehicles (DMV) is responsible for issuing, suspending and revoking of all motor vehicle licenses and registrations and for the motor vehicle inspection program. The Division operates a main branch in Cranston, and satellite branches in Middletown, Wakefield, Warren, Westerly, and Woonsocket. Additionally, AAA offers some license and registration DMV services at select branch locations. The Budget includes 170.0 FTE positions in FY2015 and 176.5 FTE positions in FY2016 for the program, an increase of 6.5 FTE positions from the FY2015 Budget as Enacted.

| Division of Motor Vehicles | General Revenue |
|--|------------------------|
| FY2015 Enacted | \$18,895,421 |
| <i>Target and Other Adjustments</i> | |
| | <i>123,263</i> |
| License Plate Reissuance | 3,000,000 |
| Part-Time Customer Service Representatives | 248,406 |
| Supervisor Pay Grade Increases | 56,154 |
| FY2016 Enacted | \$22,323,244 |

License Plate Reissuance

\$3.0 million

The Budget includes \$3.0 million in general revenue for FY2016 startup costs to begin issuing new license plates in FY2017. Article 4 delays the reissuance to FY2017 to allow the Governor's administration time to incorporate the statewide marketing campaign into the design of the new plates.

DOR anticipates producing 36,500 sets of license plates per month at a cost of \$12.50 per plate set. The Department assumes approximately 428,000 plate sets will be issued in FY2017. Any unspent funds related to the startup costs will be reappropriated to FY2017.

Analyst Note: Current law allows a \$6 per set customer fee, which will partially offset the cost per plate in FY2017.

RIGL 31-3-33 was revised in 1995 to require license plate reissuances every 10 years, and in 2009 the General Assembly required a full reissuance in 2011. This requirement has been delayed twice: In the FY2012 Budget as Enacted, the General Assembly changed the first full reissuance requirement from 2011 to 2013 and the FY2014 Budget as Enacted delayed the reissuance until September 2015. Article 4 amends this date to July 1, 2016.

Part-Time Customer Service Representatives

\$248,406

The Budget includes \$248,406 to fund 12.0 additional part-time Customer Service Representative I positions. These additional part-time positions will reduce wait times and enable flexible scheduling. This reflects an agreement recently executed with Council 94 to cover the busiest times at the DMV. While there are no set schedules as of yet, the intent is to assign these positions to cover existing staff break times which generally happen between 10:00 a.m. to 2:00 p.m.

Supervisor Pay Grade Increases

\$56,154

The Budget adds \$56,154 in general revenue to fund pay grade increases for 11.0 DMV supervisor positions. The agreement with Council 94 mentioned previously also included adding a classification to the existing DMV Customer Service Representative hierarchy and updating the scope of duties in an effort to increase retention of employees.

STATE AID

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

| State Aid | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$66,098,076 |
| <i>Target and Other Adjustments</i> | |
| Property Revaluation Program | 1,145,551 |
| PILOT | Informational |
| Municipal Incentive Aid | Informational |
| Fiscal Stability Act | Informational |
| FY2016 Enacted | \$67,243,627 |

Property Revaluation Program**\$1.1 million**

The Budget includes \$1.8 million for the Property Revaluation program in FY2016, an increase of \$1.1 million over the FY2015 Budget as Enacted, based on anticipated reimbursements. The following communities will be reimbursed for statistical updates in FY2016:

| Community | Amount | Community | Amount |
|------------------|---------------|------------------|--------------------|
| Burrillville | \$68,893 | North Smithfield | \$54,886 |
| Central Falls | 45,158 | Providence | 596,650 |
| Jamestown | 37,001 | Scituate | 49,475 |
| Johnston | 134,168 | Smithfield | 84,305 |
| Lincoln | 86,044 | South Kingstown | 148,770 |
| Little Compton | 33,869 | West Warwick | 159,120 |
| New Shoreham | 22,172 | Westerly | 141,307 |
| North Kingstown | 116,942 | Total | \$1,778,760 |

Source: RI Dept. of Revenue, Division of Municipal Finance.

Municipalities are required by state law to conduct full property revaluations every nine years and statistical updates at year 3 and year 6. Communities are responsible for funding the cost of full property revaluations; however, the State reimburses municipalities for 100.0 percent of the first statistical update, 80.0 percent (up to \$16 per parcel) for the second statistical update, and 60.0 percent (up to \$12 per parcel) for the third and subsequent statistical revaluations.

PILOT**Informational**

The Payment in Lieu of Taxes (PILOT) program is funded at the FY2015 level, using general revenue to boost the program in FY2016. The FY2015 Enacted budget used funding from the sale of Tobacco Securitization Bonds to enhance the program by \$5.0 million.

Current law requires reimbursement of 27.0 percent of the tax revenue the municipality would have collected had the property been taxable, but it also allows for a proportional reduction if the appropriation is less than this amount. The Budget represents a reimbursement rate of 23.7 percent of forgone tax revenue.

Municipal Incentive Aid**Informational**

The Budget level funds the Municipal Incentive Aid Program at \$5.0 million. The FY2014 Enacted Budget established and funded this new program to encourage municipalities to improve the sustainability of their retirement plans and to reduce unfunded liabilities. However, there is no requirement that the state aid be spent by municipalities for this purpose.

The FY2015 Revised Budget reappropriates FY2014 unspent funding for the Town of Coventry. Although the Town of Coventry submitted a Funding Improvement Plan (FIP) to the Department of

Revenue, the plan sponsor and the local governing body did not approve the FIP, as required by law. The Town is included for Municipal Incentive Aid funding in FY2016.

Fiscal Stability Act

Informational

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

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

DIVISION OF TAXATION

The Division of Taxation assesses, collects and enforces the State's tax laws. It is responsible for promulgating rules and regulations and preparing taxpayer forms and instructions; registering and recording taxpayer accounts; assessing and collecting taxes due; and, enforcing non-compliance through audits and liens. The Budget includes funding for 222.0 FTE positions in FY2015 and 225.0 FTE positions in FY2016, an increase of 3.0 FTE positions from the FY2015 Budget as Enacted.

| Taxation | General Revenue |
|--|------------------------|
| FY2015 Enacted | \$18,930,344 |
| <i>Target and Other Adjustments</i> | <i>527,504</i> |
| New Audit Programs - Staffing | 268,001 |
| Sales Tax Administration and Revenue System (STAARS) | Informational |
| FY2016 Enacted | \$19,725,849 |

New Audit Programs – Staffing

\$268,001

The Budget includes an increase of \$268,001 to hire 3.0 new FTE positions for tax enforcement initiatives in Article 11. The positions, 2.0 new Revenue Agents (\$82,081 each) and 1.0 new Principal Revenue Agent, (\$103,839) will work in the Assessment and Review sub-program. These positions will help implement the new “Self-Audit” and “Contingency Fee Contract Services” programs, which are projected to increase revenues by \$2.3 million due to increased compliance and collections.

Taxation Self-Audit Program: Article 11 implements an audit program that permits businesses to perform self-audits. This type of audit would replace the traditional field-audit program, which will allow the Division of Taxation to dedicate auditing resources to other Division programs. Under this proposal, businesses enter into an agreement with the Division to perform self-audits and voluntarily declare unreported or underreported sales or use taxes and receive reduced interest and penalties on those underpaid taxes. The Office of Management and Budget expects the Rhode Island program to generate \$500,000 per year.

Contingency Fee Contract Services: The Budget includes \$1.8 million for enhanced collection of owed taxes, interest, fines, and penalties. Article 11 allows the Division of Taxation to enter into performance-based contracts with third-party vendors assist in developing new compliance programs. The Division of Taxation lacks resources to internally expand and enhance compliance programs. Using an outside vendor will allow Taxation to accelerate current compliance programs while creating new compliance initiatives. Examples of potential projects include using Taxation's data sources to identify fraudulent refund requests and implement a more data-driven audit selection.

Taxation manages four programs which compare RI taxpayer data to data collected by the Internal Revenue Service (IRS). When there is a discrepancy, Taxation sends out a notice billing the taxpayer for

owed taxes. Taxation estimated the number of notices which would be sent out by the contracted vendor and applied the most recent collections rate for each program. This initiative is anticipated to increase personal income tax collections by \$962,500 and increase collections of fines and penalties by \$787,500.

State Tax Administration and Revenue System (STAARS)

Informational

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

This five-year project began in FY2013 and is expected to be completed in three phases, which includes purchasing hardware, designing software infrastructure, and transferring taxpayer collections data to the new system. The project is funded entirely through certificates of participation (COPs), which are authorized up to \$25.0 million, of which \$13.9 million has been spent through FY2015. Completed projects include procurement and installation of software and hardware, and transferring 36 different tax types to the new system.

The Division is on track to complete the second phase of the project, which will migrate all personal income tax and consolidated collections for both businesses and individuals to the system by September 2015. In addition, the Division received a federal grant (\$580,000) which will allow for the international fuel tax collections data to become part of the STAARS. The FY2015 revised budget includes the additional \$580,000 in federal funds for a Commercial Vehicle Information Systems and Network (CVISN) grant to bring the IFTA (International Fuel Tax Agreement) process in-house in December 2014. The IFTA service simplifies the reporting of fuel use taxes by allowing a motor carrier to report a single base jurisdiction for all the fuel it owes to IFTA member jurisdictions (which is most states in the USA).

Legislature

| Expenditures by Program | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | | FY2016 Enacted | Change from Enacted | |
|-------------------------------------|--------------------------|---------------------------|---------------------------|--------------------------------|-------------|---------------------------|--------------------------------|-------------|
| General Assembly | \$4.8 | \$5.3 | \$6.1 | \$0.8 | 15.6% | \$5.5 | \$0.2 | 4.0% |
| Fiscal Advisory Staff | 1.6 | 1.7 | 1.7 | (0.0) | -0.2% | 1.8 | 0.1 | 6.7% |
| Legislative Council | 3.8 | 4.7 | 4.6 | (0.1) | -1.2% | 5.0 | 0.3 | 6.9% |
| Joint Comm. on Legislative Services | 20.8 | 21.0 | 23.2 | 2.2 | 10.4% | 23.2 | 2.2 | 10.3% |
| Auditor General | 4.7 | 5.3 | 5.0 | (0.2) | -4.4% | 5.6 | 0.3 | 6.2% |
| Total | \$35.7 | \$38.0 | \$40.7 | \$2.7 | 7.2% | \$41.2 | \$3.1 | 8.3% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$34.5 | \$36.4 | \$39.2 | \$2.8 | 7.7% | \$39.5 | \$3.0 | 8.4% |
| Restricted Receipts | 1.2 | 1.6 | 1.5 | (0.1) | -4.5% | 1.7 | 0.1 | 5.9% |
| Total | \$35.7 | \$38.0 | \$40.7 | \$2.7 | 7.2% | \$41.2 | \$3.1 | 8.3% |
| Authorized FTE Levels | 298.5 | 298.5 | 298.5 | - | 0.0% | 298.5 | - | 0.0% |

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

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

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

MAJOR ISSUES AND TRENDS FOR FY2016

The Budget includes \$41.2 million for the Legislature in FY2016, including \$39.5 million in general revenues. Restricted receipts total \$1.7 million and are dedicated to fund, in part, the Auditor General's office. These funds are derived from a 0.5 percent audit fee that assessed on all federal grants in state departments for each major federal program and are used to finance personnel costs associated with the Auditor General's Single Audit Report publication.

The FY2016 budget funds 298.5 FTE positions for FY2015 and FY2016, consistent with the FY2015 Budget as Enacted.

Lieutenant Governor

| Expenditures by Program | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | | FY2016 Enacted | Change from Enacted | |
|--------------------------------|--------------------------|---------------------------|---------------------------|--------------------------------|--------------|---------------------------|--------------------------------|-------------|
| Lt. Governor's Office | \$2.7 | \$1.1 | \$1.1 | (\$0.0) | -2.3% | \$1.2 | \$0.1 | 9.5% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$1.0 | \$1.0 | \$1.0 | (\$0.0) | -0.8% | \$1.1 | \$0.1 | 11.1% |
| Federal Funds | 1.6 | 0.1 | 0.0 | (0.0) | -46.0% | 0.1 | (\$0.0) | -12.6% |
| Restricted Receipts | 0.1 | - | - | - | 0.0% | - | - | 0.0% |
| Total | \$2.7 | \$1.1 | \$1.1 | (0.0) | -2.3% | \$1.2 | \$0.1 | 9.5% |
| Authorized FTE Levels | 8.0 | 8.0 | 8.0 | - | 0.0% | 8.0 | - | 0.0% |

\$ in millions

The Office of the Lieutenant Governor is one of the five general offices subject to voter election under the Constitution of Rhode Island. The Lieutenant Governor fulfills the executive responsibilities of the Governor upon his/her death, resignation, impeachment or inability to serve. The Lieutenant Governor also chairs and serves on various commissions and advisory boards, and the Office initiates legislation and assumes advocacy and leadership roles in a number of policy areas. The Budget includes 8.0 FTE positions for FY2015 and FY2016, consistent with the FY2015 Budget as Enacted.

MAJOR ISSUES AND TRENDS FOR FY2016

The Lieutenant Governor's budget is primarily financed through \$1.1 million in general revenue for FY2016, an 11.1 percent increase over the FY2015 enacted level due to a consumer rights initiative to eliminate the fee imposed on electricity consumers when they elect to change providers. The Lieutenant Governor continues to serve 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 FY2016 Budget is comprised almost entirely of personnel costs. The Budget fully funds the Office's 8.0 FTE positions. In FY2015, the federal Exchange Establishment One Grant funded the Health Policy Director position; however, due to the expiration of this grant, the position, although vacant, will be funded through general revenue in FY2016.

| Office of the Lieutenant Governor | General Revenue |
|--|------------------------|
| FY2015 Enacted | \$1,015,084 |
| <i>Target and Other Adjustments</i> | 7,353 |
| Personnel Costs | 65,184 |
| Consumer Rights Initiative | 40,000 |
| FY2016 Enacted | \$1,127,621 |

Personnel Costs **\$65,184**

The increase in personnel costs primarily reflects an estimated \$51,099 for the cost-of living adjustment for state employees. Additionally, the Lieutenant Governor's salary is adjusted to reflect the current law requirement that the salary for this position increase by the Consumer Price Index for all Urban Consumers over the past four fiscal years; in this case, the Lieutenant Governor's salary increases by \$14,085 (8.1 percent), from \$108,808 to \$117,637.

Consumer Rights Initiative **\$40,000**

The Budget includes \$40,000 to assist the Lieutenant Governor's office in improving the business climate in Rhode Island. The funding will be used to acquire outside legal counsel with expertise in utilities. The Lieutenant Governor is intervening on behalf of small businesses and individual ratepayers to eliminate the billing adjustment fee when a customer chooses to switch to a different electric provider.

Office of the Secretary of State

| Expenditures by Program | FY2014 | FY2015 | FY2015 | Change from | | FY2016 | Change from | |
|-------------------------------|--------------|--------------|--------------|----------------|--------------|--------------|----------------|--------------|
| | Actual | Enacted | Revised | Enacted | | Enacted | Enacted | |
| Administration | \$2.2 | \$2.2 | \$2.3 | \$0.1 | 2.7% | \$2.6 | \$0.3 | 15.8% |
| Corporations | 2.1 | 2.3 | 2.2 | (0.0) | -1.6% | 2.3 | 0.0 | 1.1% |
| State Archives | 0.5 | 0.6 | 0.7 | 0.1 | 16.7% | 0.7 | 0.1 | 11.9% |
| Elections and Civics | 0.8 | 1.6 | 1.6 | (0.0) | -0.4% | 1.0 | (0.6) | -37.8% |
| State Library | 0.5 | 0.5 | 0.5 | 0.0 | 4.3% | 0.6 | 0.0 | 5.9% |
| Office of Public Information | 0.5 | 1.1 | 0.6 | (0.6) | -49.8% | 0.9 | (0.2) | -20.4% |
| Total | \$6.7 | \$8.4 | \$7.9 | (\$0.4) | -5.2% | \$8.0 | (\$0.4) | -4.5% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$6.2 | \$7.3 | \$7.3 | (0.0) | -0.6% | \$7.0 | (0.4) | -5.3% |
| Federal Funds | 0.0 | - | 0.0 | 0.0 | 0.0% | - | - | 0.0% |
| Restricted Receipts | 0.5 | 0.5 | 0.5 | 0.0 | 2.2% | 0.6 | 0.1 | 13.1% |
| Other Funds | 0.0 | 0.5 | 0.1 | (0.4) | -87.2% | 0.4 | (0.1) | -12.8% |
| Total | \$6.7 | \$8.4 | \$7.9 | (\$0.4) | -5.2% | \$8.0 | (\$0.4) | -4.5% |
| Authorized FTE Levels | 57.0 | 57.0 | 57.0 | - | 0.0% | 57.0 | - | 0.0% |

\$ 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 FY2016

The Budget decreases general revenue by \$400,673 primarily due to one-time expenses in the Elections and Civics division to administer the November 2014 general election in FY2015. The largest expenses were for printing and mailing of ballots and referenda materials. The decrease was offset partially by cost-of-living adjustments (COLAs) for staff. The Budget includes 57.0 FTE positions, consistent with the enacted level, in both FY2015 and FY2016. While the FTE authorization remains the same, the Budget shifts FTEs throughout several programs within the Office.

The Budget includes \$100,000 to support a full year participation in the Electronic Registration Information Center (ERIC), "a non-profit organization with the sole mission of assisting states to improve the accuracy of America's voter rolls and increase access to voter registration for all eligible citizens." Each member state submits, at minimum, data from their division of motor vehicles, which is used by ERIC to generate reports that show voters who have moved within their state, voters who have moved out of state, voters who have died, duplicate registrations in the same state and individuals who are potentially eligible to vote but are not yet registered. This expense is offset by using internal existing staff to develop and maintain the existing Rules and Regulations database in-house rather than an outside vendor, a decrease of \$100,000.

The Office continues restoration work to complete the display of the Colonial Charter in the State House. The Budget includes \$23,000 in FY2016 to insure the document while it is transported to and from Massachusetts for completion of the encasement.

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 18.0 FTE positions in both FY2015 and FY2016 for the program, 3.0 FTE positions above the FY2015 Budget as Enacted, reflecting a shift from other programs within the Office.

| Administration | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$2,553,390 |
| <hr/> | |
| <i>Target and Other Adjustments</i> | <i>15,000</i> |
| Personnel | 186,508 |
| Operating Expenses | 94,431 |
| Transition Costs | (25,000) |
| Staff Training | 10,000 |
| FY2016 Enacted | \$2,553,390 |

Personnel **\$186,508**

The Budget includes an increase of \$186,508 for personnel changes. The increase reflects the transfer of FTE positions from the Elections and Civics program into the Administration program. This amount includes financing for 1.0 Communication Assistant position, 1.0 Senior Programmer position; partially offset by keeping the 1.0 Senior Legal Counsel position vacant. The Department also adds \$38,566 for a new 1.0 Visitor Center Manager position who will manage the State House Visitor's Center and assist the finance director as needed. Since inception, the Visitor's Center has been staffed by volunteers.

Operating Expenses **\$94,431**

The Budget includes \$94,431 for increased operating expenses. Expenses to insure the historic Colonial Charter document increase by approximately \$22,000 while the document is transported to and from Massachusetts for completion of the encasement project. Information technology (IT) expenses increase due to an initiative to perform IT system support in-house, rather than through an outside vendor. Specifically, this funding represents a shift of IT expenses to redesign the Rules and Regulations database in the Office of Public Information.

Transition Costs **(\$25,000)**

The FY2015 Budget as Enacted included \$25,000 for costs associated with transitioning the new Secretary of State and staff. Historically, transition funding of General Officers has been included in each Office's respective budget during a potential transition year. These costs totaled \$24,319 during the transitional change for the Office. The Budget removes funding for these expenses as FY2016 is not an election year and no transition costs are anticipated.

| 2014 Transition Expenses | |
|---------------------------------|-----------------|
| Leased Office Space | \$11,742 |
| Office Supplies & Equipment | 7,540 |
| Personnel | 5,037 |
| Total | \$24,319 |

Staff Training **\$10,000**

The Budget includes \$10,000 for consultants to train staff in lean management practices. The project is housed in the Administration program; however, staff throughout the Office will participate in the training.

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 22.0 FTE positions in both FY2015 and FY2016 for the Division, a decrease of 0.4 FTE from the enacted level.

| Corporations | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$2,278,601 |
| <i>Target and Other Adjustments</i> | <i>(19,682)</i> |
| Operating and Contract Expenses | 43,772 |
| Personnel | (19,682) |
| FY2016 Enacted | \$2,302,691 |

Operating and Contract Expenses **\$43,772**

The Budget increases operating expenses by \$43,772 primarily to contract legal costs (\$30,000), reflecting the Office's decision not to hire a full time legal counsel. IT expenses are also increased to more accurately reflect past expenditure levels within the program.

Personnel **(\$19,682)**

The Budget decreases general revenue by \$19,682 reflecting a 2.0 percent turnover rate and a shift of 0.4 FTE funding to the Administration program.

STATE ARCHIVES

The State Archives Division is the official repository for preserving and maintaining the permanent records of State government. The Division sets regulations for state document retention, and assists state agencies with records management. Since 1992, the Division has also operated the Local Government Records Program, which is now largely funded (88.1 percent in FY2015) with the Historical Records Trust restricted receipt account. The Budget includes a staffing level of 4.0 FTE positions in both FY2015 and FY2016 for the Division, consistent with the FY2015 Budget as Enacted.

| State Archives | General Revenue |
|--------------------------|------------------------|
| FY2015 Enacted | \$69,266 |
| Historical Records Trust | Informational |
| FY2016 Enacted | \$69,266 |

Historical Records Trust **Informational**

The Budget uses the surplus amount in the Historical Records Trust (restricted receipts) to fund 4.0 FTE positions, which include salary and benefit increase totaling \$66,476. The Historical Records Trust account is funded by collecting a \$4 fee per instrument for recording (for example, contracts for sale of land or letters of attorney) from municipalities to assist local governments with preservation of public records in their custody or care. Revenue generated from the Trust help to fund operating costs in the State Archives program.

| | Historical Records Trust | | | |
|-------------|---------------------------------|---------------|---------------|----------------|
| | FY2013 | FY2014 | FY2015 | FY2016* |
| Collections | \$500,331 | \$445,382 | \$526,262 | \$584,108 |

*FY2016 Budget as Enacted

ELECTIONS AND CIVICS

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

Budget includes a staffing level of 3.0 FTE positions in both FY2015 and FY2016 for the Division, a decrease of 1.0 FTE position from the FY2015 enacted level, which is transferred within the Office.

| Elections and Civics | General Revenue |
|--|------------------------|
| FY2015 Enacted | \$1,636,292 |
| <i>Target and Other Adjustments</i> | 40,758 |
| Non-Recurring Election Costs | (759,151) |
| Electronic Registration Information Center | 100,000 |
| FY2016 Enacted | \$1,017,899 |

Non-Recurring Election Costs **(\$759,151)**

The Budget decreases general revenue by \$759,151 for expenses related to the November 2014 (FY2015) general election. The largest expenses are for printing ballots and referenda, which were almost \$70,000 over the enacted level. The Budget includes the additional \$50,000 in the FY2015 revised budget and the \$20,000 balance will be offset by savings to be identified within the operating budget.

| | General Election Costs | | | |
|--------------------|-------------------------------|---------------------------|--------------------------|-------------------------------|
| | FY2013 Actual | FY2015 Enacted | FY2015 Actual | Surplus/ (Deficit) |
| Ballot Printing | \$647,415 | \$650,000 | \$727,434 | (\$77,434) |
| Elections Mailing* | 27,000 | 45,000 | - | - |
| Referenda Printing | 77,077 | 65,000 | 91,421 | (26,421) |
| Referenda Mailing | 33,955 | 45,000 | 12,541 | 32,459 |
| Legal/Other Costs | 20,456 | 25,000 | 24,549 | 451 |
| Total | \$805,903 | \$830,000 | \$855,945 | (\$70,945) |

*FY2015 costs were combined with referenda mailing expenses.

Electronic Registration Information Center (ERIC) **\$100,000**

The Budget includes \$100,000 to support a full year participation in the Electronic Registration Information Center (ERIC), “a non-profit organization with the sole mission of assisting states to improve the accuracy of America’s voter rolls and increase access to voter registration for all eligible citizens.” Each member state submits, at minimum, data from their division of motor vehicles, which is used by ERIC to generate reports that show voters who have moved within their state, voters who have moved out of state, voters who have died, duplicate registrations in the same state and individuals who are potentially eligible to vote but are not yet registered. The Office became a member of ERIC in June 2015. The FY2016 amount reflects annual dues (\$26,000), an initial mailing to voters listed on Rhode Island’s voter rolls who no longer live in Rhode Island (\$60,000), and the cost of designing and printing mailers to former Rhode Island voters (\$14,000).

STATE LIBRARY

The State Library provides reference and research services about law, legislation, rules and regulations, government reports, and state history. The Library is an official Federal Government Publications Depository and State Publications Clearinghouse. The Budget includes 3.0 FTE positions in both FY2015 and FY2016 for the Library, consistent with the enacted level.

| State Library | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$521,178 |
| <i>Target and Other Adjustments</i> | 15,566 |
| Community Service Objective | 15,000 |
| FY2016 Enacted | \$551,744 |

Community Service Objective **\$15,000**

Under RIGL 29-2-2, funds must be appropriated annually to the Newport Historical Society for the purchase and binding of books relating to the history of the State and for copying and preserving historical records of the several towns of the State. The State Librarian is required to pay the Newport Historical Society for this purpose. The Budget includes \$18,396 for FY2016, an increase of \$15,000 from the FY2015 enacted level.

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 FY2015 and FY2016 for the Office, an increase of 1.0 FTE position within the Office.

| Office of Public Information | General Revenue |
|--|------------------------|
| FY2015 Enacted | \$626,118 |
| <i>Target and Other Adjustments</i> | 41,078 |
| Rules and Regulations Database | (100,000) |
| Personnel | (95,156) |
| Rhode Island Government Owner's Manual | (15,500) |
| State House Visitor's Center & Gift Shop | Informational |
| FY2016 Enacted | \$456,540 |

Rules and Regulations Database **(\$100,000)**

The Budget includes \$100,000 in general revenue savings related contracted services for the Rules and Regulations database. The Office will no longer use an outside vendor for this work; rather, current IT staff will manage the program.

The FY2015 Budget as Enacted included \$100,000 for the procurement of a new Rules and Regulations Database, which would contain proposed and final rules and regulations that are filed by state agencies, boards and commissions. The database can be found on the Secretary of State's website and contains all regulations filed since January 2002.

Personnel **(\$95,156)**

The Budget reduces general revenue by \$95,156 to reflect the reduction of 1.0 FTE Deputy Director position from the program.

Rhode Island Government Owner's Manual **(\$15,500)**

The Office decreases expenses for printing services by \$15,500 in general revenue as the printing of the Rhode Island Government Owner's Manual is not required in FY2016. The 300-page directory is published every two years to reflect the results of the November election. It includes contact information for hundreds of officials, including Congressional delegates, general officers, members of the General Assembly, as well as city and town councils. The FY2015 Budget as Enacted included the funding for the printing requirement for the 2014 election.

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

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

According to estimates from the Secretary of State, the State House attracts about 10,000 visitors each year. The Office, on average, conducts approximately 400 tours annually. The visitor center officially opened on December 5, 2013, and serves as a starting point for those tours, with the prospect of a self-guided tour in the future. The Budget includes an additional \$15,000 in restricted receipts to replenish inventory in FY2015 for this program. In FY2014, the visitor center accrued over \$20,300 in receipts.

RECORDS CENTER

The Records Center is an internal service program funded with internal service funds: no general revenues fund program activities. Inactive records of state agencies are stored at the State Records Center, administered by the Public Records Administration. Inactive records are records that departments and agencies no longer require immediate access to, but that are not yet eligible for disposal because of administrative, fiscal or legal requirements. Access to these records is provided only through the expressed permission of the originating state agency. The Budget includes 4.0 FTE positions in both FY2015 and FY2016 for the program, a decrease of 0.9 FTE from the FY2015 Budget as Enacted to reflect the shift of staff within the Office.

Office of the General Treasurer

| Expenditures by Program | FY2014 | FY2015 | FY2015 | Change from | | FY2016 | Change from | |
|------------------------------------|---------------|---------------|---------------|--------------|--------------|---------------|--------------|--------------|
| | Actual | Enacted | Revised | Enacted | Enacted | Enacted | Enacted | Enacted |
| General Treasury | \$2.7 | \$2.7 | \$2.7 | \$0.0 | 0.0% | \$2.9 | \$0.2 | 7.4% |
| Employees' Retirement System | 9.8 | 10.8 | 12.0 | 1.2 | 11.1% | 11.8 | 1.0 | 9.3% |
| Unclaimed Property | 23.5 | 19.7 | 24.0 | 4.3 | 21.8% | 22.4 | 2.7 | 13.7% |
| Crime Victims Compensation Program | 2.0 | 2.0 | 2.0 | - | 0.0% | \$2.0 | - | 0.0% |
| Total | \$38.0 | \$35.2 | \$40.7 | \$5.5 | 15.6% | \$39.1 | \$3.9 | 11.1% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$2.4 | \$2.4 | \$2.4 | \$0.0 | 0.0% | \$2.4 | \$0.0 | 0.0% |
| Federal Funds | 0.8 | 0.9 | 0.9 | - | 0.0% | 0.9 | - | 0.0% |
| Restricted Receipts | 34.6 | 31.7 | 37.2 | 5.5 | 17.4% | 35.3 | 3.6 | 11.4% |
| Other Funds | 0.2 | 0.2 | 0.2 | - | 0.0% | 0.5 | 0.3 | 150.0% |
| Total | \$38.0 | \$35.2 | \$40.7 | \$5.5 | 15.6% | \$39.1 | \$3.9 | 11.1% |
| Authorized FTE Levels | 83.0 | 83.0 | 83.0 | - | 0.0% | 84.0 | 1.0 | 1.2% |

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

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

MAJOR ISSUES AND TRENDS FOR FY2016

The FY2016 Budget includes two initiatives impacted and supported by the General Treasurer. Article 7 transfers the administration of the CollegeBoundfund Program to the Office of the General Treasurer; and Article 14 establishes the Rhode Island Infrastructure Bank (RIIB) to which the General Treasurer, or a designee, will serve on the Board as an ex-officio member. When making the appointments to the RIIB board, the Governor must give due consideration to a recommendation by the General Treasurer for one of the positions.

The replacement of the Retirement System's antiquated Anchor computer system will take two years to complete, at a cost of \$20.0 million to be paid over a 10-year period. In addition, an \$81,000 computer system upgrade is underway within the Crime Victims Compensation Program, which will be covered through a federal grant award.

In April 2015, a pension settlement agreement was announced by most parties impacted by the enacted 2011 Pension Reforms. Article 21 amends the statutes pertaining to the State and Municipal Retirement Systems (ERSRI and MERS) pursuant to the pension settlement agreement of 2015. The article contains several changes to the benefits including the cost of living adjustments, annual accruals, retirement age, as well as changes to the state contribution to the defined contribution plans for certain employees. There is no fiscal impact in FY2016. The impact in FY2017 will require \$12.6 million from general revenue.

GENERAL TREASURY

The General Treasury program provides administrative support to the entire agency to ensure operational efficiency and fiscal integrity. The Budget includes 22.0 FTE positions in FY2015 and 21.6 FTE

positions in FY2016, reflecting the addition of 1.0 FTE position to administer the CollegeBoundfund tuition savings program, offset by a change in the internal FTE cost allocation among Treasury programs.

| General Treasury | General Revenue |
|---------------------------------------|------------------------|
| FY2015 Enacted | \$2,206,467 |
| <hr/> | |
| <i>Target and Other Adjustments</i> | 7,329 |
| Bond and Bank Fees | (20,000) |
| Rhode Island Infrastructure Bank | Informational |
| Higher Education Assistance Authority | Informational |
| FY2016 Enacted | \$2,193,796 |

| General Treasury | Other Fund Changes |
|---|---------------------------|
| CollegeBoundfund - Tuition Savings Progra | 00,000 |

Bond and Bank Fees **(\$20,000)**

The Budget decreases the amount required for bank and bond fees by \$20,000 from the FY2015 Budget as Enacted level. The reduction is based on actual expenditures occurring in the current fiscal year.

Rhode Island Infrastructure Bank **Informational**

The Budget renames the Clean Water Finance Agency (CWFA) the Rhode Island Infrastructure Bank (RIIB), to which the General Treasurer, or a designee, will serve on the seven-member Board of Directors as an ex-officio member. When making the appointments to the RIIB board, the Governor must give due consideration to a recommendation by the General Treasurer for one of the positions.

The Agency's functions are expanded to include the administration of a residential and commercial Property Assessed Clean Energy program, to include commercial properties; a new Efficient Buildings Fund; a potential brownfields revolving fund; and a storm water loan program for private commercial borrowers, consistent with changes to the federal program. The purpose of the RIIB is to centralize management of new and existing green infrastructure financing opportunities; create a marketable brand that maximizes economic growth, job creation, and a better business climate; build upon the CWFA's existing fiscal success; and create a long-term policy framework focused on addressing Rhode Island's energy needs through cost effective and environmentally-conscious policies.

More information concerning Article 14 and the creation of the Rhode Island Infrastructure Bank can be found in the Article Summaries section of this document.

Higher Education Assistance Authority **Informational**

The Budget eliminates the Rhode Island Higher Education Assistance Authority (RIHEAA) effective July 1, 2015, or upon approval of the U.S. Department of Education, whichever is later, and proposes to transfer the administration of the CollegeBoundfund Program to the Office of the General Treasurer. More information concerning Article 7 and the transfer of the CollegeBoundfund Program to the Office of the General Treasurer can be found in the Article Summaries section of this document.

CollegeBoundfund - Tuition Savings Program (other funds) **\$300,000**

The Budget adds \$300,000 in other funds for the administration of the CollegeBoundfund Program that is transferring to the Office of the General Treasurer. The CollegeBoundfund Program includes the CollegeBoundfund, the Academic Promise Scholarship Program, CollegeBoundfund Baby, and the CollegeBoundfund 5&10 Matching Grant Program. The CollegeBoundfund is a "qualified state tuition program" under section 529 of the IRS code.

The Office of the General Treasurer expressed concerns about possessing adequate staff to provide the required oversight of the CollegeBoundfund Program, because the Governor did not include additional personnel for Treasury in the FY2016 budget recommendation. To effectuate the transfer of the program,

the Budget includes the authorization and funds including one additional FTE position to administer the CollegeBoundfund Program. This will increase the FTE positions authorized in Treasury from 83.0 to 84.0 FTE positions in FY2016.

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 46.3 FTE positions in FY2015 and 47.2 FTE positions in FY2016.

| Employees' Retirement System | Other Fund Changes |
|-------------------------------------|---------------------------|
| FY2015 Enacted | \$10,837,045 |
| <hr/> | |
| <i>Target and Other Adjustments</i> | 96,595 |
| Actuarial and Legal Services | 957,000 |
| Personnel | 429,275 |
| New Computer System- Net Adjustment | (387,420) |
| Audit Services | (150,000) |
| FY2016 Enacted | \$11,782,495 |

Actuarial and Legal Services (restricted receipts) **\$957,000**

The Budget includes \$400,000 for actuarial services and \$1.0 million for general and special legal services regarding litigation associated with the 2011 pension reform. This reflects an increase of \$957,000 from the amount included in the FY2015 Budget as Enacted. Treasury will incur costs to implement the program and coding changes of the settlement agreement (Article 21), and there still may be legal and actuarial requirements to fulfill.

Personnel (restricted receipts) **\$429,275**

The Budget increases personnel expenses by \$429,275 within the State Retirement System. The increase is attributable to several factors including: the statewide COLA and medical adjustments, filling the 1.0 FTE Director of Member Services position and the 1.0 FTE Communications Director position, FTE position cost allocation adjustments due to the priorities of the new Treasurer and pension litigation, and a lower than projected transition turnover of staff.

New Computer System Purchase – Net Adjustment (restricted receipts) **(\$387,420)**

The Budget includes \$3.3 million for information technology consultant services for a replacement of the current Anchor computer system with a new system. The FY2015 Budget as Enacted included \$3.7 million restricted receipt capital expenditure to replace the 10-year-old state retirement computer system. The current system's software is outdated and was designed to address only periodic changes to pension law. In addition, the current system lacks updated personal information security safeguards. All costs associated in implementing the new computer system will be drawn from the Retirement Trust Fund.

In June 2013, the State Retirement Board entered into a contract with Morneau Shepell, Ltd. to replace the computer system. Total cost of the upgrade and software maintenance is \$21.4 million. Treasury has opted to use a "line-of-business" system approach rather than purchasing new computer hardware and software for the upgrade. This approach allows Treasury to amortize the costs over a longer period of time which keeps the administrative costs within statutory constraints. The current schedule of payments runs to 2025.

The replacement of the computer system will occur in three phases. The first phase involving the financial services section was completed in July 2014. Phase 2 involving the payroll system was completed in

January 2015. The final phase involving the pension calculation system is scheduled to be complete in December 2015. Presently, Treasury is operating both computer systems redundantly to insure a smooth transfer and operation of the retirement system data.

Audit Services (restricted receipts) **(\$150,000)**

The Budget includes \$150,000 in restricted receipt expenditures for auditing and accounting services related to municipal payroll or any other audits. This is a \$150,000 decrease from the FY2015 Budget as Enacted as most of the municipal audits will be completed during FY2015.

UNCLAIMED PROPERTY

The Unclaimed Property program is responsible for collecting abandoned property and acts as custodian for both tangible and intangible property. The mission of the program is to return the abandoned property to its rightful owners. The Budget includes 10.6 FTE positions in FY2015 and 10.9 FTE positions in FY2016, reflecting a change in the internal FTE cost allocation among Treasury programs.

| Unclaimed Property | Other Fund Changes |
|---|---------------------------|
| FY2015 Enacted | \$19,712,197 |
| <i>Target and Other Adjustments</i> | <i>60,586</i> |
| Revenue Estimating Conference Adjustments | 2,577,484 |
| FY2016 Enacted | \$22,350,267 |

Revenue Estimating Conference Adjustments (restricted receipts) **\$2.6 million**

Based on Treasury's testimony received during Revenue Estimating Conferences conducted in November 2014 and May 2015, the Conference adjusted the projected revenue collections and expenditures to the Unclaimed Property Program impacting claim payments, change in liability and the surplus transfer to the General Fund. Based on Conference projections, the transfer to the General Fund decreases \$500,000, claim payouts increase \$2.4 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 \$682,784, resulting in a net increase of \$2.6 million. [\$2.4 million + \$682,784+ (\$500,000) = \$2.6 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 4.1 FTE positions in FY2015 and 4.3 FTE positions in FY2016, reflecting a change in the internal FTE cost allocation among Treasury programs.

| Crime Victims Compensation | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$225,638 |
| <i>Target and Other Adjustments</i> | <i>816</i> |
| FY2016 Enacted | \$226,454 |

| Crime Victims Compensation | Other Fund Changes |
|-----------------------------------|---------------------------|
| Crime Victims - Computer System | 10,309 |

Crime Victims – Computer System (federal) **\$10,309**

The Budget includes \$25,000 in FY2015 and \$10,309 in FY2016 in federal funds for operating expenses to upgrade the Crime Victims Compensation Program (CVCP) computer system. The computer upgrade project for CVCP is a specific grant Treasury applied for and was awarded to upgrade the server to do

batch payment processing and web internet interface to accept online claim submissions. This will also allow for electronic image filing and storing, reducing costs for retention and providing easier access to claim history. The total federal award is \$81,000 which reflects the full cost of the project. Depending on the current progress of the upgrade, the balance of the federal grant could be expended in the current fiscal year, requiring a change in upcoming fiscal year's revised budget.

Board of Elections

| Expenditures by Program | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | | FY2016 Enacted | Change from Enacted | |
|--------------------------------|--------------------------|---------------------------|---------------------------|--------------------------------|-------|---------------------------|--------------------------------|--------|
| Board of Elections | \$1.6 | \$4.1 | \$4.6 | \$0.5 | 12.2% | \$1.8 | (\$2.3) | -56.1% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$1.6 | \$4.1 | \$4.6 | \$0.5 | 12.2% | \$1.8 | (\$2.3) | -56.1% |
| Authorized FTE Levels | 11.0 | 11.0 | 11.0 | - | 0.0% | 11.0 | - | 0.0% |

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

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

MAJOR ISSUES AND TRENDS FOR FY2015 AND FY2016

The Budget includes \$4.7 million for FY2015, which is \$511,072 more than appropriated in the FY2015 Budget as Enacted. This reflects an increase of \$620,273 to match public financing of campaigns for the 2014 General Election, offset by a decrease of \$88,520 for operating costs, a decrease of \$21,385 for the purchase of updated computer hardware and software, and an increase of \$704 in personnel costs.

The Budget includes \$1.8 million for FY2016, which is \$2.3 million less than appropriated in the FY2015 Budget as Enacted, reflecting the absence of general election costs. The Budget includes \$54,428 in general revenue reflecting the net amount of the statewide adjustments including the cost-of-living (COLA) increase. The COLAs were agreed upon in the 4-year contract agreement signed in April 2014 between the State and the state employee bargaining units. The Budget maintains 11.0 FTE positions in FY2015 and FY2016, consistent with the enacted level.

| Board of Elections | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$4,145,127 |
| <i>Target and Other Adjustments</i> | 54,428 |
| General Election Adjustments | (2,295,000) |
| Capital Purchases | (86,250) |
| FY2016 Enacted | \$1,818,305 |

General Election Adjustments **(\$2.3 million)**

The FY2016 Budget reflects a decrease of \$2.3 million in general revenue expenditures from the FY2015 Budget as Enacted to reflect personnel, purchased services, and operating expenditures for voter operating supplies and expenses that will not be incurred in a non-general election year.

Capital Purchases **(\$86,250)**

The Budget decreases general revenue expenditures by \$86,250 for capital expenditures. The FY2015 Budget as Enacted included \$107,940 to reduce waiting times at voting local precincts and to improve election operations. This reflected \$61,250 to purchase 245 new voting booths, at a cost of \$249 per booth, and \$46,690 to purchase updated computer hardware and software as recommended by the Division of Information Technology. The Budget includes \$21,690 in FY2016 to purchase the remaining computer hardware and software recommended by the Division of Information Technology that was not purchased during FY2015.

Ethics Commission

| Expenditures by Program | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | | FY2016 Enacted | Change from Enacted | |
|--------------------------------|--------------------------|---------------------------|---------------------------|--------------------------------|------|---------------------------|--------------------------------|------|
| RI Ethics Commission | \$1,541,741 | \$1,581,205 | \$1,618,883 | \$37,678 | 2.4% | \$1,644,876 | \$63,671 | 4.0% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$1,541,741 | \$1,581,205 | \$1,618,883 | \$37,678 | 2.4% | \$1,644,876 | \$63,671 | 4.0% |
| Authorized FTE Levels | 12.0 | 12.0 | 12.0 | - | 0.0% | 12.0 | - | 0.0% |

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

MAJOR ISSUES AND TRENDS FOR FY2016

The Budget includes \$1.6 million for FY2016, reflecting an increase of \$63,671 (4.0 percent) over the FY2015 Budget as Enacted. The Budget includes \$71,347 in general revenue for cost-of-living (COLA) increases. The COLAs were agreed upon in the 4-year contract agreement signed in April 2014 between the State and the state employee bargaining units. The increase is particularly offset by other statewide adjustments in operating and contracted professional service expenditures.

The Budget maintains 12.0 FTE positions in FY2015 and FY2016, consistent with the enacted level. The agency's office is located at 40 Fountain Street in the City of Providence. The lease was renewed on April 30, 2011, and expires on November 30, 2021. The annual lease expense is \$107,000.

| Ethics Commission | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$1,581,205 |
| <i>Target and Other Adjustments</i> | <i>63,671</i> |
| FY2016 Enacted | \$1,644,876 |

Office of the Governor

| Expenditures by Program | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | | FY2016 Enacted | Change from Enacted | |
|--------------------------------|--------------------------|---------------------------|---------------------------|--------------------------------|------|---------------------------|--------------------------------|------|
| Central Management | \$4.0 | \$4.5 | \$4.7 | \$0.1 | 2.8% | \$4.9 | \$0.4 | 8.3% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$4.0 | \$4.5 | \$4.7 | \$0.1 | 2.8% | \$4.9 | \$0.4 | 8.3% |
| Authorized FTE Levels | 45.0 | 45.0 | 45.0 | - | 0.0% | 45.0 | - | 0.0% |

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

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

MAJOR ISSUES AND TRENDS FOR FY2016

In FY2016, the budget for the Office of the Governor is \$4.9 million in general revenue. The Budget includes 45.0 FTE positions in both FY2015 and FY2016, consistent with the FY2015 Budget as Enacted.

| Office of the Governor | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$4,527,562 |
| <i>Target and Other Adjustments</i> | <i>208,179</i> |
| Personnel | 297,726 |
| Transition Costs | (130,000) |
| FY2016 Enacted | \$4,903,467 |

Personnel **\$297,726**

The Budget increases general revenue for salaries and benefits by \$297,726 for 6.0 new policy and legislative analyst FTE positions. Also of note, during the budget address before a joint session of the General Assembly on March 12, 2015, the Governor declared she would cut her salary by 5.0 percent; however, the Budget funds 100.0 percent of the Governor's \$139,695 salary.

Transition Costs **(\$130,000)**

The FY2015 Budget as Enacted included \$130,000 for transition expenses associated with a new Governor. Historically, funding for the transition of General Officers has been included in each Office's respective budget during a potential transition year. Since there is no statewide election in FY2016, the Budget eliminates these expenses. Actual transition costs totaled \$113,408 for the Office of the Governor 2014 gubernatorial change.

| 2014 Election Transition Expenses | |
|--|------------------|
| Personnel | \$73,759 |
| Leased Office Space | 26,000 |
| Office Supplies & Equipment | 13,529 |
| Out of State Travel | 120 |
| Total | \$113,408 |

Rhode Island Commission for Human Rights

| Expenditures by Program | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | | FY2016 Enacted | Change from Enacted | |
|--------------------------------|--------------------------|---------------------------|---------------------------|--------------------------------|-------------|---------------------------|--------------------------------|-------------|
| Commission for Human Rights | \$1,463,683 | \$1,480,179 | \$1,542,465 | \$62,286 | 4.2% | \$1,548,010 | \$67,831 | 4.6% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$1,146,066 | \$1,193,083 | \$1,231,773 | \$38,690 | 3.2% | \$1,252,174 | \$59,091 | 5.0% |
| Federal Funds | 317,617 | 287,096 | 310,692 | 23,596 | 8.2% | 295,836 | 8,740 | 3.0% |
| Total | \$1,463,683 | \$1,480,179 | \$1,542,465 | \$62,286 | 4.2% | \$1,548,010 | \$67,831 | 4.6% |
| Authorized FTE Levels | 14.5 | 14.5 | 14.5 | - | 0.0% | 14.5 | - | 0.0% |

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

The Commission is reimbursed \$650 for each co-filed employment case processed pursuant to its work-sharing agreement with the federal Equal Employment Opportunities Commission (EEOC), and between \$2,080 and \$3,600 for each co-filed housing case processed pursuant to its contract with the federal Department of Housing and Urban Development (HUD). Annual federal receipts are used to estimate the following federal fiscal year appropriation to the Commission. When the Commission processes fewer EEOC or HUD cases, the Commission receives a lower federal reimbursement, resulting in the need to appropriate additional general revenues to cover the annual operation of the Commission.

The Commission receives, on average, approximately 400 cases per year and projects an average number of processed cases to be the same each year. For FY2014, it took the Commission an average of 308 days to process a case to final disposition, 21 days quicker than those processed during FY2013 and 92 days quicker than those processed during FY2012.

MAJOR ISSUES AND TRENDS FOR FY2016

The Budget includes 14.5 FTE positions in FY2015 and in FY2016, consistent with the enacted level. Other than the statewide target adjustments, the Budget makes no significant changes to the Commission's budget. The 0.5 FTE Senior Compliance Officer position remains vacant.

| RI Commission for Human Rights | General Revenue |
|---------------------------------------|------------------------|
| FY2015 Enacted | \$1,193,083 |
| <i>Target and Other Adjustments</i> | <i>59,091</i> |
| FY2016 Enacted | \$1,252,174 |

Public Utilities Commission

| Expenditures by Program | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | | FY2016 Enacted | Change from Enacted | |
|--------------------------------|--------------------------|---------------------------|---------------------------|--------------------------------|--------------|---------------------------|--------------------------------|-------------|
| Public Utilities Commission | \$6,823,882 | \$8,459,886 | \$8,430,886 | (\$29,000) | -0.3% | \$8,684,685 | \$224,799 | 2.7% |
| Expenditures by Source | | | | | | | | |
| Federal Funds | \$207,575 | \$87,733 | \$87,733 | \$0 | - | \$90,000 | \$2,267 | 2.6% |
| Restricted Receipts | 6,616,307 | 8,372,153 | 8,343,153 | (29,000) | -0.3% | 8,594,685 | 222,532 | 2.7% |
| Total | \$6,823,882 | \$8,459,886 | \$8,430,886 | (\$29,000) | -0.3% | \$8,684,685 | \$224,799 | 2.7% |
| Authorized FTE Levels | 49.0 | 50.0 | 50.0 | - | 0.0% | 50.0 | - | 0.0% |

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

MAJOR ISSUES AND TRENDS FOR FY2016

The total operating budget is \$8.7 million, including \$8.6 million in restricted receipts and \$90,000 in federal funds. The agency does not receive any general revenue funding. The Budget represents an increase of \$224,799 (2.7 percent) over the FY2015 Budget as Enacted. The Budget includes \$278,638 in all funds for cost-of-living (COLA) increases. The COLAs were agreed upon in the 4-year contract agreement signed in April 2014 between the State and the state employee bargaining units. The increase is offset by decreases of \$53,839 in other operating and contracted professional service expenditures. The Budget maintains a staffing level of 50.0 FTE positions in FY2015 and FY2016 for the Commission.

Executive Office of Commerce

| Expenditures by Program | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | FY2016 Enacted | Change from Enacted |
|-----------------------------------|--------------------------|---------------------------|---------------------------|--------------------------------|---------------------------|--------------------------------|
| Central Management | \$0.0 | \$0.0 | \$0.2 | \$0.2 | \$0.9 | \$0.9 |
| Housing and Community Development | - | - | - | - | 14.4 | 14.4 |
| Quasi-Public Appropriations | - | - | - | - | 16.1 | 16.1 |
| Economic Development Initiatives | - | - | - | - | 43.5 | 43.5 |
| Total | \$0.0 | \$0.0 | \$0.2 | \$0.2 | \$74.9 | \$74.9 |
| Expenditures by Source | | | | | | |
| General Revenue | \$0.0 | \$0.0 | \$0.2 | \$0.2 | \$60.8 | \$60.8 |
| Federal Funds | - | - | - | - | 11.0 | 11.0 |
| Restricted Receipts | - | - | - | - | 2.8 | 2.8 |
| Other Funds | - | - | - | - | 0.3 | 0.3 |
| Total | \$0.0 | \$0.0 | \$0.2 | \$0.2 | \$74.9 | \$74.9 |
| Authorized FTE Levels | - | - | 5.0 | 5.0 | 16.0 | 16.0 |

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

Table does not reflect past appropriations under the Department of Administration

The Executive Office of Commerce was created by the 2013 General Assembly to be the principal agency of the executive branch of State government for managing the promotion of commerce and the economy within the State. The Secretary of Commerce oversees the Executive Office of Commerce. The Secretary is charged with coordinating a cohesive direction of the State's economic development activities and be the State's lead agency for economic development throughout Rhode Island.

MAJOR ISSUES AND TRENDS FOR FY2016

The Budget includes \$74.9 million of which \$60.8 million is general revenue, to fund the operation and economic initiatives of the new executive agency. This reflects an increase of \$51.7 million (\$52.5 million in general revenues) than what was previously appropriated under the Department of Administration.

| Source | (DOA) | (Commerce) | Change |
|---------------------|---------------------------|---------------------------|---------------------|
| | FY2015 Enacted | FY2016 Enacted | |
| General Revenue | \$8,319,803 | \$60,840,542 | \$52,520,739 |
| Restricted Receipts | 3,400,000 | 2,800,000 | (600,000) |
| Federal | 11,253,453 | 10,983,803 | (269,650) |
| Other | 250,000 | 300,000 | 50,000 |
| Total | \$23,223,256 | \$74,924,345 | \$51,701,089 |

FY2015 Enacted is under the Department of Administration

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

The Budget includes \$7.8 million (\$3.1 million in general revenue) for several new economic initiatives within the Rhode Island Commerce Corporation designed to spur tourism and economic development and adds \$43.5 million in general revenue to create an Economic Development Initiatives Fund to fund

various incentives, business assistance, and development programs to create and expand business in Rhode Island.

The Budget provides 16.0 FTE positions for the agency, of which 5.0 FTE positions are added for the Office of the Secretary and 11.0 FTE positions from the Department of Administration to support the transferred personnel and functions for Housing and Community Development.

Analyst's Note: The enabling statute required the Executive Office of Commerce to assume, on or about February 1, 2015, the operating functions of the Department of Business Regulation. However, the Governor did not transition in the Department of Business Regulation functions as part of the FY2016 Budget, leaving it instead as a stand-alone agency.

CENTRAL MANAGEMENT

The Central Management program is responsible for supervising, coordinating, and monitoring all departmental functions. The Central Management program provides leadership, management, and strategic planning activities. The Budget maintains 5.0 FTE positions in FY2015 and in FY2016.

| Central Management | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | - |
| <i>Target and Other Adjustments</i> | |
| Personnel | 900,254 |
| Operating | 56,000 |
| FY2016 Enacted | \$956,254 |

Personnel **\$900,254**

The Budget includes \$900,254 in general revenue to support the salary and benefit costs for 5.0 new FTE positions for the new executive agency. The recommendation reflects \$584,222 for salaries and \$316,032 for benefits. The new positions include:

| New Positions | FTE | Base Salary |
|-----------------------------|------------|--------------------|
| Secretary of Commerce | 1.0 | \$198,900 |
| Deputy Director | 1.0 | 131,397 |
| Chief of Strategic Planning | 1.0 | 112,370 |
| Director of Communications | 1.0 | 79,562 |
| Chief Implementation Aide | 1.0 | 61,993 |
| Total | 5.0 | \$584,222 |

Operating **\$56,000**

The Budget includes \$56,000 in general revenue to support the operating expenses in central management, of which \$20,000 is recommended for out-of-state travel.

HOUSING AND COMMUNITY DEVELOPMENT

The Housing and Community Development program is transferred to the Executive Office of Commerce in accordance to provisions set under RIGL 42-64.19-7(h) and enacted by the General Assembly in 2013. The Housing and Community Development program provides opportunities for healthy and affordable housing through production, lead hazard mitigation, and the coordination of the homeless system and implementation of the state's plan to end homelessness. The Community Development Block Grant program provides funding to 33 municipalities to address housing and community development needs. Previously, the program was administered by the Division of Planning under the Department of Administration. The Budget shifts 11.0 FTE positions in FY2016.

| Housing and Community Development | General Revenue |
|--|------------------------|
| FY2015 Enacted (DOA) | \$575,739 |
| <i>Target and Other Adjustments</i> | <i>17,343</i> |
| Personnel and Operating Transfer | Informational |
| FY2016 Enacted | \$593,082 |

| Housing and Community Development | Other Fund Changes |
|--|---------------------------|
| Community Development Block Grant (CDBG) | \$10,983,803 |
| Housing Resources Commission | 2,800,000 |

Personnel and Operating Transfer ***Informational***

The Budget shifts the Housing and Community Development program and 11.0 FTE positions from the Planning program in the Department of Administration to the Executive Office of Commerce pursuant to the provisions set under RIGL 42-64.19-7(h) and enacted by the General Assembly in 2013. The transfer includes \$582,477 for personnel costs and \$10,605 for operating expenses to support the program.

Community Development Block Grant (federal funds) ***\$11.0 million***

The Budget shifts \$11.0 million in federal funds receipts from the Planning Program in the Department of Administration to the Executive Office of Commerce. The funds reflect the federal Community Development Block Grant (CDBG) funds. The State manages the program for 33 Rhode Island municipalities which do not receive a CDBG allocation from the U. S. Department of Housing and Urban Development (HUD). The state distributes funds to units of local government, which in turn distribute funds to non-profit and other entities to support various activities including housing, economic development, facilities/improvements, social services and planning (land use). CDBG funds are targeted to areas that are distressed and are predominately low- and moderate-income neighborhoods.

Housing Resources Commission (restricted receipts) ***\$2.8 million***

The Budget shifts \$2.8 million in restricted receipts from the Planning Program in the Department of Administration to the Executive Office of Commerce for the Housing Resources Commission. This transfers the funds for the homelessness housing rental subsidy and shelter programs as well as for the lead abatement programs. The Housing Resources Commission anticipates expending resources at the same level as FY2015; however the Commission will not finalize the programming until passage of the FY2016 Budget.

The FY2015 Budget as Enacted shifts funding for the Housing Resources Commission and the Housing Rental Subsidy from general revenues to restricted receipts. In addition, the FY2015 Budget as Enacted increased the Real Estate Conveyance Tax authorized under RIGL 44-25 from a rate of \$2.00 for each \$500, or fractional part of the purchase price, to \$2.30 for each \$500, and dedicated the additional revenue raised by the tax to fund the Housing Resources Commission and the Housing Rental Subsidy.

QUASI-PUBLIC APPROPRIATIONS

The Budget funds the Rhode Island Commerce Corporation and the I-195 Redevelopment Commission that were previously funded in the Department of Administration.

| Quasi Public Appropriations | General Revenue |
|------------------------------------|------------------------|
| FY2015 Enacted (DOA) | \$7,894,064 |

| | |
|-------------------------------|---------------------|
| RI Commerce Corporation | 3,350,000 |
| RI Commerce Economic Programs | 3,100,000 |
| Innovative Matching Grants | 500,000 |
| I-195 Redevelopment District | 460,000 |
| Chafee Center at Bryant | 376,200 |
| Pass-Through Appropriations | 302,942 |
| Slater Centers for Excellence | (150,000) |
| FY2016 Enacted | \$15,833,206 |

| Quasi Public Appropriations | Other Fund Changes |
|--------------------------------------|---------------------------|
| RICAP - I-195 Redevelopment District | \$300,000 |

RI Commerce Corporation **\$3.4 million**

The Budget transfers the funding and administration of the Rhode Island Commerce Corporation from the General program in the Department of Administration to the Executive Office of Commerce and includes \$7.4 million in general revenue for personnel and operating expenses. This is an increase of \$3.4 million from the FY2015 Budget as Enacted and is proposed to increase the staff to enhance several sectors within the Corporation. According to the Executive Office of Commerce, this will add 26.0 FTE positions to the Corporation. The positions and average costs to be added include:

| Sector | New FTE Positions | Average Salary | Total Average Cost |
|--------------------------|--------------------------|-----------------------|---------------------------|
| Client Service/Concierge | 7.0 | \$82,857 | \$580,000 |
| Business Development | 4.0 | 96,250 | 385,000 |
| Investment Team | 8.0 | 101,875 | 815,000 |
| Tourism and Branding | 3.0 | 88,333 | 265,000 |
| Corporate/Administration | 4.0 | 82,500 | 330,000 |
| Other Costs/Consultants | N/A | N/A | 536,875 |
| Total | 26.0 | \$84,821 | \$2,911,875 |

Source: Executive Office of Commerce

Total cost is only salary. Benefits not included

The funding includes \$100,000 for a University Research Collaborative and \$3.3 million to increase the operating support for the RI Commerce Corporation. The University Research Collaborative is a consortium of the local colleges and universities through which the schools provide support to the state in various ways, such as:

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

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

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

RI Commerce Economic Programs**\$3.1 million**

The Budget includes funds for several new economic initiatives within the Commerce Corporation designed to spur tourism and economic development. The cost of the new programs is \$8.1 million. This includes \$4.0 million for an enhanced statewide tourism marketing promoting Rhode Island as a vacation and leisure destination and \$1.0 million to administer a business marketing campaign. The tourism marketing initiative as well as some of the other economic development programs will be funded from redirected hotel tax revenues into the agency. The Budget includes \$3.1 million in general revenue to support these initiatives and \$5.0 million of redirected hotel tax revenues. However, the redirected hotel tax revenues are not appropriated in the FY2016 Budget, but are allocated directly to the Rhode Island Commerce Corporation, a quasi-public state entity.

| | FY2016 |
|---|-----------------------|
| <u>Economic Development Program - Revenues</u> | <u>Enacted</u> |
| State Appropriation | \$3,100,000 |
| Hotel Tax Revenue Redirected to Commerce | 5,000,000 |
| Total | \$8,100,000 |

| | FY2016 |
|--|-----------------------|
| <u>Economic Development Program - Budgets</u> | <u>Enacted</u> |
| Tourism Marketing Campaign | \$4,000,000 |
| Wavemaker Student Loan Forgiveness | 1,750,000 |
| Business Marketing Campaign | 1,000,000 |
| Employee/CCRI/High School Partnerships | 600,000 |
| Innovation Vouchers | 500,000 |
| Building and Fire Permit Initiative | 250,000 |
| Total | \$8,100,000 |

The Economic Development Programs include:

Tourism Marketing Campaign: The Commerce Corporation projects a \$4.0 million expenditure to create an enhanced statewide tourism program to promote Rhode Island as a vacation and leisure destination across the region and country, and to devise a compelling brand for the state and to increase media advertising expenses.

Stay Invested in RI Wavemaker Fund: The Budget includes \$1.8 million in general revenue to provide tax credits against the taxpayers' tax liability but shall not exceed 100.0 percent of the educational loan expenses incurred and paid by a taxpayer during a twelve month period for up to four consecutive years. The amount of the tax credit depends upon the degree earned by the taxpayer, i.e. \$1,000 for an associate degree up to \$6,000 for a graduate or post-graduate degree. Approximately 70.0 percent of the eligible candidates must be either a permanent Rhode Island resident or a graduate of a school in Rhode Island where the student loan debt occurred.

Business Marketing Campaign: The Budget includes \$1.0 million to create a partnership with chambers of commerce and local businesses, to promote Rhode Island at national trade shows and conventions where, it is believed, the State is often absent in promoting itself. The initiative will include direct marketing of the state online, in magazines, etc. The initiative is modelled after the "Pure Michigan" campaign. The campaign will build on the commitment of businesses to leverage private dollars and to put Rhode Island back on the map for investment and growth.

Employee/CCRI/High School Partnerships: The Budget includes \$600,000 to establish a P-TECH program, modeled after similar programs in Connecticut and New York. The program enlists a major employer to work with a local high school and community college to create a pipeline of talent. The employer helps craft a curriculum that gives students internships and, at the end of five or six years, a high school diploma, associate's degree, and potentially a job upon completion. The \$600,000 will hire

staff and to set up the program at three high schools in state. The Commerce Corporation intends to hire at least 1.0 FTE position, at the vice principal level in each high school and have that employee work in the participating high school.

Innovation Voucher and Innovation Network Program: The Budget includes \$500,000 in general revenue for the program in FY2016. This new initiative has two subprograms, the Innovation Voucher Program and the Innovation Network Program.

- The Innovation Voucher Program provides financial assistance to small businesses (under 500 employees) to purchase research and development technical assistance from state or regional higher education institutions, or other providers. Awards will range from \$5,000 to \$50,000.
- The Innovation Network Program provides matching fund grants to small businesses in industry sectors and in an amount to be determined by the Commerce Corporation. Small business will use these funds to access technical assistance, obtain business operating space, and to access capital from private and non-profit organizations. Grants will be issued only when matched with private or non-profit funds.

State Building and Fire Code Initiative: The Budget includes \$250,000 in general revenue to develop office space and to reimburse local communities for lost permit and inspection fees. The initiative allows all capital investment projects receiving incentives from the Rhode Island Commerce Corporation to bypass local building and fire codes. Projects would be subject to state building and fire codes, and required inspections would be conducted by the State Building Commissioner.

Innovative Matching Grants

\$500,000

The Budget adds \$500,000 in general revenue, bringing the total appropriation to \$1.0 million in FY2016 to support the innovative technology and bioscience and engineering internship program, administered by the Rhode Island Science and Technology Advisory Council. The funds are used to assist eligible businesses to offset costs associated with applying for Small Business Technology research grants and to provide matching funds to assist businesses to apply for federal research funds.

I-195 Redevelopment Commission

\$460,000

The Budget includes \$761,000 in general revenue to fund administrative, legal, and engineering costs incurred by the I-195 Redevelopment District Commission. This reflects an increase of \$460,000 from the FY2015 Budget as Enacted. The Commission requires additional funds for property management as the ownership and responsibility for the sidewalks and parcels transfer from the RI Department of Transportation to the I-195 Redevelopment District Commission. Created in 2011, the I-195 Redevelopment Commission is tasked with developing the land formerly covered by the old I-195 Highway.

Chafee Center at Bryant

\$376,200

The Budget provides \$376,200 in general revenue to support the Chafee Center at Bryant in FY2016. The Center is located at Bryant University and was previously funded under the title of the Rhode Island Export Assistance Center. The Budget adds \$250,000 to the previous Community Service Objective appropriation for the Chafee Center at Bryant University of \$126,200 to increase the appropriation to the Chafee Center at Bryant (a.k.a. the Rhode Island Export Assistance Center) to \$376,200.

Pass-Through Appropriations

\$302,942

The Budget provides \$4.6 million in “pass-through” general revenue appropriations to the Executive Office of Commerce, reflecting an increase of \$302,942 in general revenues, impacting the Community Service Objective appropriation. The pass-through appropriations include:

- **\$1.2 million** for the State’s match to the National Science Foundation’s Experimental Program to Stimulate Competitive Research (EPSCoR).

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

| FY2015 Actual | 1.0 million passengers | Distribution on landings | All Airports and Communities to \$25,000 | Total |
|---|-----------------------------------|-------------------------------------|---|--------------------|
| Warwick - T.F. Green | \$600,000 | \$190,578 | | \$790,578 |
| Block Island | | 37,411 | | 37,411 |
| Middletown-Newport Airport ¹ | | 49,063 | | 49,063 |
| North Central | | | | |
| Smithfield | | 20,634 | 4,366 | 25,000 |
| Lincoln | | 20,634 | 4,366 | 25,000 |
| North Kingstown - Quonset | | 38,714 | | 38,714 |
| Westerly | | 42,967 | | 42,967 |
| Total | \$600,000 | \$400,000 | \$8,732 | \$1,008,732 |

¹ Located in Middletown

- **\$1.0 million** in general revenue to fund sixteen community service objectives. This reflects an increase of \$429,142 in general revenues, including an additional \$2,636 to the Bristol 4th of July Parade, \$75,000 to the Maritime Cyber Security Center of excellence, \$175,000 to the Rhode Island Composition Alliance, \$187,000 to the Small Business Administration, and a decrease of \$10,222 for the Center to Advance Minority Participation in the Construction Industry, Inc., because the Center does not exist and its certificate of incorporation was revoked by the Office of the Secretary of State on March 12, 2014. The accompanying table lists the community service objectives.

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

Slater Centers of Excellence

(\$150,000)

The Budget does not fund the Slater Centers of Excellence. This ends the State's financing the Slater Centers of Excellence operations. Begun in 1997, the State has appropriated \$45.6 million in general revenue to stimulate the growth of new industries in the state. The program was formerly known as the Centers of Excellence program and as the Slater Technology Fund. The Slater Centers of Excellence

program design is to support the development of emerging industries with potential for significant long-term growth.

I-195 Redevelopment District Commission (other funds) **\$300,000**

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

ECONOMIC DEVELOPMENT INITIATIVES

The Budget includes \$43.5 million in general revenue in FY2016 to create and fund several Economic Development Initiatives under the Executive Office of Commerce to fund various incentives, business assistance, and development programs to create and expand businesses. Many of the new initiatives are authorized under Article 19 of the FY2016 Budget as Enacted.

Each initiative has a standardized program reporting requirement to the General Assembly, contains a standard definition to the term “gap” financing and institutes a standard sunset provision prohibiting the issuance of credits, grants, loans or incentives after December 21, 2018. The Rhode Island Commerce Corporation will promulgate rules and regulations to administer these initiatives.

| Economic Development Initiatives | General Revenue |
|---|------------------------|
| FY2015 Enacted | - |
| I-195 Development Fund | 25,000,000 |
| Small Business Assistance Program | 5,458,000 |
| First Wave Closing Fund | 5,000,000 |
| Affordable Housing | 3,000,000 |
| Anchor Institution Tax Credits | 1,750,000 |
| Main Street RI Streetscape Improvements | 1,000,000 |
| Rebuild RI Tax Credit Fund | 1,000,000 |
| Industry Cluster Grants | 750,000 |
| Innovate RI Small Business Program | 500,000 |
| FY2016 Enacted | \$43,458,000 |

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

The Budget includes \$25.0 million in general revenue in FY2016 to capitalize an I-195 Development Fund to serve as a catalyst for real estate development on the former highway land. Additional resources from federal programs, private contributions, loan repayments, and from the sale of assets and collateral can be deposited into this Fund. The I-195 Redevelopment District Commission will be sole administrator of the Fund to be used to:

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

Analyst's Note: The enabling legislation in Article 19 contains language stipulating that the I-195 Development Funds cannot be expended to finance a stadium or a facility primarily used for sports. In addition, the fund will be used to support a 1.0 FTE Architect position in the State Building Code Commission to review I-195 Redevelopment District projects, to ensure there are no delays with any proposed project.

Small Business Assistance Program**\$5.4 million**

The Budget includes \$5.4 million in general revenue in FY2016 to capitalize a state-backed Small Business Assistance Program to help small businesses (under 200 employees) gain access to capital. This program will offer more operating flexibility than the current Small Business Loan Fund, which is subject to federal regulations from the U. S. Economic Development Administration. The Commerce Corporation is authorized to partner with a private lending institution to administer the applications and program. The loans may be used to:

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

Approximately 10.0 percent of the funds will be allocated for “micro loans” of \$2,000 to \$25,000. The maximum award that an applicant can receive is \$750,000.

First Wave Closing Fund**\$5.0 million**

The Budget includes \$5.0 million in general revenue to capitalize the fund in FY2016. The fund is intended to attract, expand, or retain businesses, and create jobs in the state, by providing “gap financing” mechanism to fund the portion of the project cost that remains to be financed after all other sources of capital have been considered or the amount that the State may invest in a project to gain a competitive advantage over another state. Before making an award, the Commerce Corporation shall consider such factors, such as:

- The economic impact benefit of the project to the state
- The amount of “gap financing” required to complete the project closing
- The strategic importance of the project
- The quality of the industry and jobs created by the project

Awards may be in the form of a loan, conditional grant, or other form of investment as determined by the Commerce Corporation. Funds awarded may be used to provide working capital, or for construction costs, assistance to purchase structures or real estate, purchasing equipment, permanent financing, or for other purposes as authorized by the Commerce Corporation.

Affordable Housing**\$3.0 million**

The Budget provides \$3.0 million in general revenue to finance the development of affordable housing. The funds will be administered by Rhode Island Housing to leverage additional federal and private equity. Previously, funding for affordable housing was obtained through voter approved bond issuances.

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

The Budget includes \$1.8 million in general revenue to establish an Anchor Institution Tax Credit program to entice businesses that supply component goods or services to existing Rhode Island companies to relocate to the State. The amount of the credit shall be based on criteria created by the Commerce Corporation, and include factors such as:

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

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

Main Street RI Streetscape Improvement Program

\$1.0 million

The Budget provides \$1.0 million in general revenue to fund this new initiative in FY2016. The program provides loans, matching grants, or other forms of financing to upgrade streetscapes in local business districts.

Rebuild Rhode Island Tax Credit

\$1.0 million

The Budget includes \$1.0 million in general revenue for the Rebuild Rhode Island Tax Credit program. The Rebuild Rhode Island Tax Credit is a new tax credit to be administered by the Commerce Corporation, intended to promote investment in real estate development for commercial and/or residential use. Further information on the Rebuild Rhode Island Tax Credit is contained in the Article 19 description.

Industry Cluster Fund

\$750,000

The Budget includes \$750,000 in general revenue in FY2016 for a new Industry Cluster Fund to provide matching grants to start or improve industry sector partnerships or “clusters” to exchange technology and share personnel resources. Industry clusters are created by pooling labor forces, collaborative problem solving, and sharing technology. The fund will be divided into two sub-grant programs. They are:

- Startup and technical assistance grants between \$75,000 to \$250,000 to eligible in-state or regional organizations to support or enable the development of an industry cluster.
- Competitive program grants between \$100,000 to \$500,000 to support activities to overcome identified problems that impede the cluster growth or effectiveness.

Innovate Rhode Island Small Business Program

\$500,000

The Budget includes \$1.0 million for the Innovate Rhode Island Small Business Program to enhance job creation and economic development in the State. The Innovate Rhode Island Small Business Program was created under the FY2014 Budget as Enacted to enhance job creation and economic development in the State. The program is administered by the Rhode Island Science and Technology Advisory Council (STAC) located at the Rhode Island Commerce Corporation.

Office of Health and Human Services

| Expenditures by Program | FY2014 | FY2015 | FY2015 | Change | | FY2016 | Change | |
|-------------------------------|------------------|------------------|------------------|-----------------|--------------|------------------|----------------|--------------|
| | Actual | Enacted | Revised | from Enacted | | Enacted | from Enacted | |
| Central Management | \$126.0 | \$125.9 | \$135.7 | \$9.8 | 7.8% | \$124.2 | (\$1.6) | -1.3% |
| Medical Assistance | 1,819.6 | 2,265.5 | 2,230.5 | (35.1) | -1.5% | 2,263.7 | (1.9) | -0.1% |
| Total | \$1,945.6 | \$2,391.4 | \$2,366.1 | (\$25.3) | -1.1% | \$2,387.9 | (\$3.5) | -0.1% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$839.6 | \$904.6 | \$926.1 | \$21.4 | 2.4% | \$909.9 | \$5.3 | 0.6% |
| Federal Funds | 1,093.5 | 1,470.9 | 1,424.3 | (46.6) | -3.2% | 1,462.2 | (8.6) | -0.6% |
| Restricted Receipts | 12.6 | 15.9 | 15.8 | (0.1) | -0.7% | 15.7 | (0.2) | -1.1% |
| Total | \$1,945.6 | \$2,391.4 | \$2,366.1 | (\$25.3) | -1.1% | \$2,387.9 | (\$3.5) | -0.1% |
| Authorized FTE Levels | 169.0 | 185.0 | 185.0 | - | 0.0% | 188.0 | 3.0 | 1.6% |

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

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

MAJOR ISSUES AND TRENDS FOR FY2016

Absent cost control efforts, the State's Medicaid expenditures continue to grow. Since FY2014, enrollment has grown 33.5 percent, while FY2016 all funds expenditures are expected to be 22.7 percent higher than FY2014 expenditures. Growth in both enrollment and expenditures has largely been driven by the January 1, 2014, expansion of program eligibility to all adults without regard for disability or family status as provided for through the federal Affordable Care Act (ACA).

In response to this growth, the OHHS budget includes \$88.1 million in general revenue (\$175.5 million all funds) savings through rate reductions to nursing homes, hospitals, and managed care organizations, and through over forty other cost control recommendations from the Governor's Working Group to Reinvent Medicaid (Working Group).

As the Medicaid program grows in size and complexity, more of its management and operation are outsourced. As a result, the Office functions less as an administrator of medical benefits and more as a manager of contracts with third-party vendors. The Budget reflects this trend and funds substantial contracts with Hewlett Packard, Xerox, Neighborhood Health Plan of RI, United Healthcare, Deloitte, and Logisticare.

The FY2016 Budget includes new federal funds associated with the State Innovation Model (SIM) grant awarded by the Centers for Medicare and Medicaid Services (CMS) to design, develop, and test new models of delivering and paying for healthcare. This four-year \$20.0 million grant is designed to accelerate the shift from volume-based care (a fee-for-service arrangement where providers are incented to provide more care) to value-based care (a fee-for-value arrangement where providers are incented to deliver the best care at the lowest cost).

CENTRAL MANAGEMENT

OHHS is responsible for consolidating and coordinating core functions of the four health and human services agencies, including budget, finance, and legal. A staff of 188.0 FTE positions is funded, an increase of 3.0 FTE positions over the enacted level due to the addition of a federally-funded 1.0 FTE position in support of the State Innovation Model grant and the addition of 2.0 FTE positions to the Office of Program Integrity.

| Central Management | General Revenue |
|---|------------------------|
| FY2015 Enacted | \$28,044,154 |
| <i>Target and Other Adjustments</i> | <i>(57,022)</i> |
| Unified Health Infrastructure Project (UHIP) | (2,493,692) |
| Contracted Services | 562,270 |
| Administrative and Technical Support Contract | (500,000) |
| Personnel Cost of Living Adjustment | 378,955 |
| Healthcare Planning and Accountability Advisory Council | (150,000) |
| Program Integrity - New Paralegal FTE Positions | 46,920 |
| State Innovation Model (SIM) Grant | Informational |
| FY2016 Enacted | \$25,831,585 |

Unified Health Infrastructure Project (UHIP) (\$2.5 million)

The Budget reduces OHHS funding for the Unified Health Infrastructure Project (UHIP) by \$2.5 million compared to funding included in the FY2015 Enacted budget. Cost overruns would have added \$1.9 million to OHHS funding for the project in FY2016, but the Budget allocates \$4.4 million in project costs from the Office's operating budget to the Information Technology Investment Fund (ITIF) within the Department of Administration, resulting in a \$2.5 million reduction in OHHS funding for the project.

The project began in FY2013 by OHHS, HealthSource RI (HSRI), the Department of Human Services (DHS), and the Department of Administration's Office of Digital Excellence to replace the State's legacy eligibility system, InRhodes, with an integrated eligibility system that would serve as a single portal for DHS programs, Medicaid, and HSRI. Supported by enhanced Medicaid matching funds and HSRI establishment grants, the original project budget of \$150.0 million supported the project's two phases. Phase I, largely completed, includes "simple" Medicaid eligibility and enrollment, and the HSRI marketplace. Phase II includes "complex" Medicaid eligibility and the inclusion of DHS programs such as cash assistance (TANF) and food assistance (SNAP).

The project includes the following vendors:

| UHIP Vendor | Responsibility | Original Contract Value |
|--------------------------------|---|--------------------------------|
| Deloitte Consulting, LLP | Design and Implementation of Technology | \$105.2 |
| Public Consulting Group, LLP | Project Management and Technical Assistance | 4.0 |
| CSG Government Solutions, Inc. | Independent Validation and Verification | 6.8 |
| Connexions | Contact Center Administration | 24.0 |
| Northrop Grumman, Inc. | InRhodes Interface Development and Conversion | 10.5 |
| RI Health Center Association | Outreach and Enrollment Support | Variable |
| Total | | \$150.5 |

\$ in millions

Cost of the project has increased from \$150.5 million to a current estimate of \$230.8 million. This increase has been driven primarily by the contract with Deloitte, which was originally valued at \$105.2 million but has escalated due to contract amendments and change orders currently totaling \$59.2 million. UHIP's project manager maintains that this increase has been driven by changes in federal guidelines and by technical requirements absent in the contract's original project specifications.

The Connexions contract has also added to escalating costs. The original \$24.0 million contract was for services through December 31, 2015, but as of March 2015 the funds available to this contract were fully expended. A current contract amendment adding \$4.0 million will likely be insufficient to fund the contact center through FY2015, as monthly invoices for the contact center have averaged \$1.6 million in FY2015.

Analyst's Note: Though the FY2015 revised budget includes \$6.5 million for the Connexions contract, only \$160,000 is budgeted for this contract in FY2016.

Contracted Services

\$562,270

The Budget adds funding for existing contracts, including:

- Additional funding in support of the contract with Hewlett-Packard (HP) to support current projects that require changes to the Medicaid Medical Information System (MMIS) that processes and pays claims to providers. Initiatives include the data warehouse, the all-payer claims database, and prior authorization. Total financing for the HP contract in FY2016 is \$5.2 million (\$25.4 million all funds).
- Increased funding for the new predictive modeling and analytics system, which involves the use of technology to identify patterns of fraudulent claiming and reimbursement. Contracts for this initiative total \$2.1 million all funds, an FY2016 increase of \$41,476 in general revenue.
- Increased funding for an electronic visit verification contract with Sandata Technologies. The FY2015 Budget as Enacted includes \$500,000 in general revenue savings (\$1.0 million all funds) from increased program integrity through the implementation of an electronic visit verification program that will monitor the delivery of Medicaid home-based services such as personal care and home maker services.

Administrative and Technical Support Contract

(\$500,000)

The Budget reduces the State's contract with Xerox State Healthcare for technical and administrative support for the medical assistance program. This \$5.9 million contract was underspent in FY2013 and FY2014 by approximately \$900,000 and \$800,000 respectively. The FY2016 Budget aligns funding more closely with historical spending.

Personnel Cost of Living Adjustment

\$378,955

General revenue personnel costs are increased primarily due to cost of living adjustments (COLA) provided by new collective bargaining contracts.

In December 2014, the Executive Office of Health and Human Services (OHHS) was awarded \$20.0 million by the Centers for Medicare and Medicaid Services (CMS) to design, develop, and test new models of delivering and paying for healthcare.

Healthcare Planning and Accountability Advisory Council

(\$150,000)

The Healthcare Planning and Accountability Advisory Council, co-chaired by the Secretary of Health and Human Services and the Health Insurance Commissioner, was funded in FY2015 with \$150,000 in general revenue (\$300,000 all funds) for a study of the state's behavioral health care system, including an examination of demand for services, cost, and supply. The FY2016 Budget removes this funding.

Program Integrity - New Paralegal FTE Positions

\$46,920

The Budget funds two paralegal positions within the Office of Program Integrity to conduct estate recovery collections as allowed under existing laws, rules, and regulations. The Budget includes \$46,920 in general revenue and \$22,080 in federal funds for these positions, which are funded for half of FY2016.

The Office of Program Integrity projects \$2.3 million in estate recoveries in FY2016, whereby the State seeks repayment of Medicaid long term care costs from the estate of a deceased Medicaid beneficiary.

State Innovation Model (SIM) Grant

Informational

The Budget includes \$4.1 million in federal funds associated with a four-year \$20.0 million State Innovation Model (SIM) grant.

In December 2014, OHHS was awarded \$20.0 million by the Centers for Medicare and Medicaid Services (CMS) to design, develop, and test new models of delivering and paying for healthcare. This

State Innovation Model (SIM) grant is designed to accelerate the shift from volume-based care (a fee-for-service arrangement where providers are incented to provide more care) to value-based care (a fee-for-value arrangement where providers are incented to deliver the best care at the lowest cost). At the end of the four-year grant period, it is expected that 80 percent of payments to providers from both private and public payers will be value-based. Currently, only about 15 percent of payments are value-based.

The grant will attempt to reform health care delivery and to provide better care at lower cost through the following broad strategy:

- Coordinate the reform efforts of state agencies, including EOHHS, Health, Human Services, BHDDH, DCYF, Corrections, Labor and Training, OHIC and DOA/HealthSource RI. While each of these agencies has been advancing its own reforms, the SIM project creates a forum for these agencies to meet regularly to collaborate, resulting in regulatory initiatives and program funding that align these efforts from statewide perspective. This collaboration will ideally be institutionalized over the four-year grant period so that it will be sustainable beyond the grant period.
- Increase statewide effectiveness through explicit partnership with private entities through the newly created Healthy Rhode Island Steering Committee, which will set the grant's strategic direction and policy goals as well as approve the allocation of funds. The committee will ensure that any reforms will have buy-in from the wide range of stakeholders comprising the committee, including state agencies, insurers, hospital systems, and physician practices, as well as behavioral healthcare, children and youth, long term care and the community.
- Develop a data-driven culture within state government by integrating existing IT systems and increasing the State's capacity to collect, store, and use data. Though the State currently spends over \$2.0 billion annually on health care, it is generally unable to analyze the outcomes of these expenditures or make evidence-based policy decisions.

The first twelve months of the grant will be used to engage consultants who will assess the overall health of the state and identify areas for intervention. Likely areas of focus will be obesity, diabetes, stroke, smoking, cancer, preventable emergency department visits, and behavioral health morbidity. A distinct population health plan will be developed that recognizes the behavioral health needs of the State's residents.

It is anticipated that the grant will fund 6.0 FTE positions, a project management office, and further development of state IT systems such as the all-payer claims database and Currentcare, the State's health information network. Grant funds will also be used to further promising initiatives already underway such as the Chronic Sustainability Initiative, community health teams, and a new payment model for maternity care introduced by insurers and hospitals. It will also fund transition coaching, training, and technical assistance to providers across the State.

Process and outcome measures will assess the reform model's ability to decrease per capital health care spending in both the private and public healthcare systems.

MEDICAL ASSISTANCE

This program provides medical benefits to low-income, elderly, and disabled individuals. Rhode Island pays for a growing portion of Medicaid services through *managed care* programs, whereby the State contracts with a managed care organization (Neighborhood Health Plan of Rhode Island and United Healthcare of New England) that is paid a fixed monthly fee, or capitation rate, for each enrolled beneficiary. A smaller portion of Medicaid services are still paid for through *fee-for-service* programs, whereby providers bill the State Medicaid program directly based on the particular services provided.

| Medical Assistance | General Revenue |
|---|------------------------|
| FY2015 Enacted | \$876,589,509 |
| Caseload Estimating Conference | 59,019,292 |
| <i>Reinventing Medicaid</i> | |
| Suspend Hospital Scheduled Rate Increase, Reduce Rates 2.5 percent | (11,117,737) |
| Reduce Nursing Home Rates, Delay Scheduled Increase, Delay Methodology Phase-in | (8,688,946) |
| Reduce Medicaid Managed Care Contracts | (5,581,650) |
| Reform Long-term Services and Supports | (3,251,320) |
| Pilot a Hospital-Based Accountable Care Organization | (3,000,000) |
| Pilot a SPMI Coordinated Care Management Program | (3,000,000) |
| Reduce Neonatal Intensive Care Unit Rates | (1,916,248) |
| Expand Home and Health Stabilization Pilot | (1,750,000) |
| Refine Incentive Program for Federally-Qualified Health Centers | (1,738,800) |
| Implement Electronic Visit Verification | (1,523,300) |
| Improve Medicaid Eligibility Processes - Expansion First | (1,500,000) |
| Reduce Rates for Hospital Laboratory Tests | (1,223,890) |
| Redesign CEDARR Services | (1,049,350) |
| Improve Care Coordination for Children with Special Health Care Needs | (1,048,150) |
| Expand Community Health Teams and Medical Home Pilots | (1,000,000) |
| Establish lower-cost settings for Eleanor Slater Hospital residents | (1,000,000) |
| Enhance Identification of Medicare Coverage | (1,000,000) |
| Increase Program Integrity | (1,000,000) |
| Remove Private Insurance Cap on Early Intervention, Autism Services | (1,000,000) |
| Implement Predictive Modeling to Reduce Waste Fraud and Abuse | (993,600) |
| STOP Program | (500,000) |
| Redesign Connect Care Choice Community Partners (C4P) Program | (500,000) |
| Increase Pharmacy Rebates through Combined Purchasing | (500,000) |
| Ensure Third-Party Coverage of Veterans | (450,000) |
| Strengthen Residency Confirmation Protocols | (300,000) |
| Redesign Payments for Personal Choice Program | (198,720) |
| <i>Other Initiatives</i> | |
| Disproportionate Share Hospital Payments | 1,113,198 |
| Graduate Medical Education | 1,000,000 |
| Renegotiation of Hospital Rates | 715,392 |
| Cortical Integrative Therapy | 496,800 |
| FY2016 Enacted | \$884,102,480 |

Caseload Estimating Conference**\$59.0 million**

The Caseload Estimating Conference (CEC) convened on May 4, 2015, to review and revise medical assistance expenditures for FY2015 and FY2016. In comparison to the FY2015 enacted budget, the adopted estimate for FY2016 increased general revenue expenditures by \$59.0 million.

| May 2015 | FY2015 | FY2016 | Change | |
|---------------------------------------|------------------|------------------|---------------------|-------------|
| Caseload Estimating Conference | Enacted | Adopted | from Enacted | |
| General Revenue | \$876.6 | \$935.6 | \$59.0 | 6.3% |
| Federal Funds | 1,359.3 | 1,406.3 | 47.0 | 3.3% |
| Restricted Receipts | 10.6 | 10.6 | 0.0 | 0.1% |
| Total | \$2,246.5 | \$2,352.5 | \$105.9 | 4.5% |

The CEC estimates human services medical entitlement current and out year expenditures each November and May. These adopted expenditure levels determine the budget's appropriation for entitlement programs. Conferees include the Senate Fiscal Advisor, the House Fiscal Advisor, and the State Budget Officer.

Caseload Trends: FY2016 Medicaid enrollment is expected to increase by 3.0 percent to over 272,000 individuals. Enrollment in RItE Care, the Medicaid program for low-income children and families, is expected to increase 3.5 percent, largely driven by lower rates of people losing eligibility at renewal as a result of the new UHIP eligibility system which automated the redetermination process and to the new ACA eligibility rules.

| Enrollment | FY2015 | FY2016 | Change |
|-----------------------|----------------|----------------|---------------|
| RItE Care | 154,342 | 159,735 | 3.5% |
| Expansion | 61,477 | 63,322 | 3.0% |
| Aged, Blind, Disabled | 48,532 | 49,260 | 1.5% |
| Total | 264,351 | 272,317 | 3.0% |

Medicaid Expansion: The conferees included \$474.4 million for the continued expansion of Medicaid eligibility to an estimated 63,000 adults with income less than 138 percent of the federal poverty level. The May CEC downwardly revised FY2015 and FY2016 expansion costs as actual utilization fell short of the assumptions used to set managed care rates, resulting in a \$153.4 million gain share in FY2015. Though this expansion is funded entirely with federal funds in FY2016 through the Affordable Care Act, federal matching funds for the expansion will be reduced in future fiscal years.

New Treatments for Hepatitis C: The CEC downwardly revised its FY2016 estimate from \$57.5 million to \$31.3 million for the cost of newly approved medications Sovaldi and Harvoni to treat chronic hepatitis C. The lower estimate is driven by preliminary experience in FY2015, delays in prescribing in anticipation of the introduction of other, newer drugs, and the evolution of OHHS prior authorization policies.

The State's Medicaid program is required to provide these new treatments despite their unprecedented high cost, which is about \$1,000 a pill or \$90,000 for a full course of treatment. In April 2014, OHHS released its coverage policy for Hepatitis C therapies, which restricts prescribers to those with specialized training in the disease. Treatment by the new drugs is limited to those with evidence of significant liver disease and does not allow prescriptions for those with early Hepatitis C infection.

Sovaldi and Harvoni are considered breakthrough drugs not only for their clinical effectiveness but also because they represent the first drug priced based not on its research and development costs but based rather on the cost of alternative treatment- a liver transplant. Along with Kalydeco, a \$300,000 a year treatment for cystic-fibrosis, these drugs are considered the first of a new breed of high-cost therapies that challenge Medicaid budgets.

Integrated Care Initiative: In November 2013, OHHS began Phase I of this initiative to better coordinate the care of people eligible for both Medicaid and Medicare ("dual eligibles"). In Phase I, which began in November 2013, dual eligibles had the option of enrolling in Rhode Health Options, which delivers long term care through a managed care delivery system, or remaining in the fee-for-service delivery system.

Analyst's Note: Article 5 removes the fee-for-service option for those receiving long term supports and services.

Phase II of the Integrated Care Initiative will begin in September 2015. In this phase, the managed care delivery organization will coordinate both state-funded Medicaid long term care services and federally-funded Medicare medical services, establishing a single entity accountable for both quality and financial outcomes for combining the two services.

FMAP Decrease: An increase in the Federal Medical Assistance Percentage (FMAP) from 50.0 percent in FY2015 to 50.09 percent in FY2016 decreases the State's share of Medicaid costs and results in \$650,000 in general revenue savings across OHHS Medicaid programs.

The FMAP represents the federal government's share of Medicaid spending. Though Rhode Island's unemployment rate has improved in the past year indicating less need for federal funds, its federal match will be higher in FY2016. This is due to the fact that FMAP rates are based upon per capita income rather than upon other economic measures such as state unemployment rates, foreclosure rates, or SNAP food stamp participation. Furthermore, there is a time lag in the collection and calculation of the rolling three-year average per capita income that is used and consequently the match rate is based upon data from between three and six years earlier and therefore unresponsive in the near term to changes in economic conditions.

Suspend Hospital Rate Increase and Reduce Rates 2.5 Percent ***(\$11.1 million)***

The Budget suspends the scheduled rate increase for inpatient and outpatient hospital \$11.1 million (\$30.9 million all funds). Article 5 provides the authority for the suspension and reduction.

In addition to suspending the anticipated rate increase of 2.9 percent on inpatient services and 2.1 percent on outpatient services, the Budget reduces rates. Through this initiative, hospital rates paid through both the fee-for-service system and through managed care organizations are reduced 2.5 percent.

| Hospitals | General | |
|--------------------|----------------|------------------|
| | Revenue | All Funds |
| Suspend COLA | \$5.3 | \$14.8 |
| Reduce Rates 2.5% | 5.8 | 16.1 |
| <i>in millions</i> | \$11.1 | \$30.9 |

Typically, the base price for hospital services is annually adjusted for trends in a nationally recognized price index. For FY2016, however, this adjustment is suspended as it was in FY2014 and FY2015. Therefore, for the third year, charges for hospital services are limited to the rates that were in effect in FY2013.

Reduce Nursing Home Rates, Suspend Scheduled Increase, Delay Methodology Phase-in ***(\$8.7 million)***

The Budget reduces nursing home rates, suspends the scheduled increase and delays the last year of the scheduled phase-in of a new reimbursement methodology for total general revenue savings of \$8.7 million (\$17.5 million all funds).

| Nursing Homes | General | |
|----------------------------|----------------|------------------|
| | Revenue | All Funds |
| Reduce Rates 2% | \$4.3 | \$8.6 |
| Suspend COLA | 4.0 | 8.1 |
| Delay Methodology Phase-in | 0.4 | 0.8 |
| <i>\$ in millions</i> | \$8.7 | \$17.5 |

Reduce Rates. The Budget reduces by 2.0 percent rates paid to skilled nursing facilities and associated hospice organizations that provide services to Medicaid-eligible individuals for general revenue savings of \$4.3 million (\$8.6 million all funds).

Suspend Scheduled COLA Increase. The Budget provides that payments to skilled nursing facilities and associated hospice organizations will not be adjusted by the change in the national nursing home inflation index. This adjustment was to be made on October 1, 2015, but is suspended for FY2016 for \$4.0 million in general revenue savings (\$8.1 million all funds).

The Budget suspends the anticipated 2.6 percent rate increase and reduces rates paid to nursing homes through the traditional fee-for-service (per diem) delivery system and through the managed care delivery system. This rate increase, referred to as the nursing home COLA, was suspended by the FY2012 and FY2014 Budgets as Enacted. The FY2015 Budget as Enacted included a six-month delay in the COLA from October 1, 2014, to April 1, 2015.

Delay Methodology Phase-In. The Budget includes \$420,812 in general revenue savings (\$847,045 all funds) from the delay of the phase-in of a new methodology for nursing home reimbursement.

The FY2013 Budget as Enacted included a policy adjuster to payments to nursing homes to ease the transition from a cost-based payment methodology to a price-based methodology. Under this modification, each nursing home's direct care costs were initially maintained, and the impact of the new methodology on per diem rates was limited to a maximum of \$5.00. The full price-based model was to be phased-in over four years.

FY2016 is scheduled to be the fourth and final year of the phase-in. The Budget suspends the phase-in for FY2016 for both "winners" and "losers" under the new methodology.

Reduce Medicaid Managed Care Contracts ***(\$5.6 million)***

This initiative includes a rate cut to Medicaid managed care capitation rates (\$2.8 million), a reduction in the rates paid for administrative costs (\$1.0 million), and an increase in the risk assumed by the managed care organizations in their agreements with State (\$1.8 million).

These reductions impact Neighborhood Health Plan of RI, which enrolls approximately 65.0 percent of managed care enrollees, and United Healthcare, which enrolls approximately 35.0 percent of enrollees.

Reform Long-term Services and Supports ***(\$3.3 million)***

The Budget reforms the long-term supports and services continuum of care. These reforms will streamline and standardize internal processes, make home and community-based services (HCBS) more accessible as an alternative to nursing home care, and incentivize HCBS and assisted living providers to care for those with more complex needs.

Savings of \$4.4 million from reduced nursing home expenditures are offset by \$1.5 million in additional expenditures for HCBS in the OHHS budget and SSI state supplement payments in the DHS budget for net general revenue savings of \$3.0 million (\$6.2 million all funds).

Eligibility Reforms

- Expedited eligibility processes will allow Medicaid-eligible individuals to access HCBS more quickly. Currently, while awaiting an eligibility determination, individuals are more likely to use nursing home services (where homes can manage the delay in payment from Medicaid) than HCBS (which are typically smaller providers with insufficient cash flow to sustain delays in payments). (\$200,000 general revenue, \$403,000 all funds)
- Tighten clinical eligibility for the level of care that requires institutional care to three activities of daily living (ADLs). This aligns the Rhode Island program with the eligibility criteria used in Massachusetts and Connecticut. (\$500,000 general revenue, \$1.0 million all funds)
- Standardize internal eligibility processes, which are now, because of legacy processes, spread across a number of DHS and OHHS doors to the program. The Unified Health Infrastructure Project (UHIP) will help create a platform for standardization. The long-term plan is also to evaluate the need for and efficiency of multiple eligibility doorways, with perhaps savings from reduced staff. (\$250,000 general revenue, \$503,221 all funds)

HCBS and Housing Accessibility

- A fuller continuum of services is envisioned. Currently there are few Medicaid-funded options except at the ends of the care continuum: home and institution. OHHS plans to create capacity between these two ends with services such as adult supportive housing, which will provide housing plus possibly aid with ADLs. According to currently issued rules and regulations, this option requires licensure as a nursing home but OHHS hopes to work with the Department of Health to create a new licensure for this type of care, where two to five people will live in congregate (but non-custodial) settings. The Budget does not associate any savings with this initiative.

Provider Payments

- OHHS plans to reform payments to providers of adult day services for individuals who require supervised daily care and who often have some level of dementia and multiple chronic conditions. Rather than flat per-diem rates, provider payments will be tiered according to the level of care required by an individual. In this way, OHHS hopes to incentivize providers to build a fuller range of services to meet more complex needs and increase the ability of individuals to remain at home longer. This initiative assumes that the program will divert approximately 50 patients per year into lower-acuity settings (\$500,000 general revenue, \$1.0 million all funds).
- Payments to Medicaid-funded assisted living providers are increased through the SSI-state supplement payment mechanism. As well as increasing these payments that cover assisted living room and board, reforms also included the establishment of acuity-based tiered payments for clinical services for assisted living residents. These tiered payments will be available only to those individuals enrolled in the Rhody Health Options managed care program. Additional payments will also be available to providers to care for those transitioning from a nursing facility, have short term acute care needs, or require stabilization services. Performance standards and associated incentive payments for both health and social outcomes will be established (\$1.8 million general revenue, \$3.3 million all funds).

Pilot a Hospital-Based Accountable Care Organization (ACO)

(\$3.0 million)

This initiative engages an established provider network that includes hospitals, physicians, and other providers, to provide care for a defined population for a set, per-person rate for general revenue savings of \$3.0 million (\$6.0 million all funds). This represents six months of savings in FY2016.

In the proposal for this initiative currently being considered, CharterCare and its parent company Prospect Medical Holdings will coordinate the care of 25,000 Medicaid individuals in coordination with Medicaid managed care organizations. CharterCare will receive 95.0 percent of the current capitation rate to care for this population, with the State saving the remaining 5.0 percent. In this full-risk arrangement, CharterCare will be responsible for providing all of the population's healthcare needs, including primary care, physician series, hospital care, behavioral health series and social services and for achieving better patient outcomes, higher patient satisfaction and cost reduction.

CharterCare, whose network includes hospitals Roger Williams Medical Center and Our Lady of Fatima, extended care facility Elmhurst, and CharterCare Home health services, St. Joseph Health Centers, and 18 dental operatories. Thundermist Health Centers have expressed an interest in becoming partners in the core network of this ACO.

Pilot a SPMI Coordinated Care Management Program

(\$3.0 million)

The Budget includes savings from a behavioral health-based accountable care organization for those with severe and persistent mental illness (SPMI). Mental health providers, including The Providence Center and partner Care New England, will provide comprehensive, coordinated and integrated behavioral healthcare to between 3,000 and 4,000 adults with SPMI. For a single bundled rate, providers will provide all levels of behavioral health services, including community-based services, outpatient care,

partial hospitalization, crisis stabilization, emergency room engagement and diversion and inpatient services.

This initiative seeks to implement new payment mechanisms by January 1, 2016. The initiative assumes 10,500 individuals will be involved in the program and savings of 3.0 percent. CMS approval is required for this initiative.

Reduce Neonatal Intensive Care Unit Rates ***(\$1.9 million)***

In FY2016, savings will be achieved through a reduction in the rates paid for hospital neonatal intensive care unit (NICU) services.

Going forward, OHHS will develop a bundled payment for maternity services, including pregnancy, birth and post-partum care to achieve equivalent savings while focusing on improved outcomes and quality.

Rather than pay for maternity, childbirth, and post-partum care on a fee-for-service basis, this initiative will develop a bundled payment rate whereby hospitals would receive a single pre-determined rate for all services related to childbirth and be incentivized to provide efficient and quality care whereby if the cost of care exceeds the bundled rate, the providers would be at risk for the loss. If the cost of care is less than the bundled rate, the providers share in the excess.

Expand Home and Health Stabilization Pilot ***(\$1.8 million)***

The Health Begins with a Home initiative will make an organized set of Medicaid-funded health and home-stabilization services available to members of certain at-risk populations through care teams. This initiative will scale-up a current pilot program which offers a hybrid benefit that incorporates medical care coordination with community treatment. Services can include home stabilization interventions such as locating a home, managing a household, financial counseling, homemaking, with health service supports such as disease and medication management, substance abuse counseling, relapse prevention and self-care.

Target populations include Medicaid-eligible children and youth with behavioral health needs in the custody of DCYF, adults who are homeless or at risk of homelessness, and persons transitioning from institutional care who have a history of homelessness.

Refine Incentive Program for Federally-Qualified Health Centers ***(\$1.7 million)***

This initiative refines incentives currently offered to FQHC through managed care organizations. It will focus the quality measures used to determine incentive payments more tightly on program outcomes and less on processes or inputs.

Savings will be achieved through a shared savings model whereby the State benefits from reduced utilization by FQHC, or from reductions in the incentive paid to FQHCs. General revenue savings are \$1.7 million; all funds savings total \$3.5 million.

Implement Electronic Visit Verification ***(\$1.5 million)***

The Budget includes general revenue savings from increased program integrity through the implementation of an electronic visit verification program that will monitor the delivery of Medicaid home based services such as personal care and homemaker services. The program utilizes technology to verify point-of-care service delivery by the correct caregiver to the correct patient.

The FY2015 Budget as Enacted included \$500,000 in general revenue savings associated with this initiative, but these savings were downwardly revised at the November 2014 Caseload Estimating Conference to \$200,000 and at the May 2015 Caseload Estimating conference to \$0, citing procurement delays.

Improve Medicaid Eligibility Processes - Expansion First **(\$1.5 million)**

This initiative changes internal processes to ensure that those eligible for Medicaid through Medicaid expansion criteria are enrolled through this channel, where federal support is 100.0 percent, before they are found to be eligible through the aged, blind and disabled categories, where federal support is approximately 50.0 percent. Since this initiative represents a cost-shift to federal funds, there are no all funds savings associated with this initiative.

Reduce Rates for Hospital Laboratory Tests **(\$1.2 million)**

The average cost per service at a hospital-based lab is approximately 250.0 percent of the average cost at a community based lab, or \$134 as compared to \$54. Savings associated with this initiative will result from obtaining more favorable pricing for laboratory services currently being performed at the higher prices.

Redesign CEDARR Services **(\$1.0 million)**

The Budget includes \$1.0 million savings (\$2.0 million all funds) from the redesign of Comprehensive, Evaluation, Diagnosis, Assessment, Referral, Re-evaluation (CEDARR) Family Center services.

Since 2001, CEDARR family centers have worked with children with disabilities and their families to develop care plans and to connect them with services. Once care is established, OHHS currently requires families to continue to access services through CEDARR centers, which help manage appropriate utilization of services.

With the transfer of services for CSHCN from fee-for-service to managed care delivery systems, families will no longer be required to access services through CEDARR centers. Managed care organizations will now be responsible for helping families utilize services in effective and appropriate ways.

The Budget recognizes this redesign and, while continuing to fund the development and establishment of care plans through CEDARR centers, it reduces funding for ongoing services, which are now within the role of managed care organizations.

Analyst's Note: This initiative does not include any loss of direct services for children with special health care needs, though it does reduce administrative revenue to the four CEDARR centers by approximately one-third.

Improve Care Coordination for Children with Special Health Care Needs **(\$1.0 million)**

The Budget includes general revenue savings from a thorough review of the currently-covered “out-of-plan” services for children with special health care needs (CSHCN), such as those with autism, developmental disabilities, and Asperger's syndrome.

The Budget includes six months of savings associated with the formalization of a continuum of care for special needs children. These services, currently being paid for on a fee-for-service basis, will be incorporated into the capitated rates paid to managed care organizations, which will then ensure that children are moving through the following service continuum and are receiving the least intensive services required.

- 1 Home-based Therapeutic Services (HBTS) are intensive one-on-one treatments for disabled children that are provided in the child's home and serve to improve communication, behavioral, psychosocial and developmental skills and to enable a child to participate in his or her family and community. Children are generally approved for up to 20 hours of services per week (25 hours per week for the most severe needs) and for no longer than two years.
- 2 Personal Assistance Services and Supports (PASS) are also home-based services in which direct support workers help special needs children with life skills such as activities of daily living, taking the bus, and counting money so that they can live independently in the community.

- 3 Respite care, the short-term accommodation of a special needs child in a facility outside the family's home, provides a temporary reprieve for caregivers and serves as the least intensive service on the continuum.

There are currently approximately 6,000 special needs children who receive medical care through Medicaid managed care programs and as well as specialized out-of-plan services through a fee-for-service program. These children include those who qualify for the federal SSI program, those in DCYF foster care, and adopted children. Another approximately 1,000 children have commercial insurance but receive these Medicaid-funded services through the Katie Beckett program.

Expand Community Health Teams and Medical Home Pilots ***(\$1.0 million)***

In order to achieve \$1.0 million in general revenue savings, OHHS will scale up the pilot program currently run by the RI Care Transformation Collaborative. This primary care-based accountable care organization identifies high-risk patients and cares for them using the medical home model for a single bundled rate in which the team is at full-risk for the cost of care.

In a second initiative to achieve these savings, current community health team efforts will be scaled up for savings. Here, inter-disciplinary community health teams of nurses, pharmacists, nutritionists, social workers, and behavioral and mental health providers care for high-risk patients. This model is currently being piloting in South County and Pawtucket; this initiative includes six additional teams, each servicing 500 high-utilizing members.

Establish Lower-Cost Settings for Eleanor Slater Hospital Residents ***(\$1.0 million)***

The Budget includes savings associated with the relocation of potential Eleanor Slater Hospital residents currently residing in acute care hospitals but who do not require acute care services. These individuals would be placed in group homes, where providers will be paid an enhanced rate to service this high-risk population, which includes those with criminal histories, forensic and sex offense backgrounds, and high medical needs.

Savings will result from a reduction in acute care hospital services, where 16 individuals are currently awaiting admission to ESH.

Enhance Identification of Medicare Coverage ***(\$1.0 million)***

This initiative seeks to avoid the payment by Medicaid for services, drugs, or products covered by Medicare for \$993,600 in general revenue savings (\$2.0 million all funds). This effort will potentially be modeled after, and perhaps in conjunction with, the University of Massachusetts Medical Center, which, though use of proprietary tools and specialized personnel, would find Medicare coverage on a contingency basis. The University of Massachusetts model also includes a customer service component that helps Medicare-eligible individuals apply for and obtain coverage.

Specifically, this initiative includes:

- Recoupment of Medicaid-paid Medicare co-pays for those claims recovered by CMS through post-payment review
- Identification of drugs or products paid for by Medicaid but are covered by Medicare Part B, which covers medically-necessary services such as lab tests and supplies such as wheelchairs.
- Review current Medicare status of members age 65 and older and those who meet the disability criteria of the Social Security Administration for possible Medicare enrollment that may be unknown to the State due to errors in data transmission between the State and federal data files.

Increase Program Integrity ***(\$1.0 million)***

The Budget funds two additional paralegal positions within the Office of Program Integrity in order to increase program integrity of the Medicaid program utilizing existing laws, rules and regulations. Efforts

will focus on the integrity of eligibility processes for long-term supports and services. General revenue savings of \$1.0 million is offset by increased personnel costs of \$46,920.

Remove Private Insurance Cap on Early Intervention and Autism Services ***(\$1.0 million)***

The Budget includes savings associated with the increase in private insurance coverage for services currently covered by Medicaid.

Early Intervention. Commercial insurers currently pay for the first \$5,000 in Early Intervention (EI) services before Medicaid funds these services. The Budget removes this cap and requires insurers to cover all EI services and thus shifting the cost of these services from Medicaid to the privately-insured.

Early intervention services include speech and language therapy, occupational therapy, physical therapy, evaluation, case management, service plan development, and assistive technology services and devices for children birth to age three.

Autism Services. The State also requires insurers to cover a range of services for the treatment of autism spectrum disorder, though it currently limits insurers' coverage to the first \$32,000 in applied behavior analysis (ABA) per person per year. Medicaid currently covers any services in a calendar year above that amount. The Budget removes the current cap on ABA services, thus requiring insurers to cover all of these services and shifts the cost from Medicaid to the privately-insured.

Applied behavior analysis is a form of behavioral modification, whereby skills are taught so that autistic children can achieve the greatest degree of independence and the highest quality of life possible. It typically involves the repetition and reinforcement of small behavior sub-skills until mastery.

Implement Predictive Modeling to Reduce Waste, Fraud, and Abuse ***(\$1.0 million)***

The Budget includes general revenue savings from the implementation of predictive modeling and analytics technologies within the State's current Medicaid Management Information System (MMIS). These saving are offset by \$241,476 in general revenue spending within the Central Management program for contracts with Hewlett Packard and BAE Systems.

The goal of this initiative is to improve the Medicaid program's ability to recoup and prevent overpayments to providers due to fraudulent or abusive activity. It will also enable the program to eliminate fraudulent providers from the program. The project timeline has a go-live date in October 2015.

STOP Program ***(\$500,000)***

This initiative achieves savings through a current 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.

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 are authorized to transport inebriated individuals to an alternative treatment center where licensed clinical staff and peer specialists are utilized.

Redesign Connect Care Choice Community Partners (C4P) Program ***(\$500,000)***

The Medicaid program currently pays primary care practices a per-member-per-month fee to coordinate care of those enrolled in the fee-for-service long-term care delivery system. This initiative eliminates this fee and instead funds nurse care managers in the practice for members moved into managed care. For members remaining in the fee-for-service delivery system, nurse care managers and social workers will support members through community health teams and primary care medical homes.

Increase Pharmacy Rebates through Combined Purchasing ***(\$500,000)***

The Medicaid program will achieve savings through negotiating for rebates for its entire pharmacy spend, rather than having the State and its managed care organizations each negotiate separately for their own lines of business.

Ensure Third-Party Coverage of Veterans ***(\$450,000)***

This initiative will improve program administration to ensure that Medicaid does not cover services that are eligible for coverage by Veterans Administration Health Care.

Strengthen Residency Confirmation Protocols ***(\$300,000)***

Through this initiative, the Office will partner with the Department of Human Services and Medicaid managed care organizations (MCOs) to strengthen protocols for confirming the Rhode Island residency of Medicaid enrollees. Currently, continued verification of Rhode Island residency does not occur on a regular basis.

Out-of-state prescription drug claims will be identified monthly by MCOs (for managed care claims) and by the State's fiscal agent (for fee-for-service claims) and referred to DHS, who will outreach to members to confirm Rhode Island residency. If DHS cannot confirm Rhode Island residency of a member, upon proper notification and opportunity for a correction of residency, that member will be disenrolled from the Medicaid program and benefits will be terminated.

OHHS reports that there are currently 205 Medicaid members currently seeking pharmacy and/or medical services in another state. Current Medicaid enrollment is approximately 250,000.

Redesign Payments for Personal Choice Program ***(\$198,720)***

This initiative changes the payment structure from a flat monthly case rate of \$125 per participant to an hourly rate of \$60 for agencies that help members coordinate their own long-term care. This is expected to result in general revenue savings of \$198,720 (\$400,000 all funds).

The Medicaid program offers a Personal Choice program to those eligible for long-term supports and services. Through this program, elderly and disabled persons are provided a flexible budget and choice from among an array of services that best meet their needs. Participants select from among services such as personal care services and help with activities of daily living, grocery shopping, laundry, or wheelchair transfers. Service advisement agencies are paid a monthly fee for case management, advising members regarding selection and management of services. While this requires several hours upon initial enrollment and the establishment of a care plan, subsequent servicing is typically much lower.

This proposal changes the fee structure from a monthly per person rate to an hourly rate for services. The proposal caps monthly services for new enrollees at four hours per month. For existing enrollees, services are capped at one hour per month.

This initiative also reduces provider payments by patient co-pay amounts, charging providers to collect co-pays in order to receive full reimbursement for services.

OTHER INITIATIVES***Disproportionate Share Hospital Payments*** ***\$1.1 million***

The Budget increases FFY2015 Disproportionate Share Hospital (DSH) payments made to hospitals in FY2016, based on the release of final FFY2015 DSH limits by CMS. DSH payments to hospitals will maximize the \$140.5 million in available funding for hospitals that serve a large proportion of uninsured and underinsured and that care for a large percentage of Medicaid-eligible individuals.

Graduate Medical Education**\$1.0 million**

The Budget increases funding for the Graduate Medical Education Program at academic medical centers that provide inpatient care to at least 25,000 indigent patients each year, have a Level 1 Trauma Center, and provide medical education to at least 250 interns and residents per year. Rhode Island Hospital is currently the only hospital that meets these criteria.

The Budget adds \$1.0 million in FY2016 for total funding of \$2.0 million (\$4.0 million all funds).

Renegotiation of Hospital Rates**\$715,392**

Due to the changes to definition of “hospital” included in Article 5, distressed hospitals purchased through receivership are no longer bound by rates contracted by the predecessor entity but are able to renegotiate new managed care rates.

Consistent with this statutory change, the Budget adds \$715,392 in general revenue (\$1.8 million all funds) to the Medicaid program to support higher rates now able to be negotiated between Prime-Landmark and managed care entities.

The clarifying language in Sections 2, 10, and 14 of Article 5 is a result of litigation in the Rhode Island Supreme Court in which Prime-Landmark (the entity that purchased Landmark Hospital in receivership) contends that it is not subject to the established rate methodology baseline or existing managed care contracts since it is a new entity operating under a new license. The Superior Court found for the State in stating that the rate methodology statute applies to all hospitals participating in managed care, including those that transferred ownership.

However, the article provides an exemption for purchasers that have acquired hospitals through receivership or other insolvency proceedings. This exemption will enable Prime-Landmark to renegotiate its managed care rates as a new entity.

Cortical Integrative Therapy**\$496,800**

The Budget includes \$496,800 general revenue (\$1.0 million all funds) for cortical integrative therapy.

Department of Children, Youth, and Families

| Expenditures by Source | FY2014 | FY2015 | FY2015 | Change | | FY2016 | Change | |
|---------------------------------------|----------------|----------------|----------------|---------------|-------------|----------------|--------------|-------------|
| | Actual | Enacted | Revised | from Enacted | | Enacted | from Enacted | |
| Central Management | \$7.9 | \$6.9 | \$8.2 | \$1.4 | 19.8% | \$7.9 | \$1.0 | 14.3% |
| Child Welfare | 173.3 | 166.1 | 179.0 | 12.9 | 7.8% | 170.7 | 4.6 | 2.8% |
| Children's Behavioral Health Services | 11.9 | 13.0 | 12.0 | (1.0) | -8.0% | 11.4 | (1.6) | -12.5% |
| Higher Education Incentive Grants | 0.2 | 0.2 | 0.2 | 0.0 | 0.0% | 0.2 | 0.0 | 0.0% |
| Juvenile Correctional Services | 26.3 | 24.4 | 25.9 | 1.5 | 6.2% | 26.4 | 2.0 | 8.1% |
| Total | \$219.7 | \$210.6 | \$225.4 | \$14.8 | 7.0% | \$216.6 | \$6.0 | 2.8% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$154.7 | \$148.7 | \$159.3 | \$10.6 | 7.2% | \$152.6 | \$3.9 | 2.6% |
| Federal Funds | 61.6 | 56.6 | 62.2 | 5.6 | 10.0% | 58.9 | 2.4 | 4.2% |
| Restricted Receipts | 2.8 | 2.4 | 2.8 | 0.4 | 16.0% | 2.8 | 0.4 | 15.9% |
| Other Funds | 0.6 | 2.9 | 1.0 | (1.9) | -65.5% | 2.2 | (0.7) | -23.1% |
| Total | \$219.7 | \$210.6 | \$225.4 | \$14.8 | 7.0% | \$216.6 | \$6.0 | 2.8% |
| Authorized FTE Levels | 670.5 | 670.5 | 672.5 | 2.0 | 0.3% | 672.5 | 2.0 | 0.3% |

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

The Department of Children, Youth, and Families (DCYF) is charged with implementing a comprehensive statewide program to protect and create opportunities for children to reach their full potential. DCYF has three major operational divisions: Child Welfare (including child protective services, intake and case monitoring, family services, and adoption support), Children's Behavioral Health, and Juvenile Corrections (including the Rhode Island Training School for Youth and Juvenile Probation).

The Department annually provides direct services to an average of 10,000 children and their families, and indirectly services thousands more through community-based support programs.

MAJOR ISSUES AND TRENDS FOR FY2016

While contract negotiations are ongoing, the General Assembly continues to fund the System of Care (SOC) networks, Ocean State Network (OSN) and Rhode Island Care Management Network (RICMN). All funds SOC network contract funding for FY2016 is nearly level with the FY2015 Budget as Enacted, but includes an increased federal share, generating general revenue savings of \$1.1 million as compared to the enacted level (\$71.8 million from all fund sources, \$51.8 million in general revenue).

The FY2015 Revised Budget includes an additional \$10.1 million from all fund sources (\$8.8 million in general revenue) for the SOC. Among other changes, these savings reflect the work of the Governor's Resource Team for DCYF, which convened to review the SOC contract and to better understand the reasons for significant, year-over-year cost overruns.

In conjunction with the direct funding for services contracted to OSN and RICMN, the Budget provides \$800,000 in general revenue to procure utilization management services for the SOC networks. Through utilization management, DCYF will review of services received by DCYF-involved youth through the two SOC networks at the provider level. This effort is anticipated to generate \$4.5 million in placement savings by identifying the appropriate level and type of services needed by DCYF-involved youth and families.

Lastly, the Budget includes support for kinship and non-kinship foster care to increase the average daily reimbursement for foster parents (\$1.6 million in general revenue). As of April 1, 2015, 1,006 youth were in kinship or non-kinship foster homes, an increase of 71 youth over the prior year (approximately an 8.0 percent increase). DCYF indicates this funding will raise the foster care board rate by an average of \$1.00 per day and is the first increase in 14 years.

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 funds 47.0 FTE positions in FY2016, an increase of 6.0 FTE positions from the enacted level to reflect the hiring of a new management team, in addition to existing administrative, and senior staff within the Office of the Director. This team is comprised of 8.0 FTE positions, 6.0 of which are within this program.

| Central Management | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$4,609,150 |
| <hr/> | |
| <i>Target and Other Adjustments</i> | <i>143,927</i> |
| Technology Upgrades | 450,000 |
| Personnel | 372,680 |
| <hr/> | |
| FY2016 Enacted | \$5,575,757 |

Technology Upgrades **\$450,000**

The Budget adds \$450,000 for unspecified information technology (IT) infrastructure upgrades in FY2016. DCYF indicates that it is in the process of conducting an IT needs assessment, which will identify specifically what upgrades are essential and how these upgrades will be implemented to meet federal requirements and other needs. In addition to the needs assessment, these upgrades will be guided by DCYF's internal IT board and managed by a new operations manager, who among other responsibilities, oversees DCYF's IT infrastructure.

Personnel **\$372,680**

Personnel costs increase by nearly \$400,000 in general revenue from the current, enacted level within this program. The funds are needed for increased salaries and benefits due to the 2.0 percent cost of living adjustment (COLA) as well as for healthcare and retiree benefits.

Analyst's Note: The FY2015 Revised Budget includes approximately \$275,000 in additional general revenue to fund the new management team for half of the year (6.0 FTE positions in Central Management). However, the FY2016 budget assumes personnel savings through new and existing vacancies within DCYF and removes this additional funding in FY2016.

The team is actually comprised of 8.0 FTE positions, however, one position is financed through the Executive Office of Health and Human Services (1.0 Chief Strategy Officer) and 1.0 Chief of Strategic Planning, Monitoring, and Evaluation is budgeted within the Child Welfare division within DCYF.

CHILD WELFARE

The Child Welfare division has two major sub-programs:

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

Through a combination of increases and decreases to staffing levels with this program, the Budget includes 393.0 FTE positions for the program in FY2016, a net increase of 2.0 FTE positions from the enacted level. New additions to Child Welfare staff include 1.0 new Chief of Strategic Planning, Monitoring, and Evaluation position, 1.0 new federally-funded inspector, and 1.0 new federally-funded professionally trained casework supervisor. Both federally-funded positions will support efforts to increase permanency for youth in DCYF custody, whether that be through adoption, or reunification with his or her birth parent(s).

Other changes to existing Child Welfare staff include: a reduction of 3.0 FTE positions (1.0 child protective investigator and 2.0 assistant administrator), offset by an increase in 2.0 FTE positions (1.0 principal program analyst and 1.0 senior word processing typist).

| Child Welfare | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$114,601,997 |
| <i>Target and Other Adjustments</i> | <i>374,794</i> |
| System of Care Networks | (1,053,695) |
| Foster Care Support | 1,003,373 |
| Special Education Costs | 1,000,000 |
| SOC - Utilization Management | 800,000 |
| RI Hospital PANDA Contract | (100,000) |
| FY2016 Enacted | \$116,626,469 |

System of Care Networks

(\$1.1 million)

The Budget continues to fund the System of Care (SOC) networks, and total all funds contract funding for FY2016 is nearly level with the FY2015 Budget as Enacted, but includes general revenue savings of \$1.1 million as compared to the enacted level (\$71.8 million from all fund sources, \$51.8 million in general revenue) due to an increased federal share.

The Budget incorporates some of the findings of the Governor's Resource Team for DCYF into the budget, which was formed in the spring of 2014 due to increasing SOC cost overruns. The table below portrays the initial SOC contract award versus actual or projected expenditures for FY2013 through FY2015 (FY2016 is excluded below as DCYF is in the process of renegotiating these contracts) for Ocean State Network (OSN) and Rhode Island Care Management Network (RICMN):

| | 3-yr Annual | | | | 3-year Cost |
|--------------|---------------------|---------------------|---------------------|-----------------------|--------------------|
| | SOC Contract | FY2013 Final | FY2014 Final | FY2015 Revised | Overruns |
| OSN | \$35.7 | \$37.5 | \$40.9 | \$42.6 | \$14.0 |
| RICMN | 35.7 | 36.3 | \$38.5 | 39.3 | 7.0 |
| Total | \$71.4 | \$73.8 | \$79.5 | \$81.9 | (\$21.0) |

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

The resource team was comprised of staff from the Rhode Island Emergency Management Agency, Office of the Lieutenant Governor, State Budget Office, and the Office of Health and Human Services. It was charged with reviewing the SOC contracts and providing recommendations as to how the State may move forward with procuring some of the services provided to DCYF-involved children and families.

The Governor's team provided three options for the Governor, General Assembly, and DCYF to consider:

- Cancel and rebid the contracts
- Eliminate portions of the contracts
- Fully fund the existing contracts

As of the date of this publication, DCYF is in discussions with the networks to continue a six-month extension of a “skinnied-down” version of the contracts. This extended contract will eliminate inefficient or duplicative programs and services, and will focus on continuing to provide services that have been successful. After this short-term extension, DCYF anticipates it will re-bid the services needed and volume of such services with a focus on mid-level and community-based services.

SOC Background: In 2012, DCYF entered into three-year agreements with two independent, non-profit organizations (Ocean State Network (OSN) and Rhode Island Care Management Network (RICMN)) to form the SOC networks. Under the terms set forth in the contracts, each network coordinates placements and contracts independently with service providers for certain youth involved with DCYF. This shifted the majority of case management and financial responsibility associated with most youth in community-based placements and residential treatment from DCYF to the lead agencies. The network contracts are set to expire at the end of FY2015, and DCYF is currently negotiating to determine whether or not the contracts will be extended.

The initial contract awarded in 2012 totaled \$71.3 million annually and was to be split evenly between the two networks each year for three years (or \$35.7 million per network, per year). However, each year since the inception of the SOC networks, the networks have incurred deficits and were provided additional funds to offset increased costs of care as caseloads for high-cost residential placements exceeded projections used to build the initial SOC contracts.

Foster Care Support

\$1.0 million

The Budget modifies two areas of support for foster families. First, the Budget eliminates \$635,472 in general revenue funding due to the termination of 10 Foster Care Support contracts. The Budget also adds \$1.6 million in general revenue to support direct foster family reimbursements, resulting in a net general revenue increase of \$1.0 million for foster care supports.

Foster Care Support Contracts (\$634,472 decrease): The aforementioned increased funding for foster families is offset by a reduction in foster care support contracts, which provide care coordination to some foster families (\$635,472 in general revenue). Consistent with the full implementation of the Family Care Networks, the DCYF terminated the 10 Foster Care Support (FCS) contracts, effective December 31, 2014, and the Budget reflects the savings achieved. According to DCYF, once the SOC was fully-operational, the intent was always to bring this service in-house to Intake and Family Services Unit staff. The Department continues to meet the needs of foster families internally as well as redirecting them to community services available through the Family Care Networks or within the child’s health plan.

Analyst’s Note: Since terminating the FCS contracts, DCYF has not experienced major challenges with its foster care program. DCYF indicates that it will continue to assess the full spectrum of supports provided to foster families as it redevelops its foster care program, which is contingent upon funding included in the Budget.

Foster Family Reimbursement (\$1.6 million increase): The Budget provides an additional \$1.6 million for foster care in FY2016, increasing reimbursement for foster families from \$11.1 million in the FY2015 Enacted Budget to \$12.8 million in FY2016.

Analyst’s Note: The Department indicated these funds will be used to increase the average daily rate paid to foster parents. A variation of this proposal was included in the Department’s budget request, which increased direct rates to foster parents by 30.0 percent. This proposal was part of a broader effort by DCYF’s then-director to increase the State’s availability of foster homes, reduce its reliance on high-end, more costly group home and residential placements; and to increase the quality of care while decreasing costs to the State.

As of April 1, 2015, there were approximately 1,000 children in kinship (family or relative) and non-kinship foster care, at an average age of 6 years old and foster parents of these children received an average daily reimbursement of \$15.69. Approximately 62.0 percent of these children reside with foster

parents who are relatives, and the remaining youth are placed in non-relative foster homes as recommended by DCYF and/or ordered by the Family Court.

Although not directed to do so by law, DCYF provides reimbursements to foster parents to offset the costs of care throughout the duration of a child's placement. The standard reimbursement includes a daily foster care rate, clothing stipends paid three times per year, and annual birthday and holiday/Christmas stipends. The standard reimbursement may be supplemented with additional funding from DCYF in cases in which children "exceed normal limits of care, service, and supervision for a child of that age." This additional reimbursement, which is referred to by DCYF as an above board rate, is set on a case-by-case basis.

| Daily Foster Care Rate ¹ | | | | | | |
|-------------------------------------|---------|---------------|---------|--------------|---------|----------------------------|
| Connecticut | | Massachusetts | | Rhode Island | | |
| Age | Rate | Age | Rate | Age | Rate | Adjusted Rate ² |
| 0-5 years | \$25.73 | 0-5 years | \$20.79 | 0-3 years | \$14.39 | \$15.34 |
| 6-11 years | 26.03 | 6-12 years | 23.40 | 4-11 years | 13.64 | 15.20 |
| 12+ years | 28.24 | 13+ years | 24.79 | 12+ years | 15.79 | 17.36 |

¹Excludes one-time or less frequent payments such as clothing allowances and other stipends.

²Values are weighted averages to reflect above board reimbursements as of 4/1/15.

Source: Annie E. Casey Foundation and DCYF.

A comparison of rates in Connecticut, Massachusetts, and Rhode Island is provided above and accounts for the above board reimbursements in Rhode Island. Even when accounting for above board payments, Rhode Island's daily foster care rate remains below that of Connecticut and Massachusetts and was last increased in 2001.

Analyst's Note: Connecticut, Massachusetts, and Rhode Island cite a similar scarcity in the availability foster homes when compared to each state's need, despite higher standard daily foster care board rates in Connecticut and Massachusetts.

In an effort to assess the impact of foster care rates on each state's stock of available foster homes, the table below depicts foster care youth as a percentage of all youth in an out-of-home placement (group homes, residential treatment centers, foster care, etc.) in Connecticut, Massachusetts, and Rhode Island based on the most current data available. This data indicates that a similar percentage of youth in out-of-home placements in Connecticut, Massachusetts, and Rhode Island reside in foster homes.

Furthermore, this data suggests that a higher standard foster care board rate may not necessarily translate into an increase in the stock of available foster homes. As a result, it is unclear as to whether or not increasing Rhode Island's foster care board rate to a level comparable to neighboring state of Connecticut and Massachusetts will directly translate into an increase in the stock of available foster homes in Rhode Island.

| CY2013 | % of Youth in Out-of-Home Placement | |
|---------------|-------------------------------------|---|
| | % of Youth in Out-of-Home Placement | % of Out-of-Home Placement Youth in Foster Care |
| Connecticut | 3.2% | 15.7% |
| Massachusetts | 3.7% | 15.2% |
| Rhode Island | 4.3% | 17.9% |

*Includes youth (defined as age 18 and under) in kinship, non-kinship, and private agency foster care.

Sources: U.S. Dept. of Health and Human Services and Kids Count.

Special Education Costs

\$1.0 million

The Budget includes a total of \$2.0 million to ease the transition to a new methodology used to set special education tuition rates, an increase of \$1.0 million from the enacted level. This change in methodology increases DCYF's share of educational costs for youth in group homes that provide educational services. According to the Rhode Island Department of Education (RIDE), once this new methodology is fully

implemented, this transition shifts approximately \$2.7 million in special education costs from school districts to DCYF.

Beginning in FY2013, DCYF, RIDE, and the Budget Office agreed to a five-year phase-in of the new methodology with the expectation that an additional \$500,000 would be provided to DCYF per year (a total of \$2.5 million over five years) to offset the increased cost to DCYF each year. The level of funding allocated within this budget is consistent with the initial proposal, which included \$2.0 million in additional funding to DCYF for FY2016.

Districts pay DCYF a share of the cost of educating DCYF youth placed in some group homes, including homes that provide educational services (in addition to other treatment or services provided by the home). The share of costs between DCYF and the district is based upon the districts' per pupil rate, rather than by the State's education funding formula, and varies between communities. The rate paid by the district to DCYF is often less than the full cost of tuition, and if so, DCYF provides for the difference.

SOC – Utilization Management

\$800,000

The Budget provides \$800,000 in general revenue to procure utilization management services for the System of Care networks, which will enhance provider quality monitoring and management practices. It is anticipated that this initiative will generate additional placement savings over time within DCYF. According to the State Budget Office, the funding will not be directly used to fund the SOC networks contracts.

Generally, through utilization management, an entity will seek to answer the following questions: who is using services, what services are being used, how much of each service is being used and at what cost, and what are the outcomes of services? These questions are answered with the goal of managing costs of care in tandem with improving the quality of care provided. Compared to the FY2015 Revised Budget (which included \$10.1 million in additional funding from all fund sources for the SOC networks), this effort is anticipated to generate \$4.5 million in placement savings in FY2016 by identifying the appropriate level and type of services needed by DCYF-involved youth and families.

RI Hospital PANDA Contract

(\$100,000)

The General Assembly reduces funding for the Physical Abuse, Neglect Diagnostic Assessment (PANDA) clinic at Hasbro Children's Hospital by \$100,000. Along with other non-state fund sources, this contract supports the PANDA Clinic, which assesses and evaluates allegations of child maltreatment, focusing on treating sexual abuse, physical abuse, and neglect. This clinic is one of several components at RI Hospital that provides services to children, including those not involved with DCYF, who may have been abused or neglected. Following a comprehensive medical and physical evaluation, and emotional/mental health screening, a report detailing the physical and mental health needs of each child served by the clinic is completed.

According to DCYF, a total of 1,570 patients attended the PANDA clinic from June 1, 2013, to May, 31, 2014, however, only 295 of these patients were referred by DCYF. The majority of DCYF-involved youth were referred to the clinic due to physical abuse (approximately 60.0 percent), and nearly 50.0 percent of these youth were under 6 years of age.

As of January 1, 2015, the contract was reduced by DCYF from \$410,515 to \$310,515. DCYF previously indicated that Rhode Island Hospital can identify alternative fund sources for the clinic to offset this reduction, and it is anticipated this program will continue to operate. In conjunction with RI Hospital, DCYF continues to assess the specific impacts of this reduction.

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 includes 22.0 FTE positions for the program in FY2016, consistent with the enacted level.

| Children's Behavioral Health | General Revenue |
|---|------------------------|
| FY2015 Enacted | \$5,895,388 |
| <i>Target and Other Adjustments</i> | <i>(399,627)</i> |
| Unspecified Non-SOC Contract Reductions | (901,858) |
| FY2016 Enacted | \$4,593,903 |

Unspecified Non-SOC Contract Reductions **(\$901,858)**

The Budget includes general revenue savings of nearly \$1.0 million in FY2016 as compared to the FY2015 enacted level. The Budget permits the Department to determine which contracts will be impacted based on an internal contract review, and does not specify which contracts outside of the SOC networks will be impacted by this reduction.

Analyst's Note: DCYF is conducting a contract review in conjunction with the Bureau of Audits to identify potential reductions, and is focusing on contracts that do not provide direct services to DCYF youth and families. DCYF also intends to identify and establish internal controls (ex: increasing tracking and monitoring of work contracts) to contain contract costs. If DCYF and the Bureau are unable to identify sufficient savings from non-service based contracts, community based services may be impacted. In FY2014, the Department funded approximately \$11.1 million in community based service contracts.

HIGHER EDUCATION INCENTIVE GRANTS

The Post-Secondary Tuition Assistance Program provides tuition assistance to youth formerly in foster care to attend a wide range of post-secondary institutions, and is funded by state higher education incentive grants and federal education training vouchers. General revenue funding for the incentive program is set by statute at \$200,000.

During the 2013-2014 academic year, a total of 46 students received assistance, 35 of which were supported by the state incentive program. Of these students, 16 attended the University of Rhode Island, 6 attended Rhode Island College, and 13 attended the Community College of Rhode Island. DCYF indicates that the number of applicants is always significantly higher than the number of youth who receive assistance due to a number of factors, including some youth who are determined to be eligible, but choose not to attend college. For example, 116 students applied for funding during the 2012-2013 academic year, but only 50 actually attended college and therefore received funding.

| Higher Education Incentive Grants | General Revenue |
|--|------------------------|
| FY2015 Enacted | \$200,000 |
| FY2016 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 authorizes and funds 210.5 FTE positions for the program in FY2016, 7.0 FTE positions less than the enacted level to adjust staffing levels based on current vacancy rates, which have traditionally been high.

| Juvenile Corrections | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$23,400,611 |
| <i>Target and Other Adjustments</i> | <i>342,388</i> |
| Personnel and Overtime Costs | 1,848,603 |
| FY2016 Enacted | \$25,591,602 |

Personnel and Overtime Costs **\$1.8 million**

The Budget increases personnel funding within Juvenile Corrections, which includes personnel at the Rhode Island Training School (RITS) by \$1.8 million in general revenue.

This change incorporates current payroll projections (trending \$1.1 million higher than the enacted level), and is also reflective of statewide salary, benefit, and retirement adjustments, including the 2.0 percent COLA increase.

The Budget also includes \$220,182 in additional overtime expenses for the 24 hour-a-day, seven day-a-week facility. Overtime expenses will grow in FY2016 due to the 2.0 percent COLA increase, and are not reflective of changes in RITS staffing levels or trends. Unlike other programs within DCYF, personnel costs within this program are nearly entirely comprised of general revenues.

Analyst's Note: Despite a reduction in the proposed staffing levels within this program, the Budget does not reduce personnel funding in FY2016 due to an assumption by the State Budget Office that the program has consistently been underfunded.

CAPITAL PROJECTS

The Budget funds eight capital projects, providing \$3.6 million in Rhode Island Capital Plan (RICAP) funds at DCYF from FY2015 through FY2017. All of the recommended projects are included in the current capital plan, however, funding amounts and disbursement timelines have been amended to reflect revised expenditure projections for four of the projects. This includes shifting \$2.2 million in funding from FY2015 to FY2016 for three projects (youth group home fire code upgrades, training school maintenance building, and various repairs/improvements to the RITS) based on revised timeline projections.

Major changes from the current enacted capital plan include:

- \$427,000 in RICAP funds for generators at the RITS at the Youth Assessment Center (YAC) and the Youth Development Center (YDC) in FY2015. The enacted capital plan included \$213,837 in RICAP funds, requiring DCYF prioritize which facilities' generators would be replaced at the training school. The Budget approximately doubles current funding levels to permit DCYF to replace generators in both facilities at the RITS.
- The Budget reduces total project funding for Fire Code Upgrades at 111 privately-owned group homes from \$4.3 million to \$2.8 million based on revised cost estimates, determined by the State Budget Office and DCYF. Upgrades of approximately 30 homes remain to be completed at a cost of \$540,000. To date, \$2.3 million in RICAP funds has been expended for these upgrades.

Department of Health

| Expenditures by Program | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | | FY2016 Enacted | Change from Enacted | |
|--|--------------------------|---------------------------|---------------------------|--------------------------------|-------------|---------------------------|--------------------------------|--------------|
| Central Management | \$11.7 | \$13.4 | \$13.0 | (\$0.3) | -2.5% | \$11.3 | (\$2.1) | -15.8% |
| Community and Family Health and Equity | 58.0 | 70.3 | 73.8 | 3.5 | 5.0% | 68.6 | (1.8) | -2.5% |
| Environmental and Health Services Regulation | 17.6 | 18.8 | 18.4 | (0.4) | -2.1% | 18.5 | (0.3) | -1.5% |
| Health Laboratories | 8.4 | 7.9 | 8.5 | 0.7 | 8.4% | 9.4 | 1.5 | 19.1% |
| Infectious Disease and Epidemiology | 6.6 | 6.6 | 6.1 | (0.5) | -7.5% | 6.8 | 0.3 | 4.1% |
| Public Health Information | 3.8 | 3.6 | 4.0 | 0.3 | 9.4% | 3.9 | 0.3 | 7.1% |
| State Medical Examiner | 2.5 | 2.1 | 2.1 | 0.1 | 2.8% | 2.9 | 0.8 | 40.6% |
| Total | \$108.6 | \$122.6 | \$126.0 | \$3.3 | 2.7% | \$121.4 | (\$1.2) | -1.0% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$23.5 | \$23.0 | \$22.8 | (\$0.1) | -0.5% | \$25.8 | \$2.9 | 12.6% |
| Federal Funds | 55.8 | 65.1 | 69.6 | 1.9 | 2.9% | 65.8 | (1.7) | -2.6% |
| Restricted Receipts | 29.3 | 34.6 | 33.5 | 1.5 | 4.4% | 29.8 | (2.5) | -7.2% |
| Other Funds | 0.1 | - | 0.1 | 0.1 | 0.0% | - | - | 0.0% |
| Total | \$108.6 | \$122.6 | \$126.0 | \$3.3 | 2.7% | \$121.4 | (\$1.2) | -1.0% |
| Authorized FTE Levels | 491.1 | 491.3 | 491.3 | - | 0.0% | 490.6 | (0.7) | -0.1% |

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

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

MAJOR ISSUES AND TRENDS FOR FY2016

The Budget eliminates licensing requirements for 27 professional licenses issued by a number of departments, the bulk of which are issued by DOH (Article 22). This is anticipated to reduce revenue collections by \$273,336 in FY2016. The Governor initially proposed to eliminate 35 licensure categories, however, the Budget modified the proposal to maintain licensure requirements for five categories (music therapists, lifeguards, occupational therapist assistants, physical therapist assistants, and athletic trainers), three of which are licensed by DOH.

The Budget includes a total of \$200,000 in general revenue to fully fund the State's contract with the Regional Poison Control Center (PCC). This is an increase of \$150,000 from all fund sources from the FY2015 enacted level and replaces a loss of federal funds, which previously supported the contract in its entirety.

The Budget level funds the Department's Childhood Lead Poisoning Prevention program at \$600,000. Over time, the Budget has increased state support to offset reductions in federal funding for this program.

Lastly, significant changes have been made to allocations of personnel costs between programs since the FY2015 Enacted Budget to more appropriately reflect each programs' activities and responsibility, and which sources of funds (primarily state general revenue or federal grant awards) support the cost of DOH staff. As such, the shifts in staffing levels and costs discussed at the program level throughout this analysis reflect these changes, which are frequently attributable to the turnover of federal grants.

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 funds 49.6 FTE positions in FY2016, a reduction of 17.3 FTE positions from the FY2015 enacted level. This change reflects the common practice within the Department to shift positions among programs given available federal grants and other funds, and their restrictive stipulations and restrictions.

| Central Management | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$481,489 |
| <i>Target and Other Adjustments</i> | <i>(24,324)</i> |
| Personnel Cost Shift | (137,720) |
| Ebola Response | Informational |
| FY2016 Enacted | \$319,445 |

Personnel Cost Shift ***(\$137,720)***

The Budget shifts the remaining personnel costs within the Office of the Director of Health to an indirect cost recovery account, designated as restricted receipts. In consultation with the Public Consulting Group (PCG), DOH determined that additional administrative costs associated with federal grant administration may be reallocated to restricted receipts.

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 and indirect costs of grant administration such as salaries and equipment are regularly recovered by DOH. The current FY2015 indirect rate for DOH is 19.3 percent, however, the rate has not yet been revised for FY2016. DOH indicated that it will submit for Centers for Medicare and Medicaid Services (CMS) approval a rate of 19.1 percent for FY2016.

Ebola Response

Informational

The Budget does not increase funding for Ebola response-related activities for FY2016. In its first quarter report for FY2015, DOH projected costs of approximately \$800,000, which included costs for staff, including nurses and a director, and operating expenses, including travel, printing, and quarantine costs. DOH further indicated at the time that costs may be incurred in FY2015 and FY2016.

No active cases were identified in Rhode Island, however, DOH engaged in some level of monitoring of approximately 160 individuals as of May 2015. As of April 1, 2015, DOH received \$2.2 million in federal funding in FY2015, which may be used for activities such as monitoring, public health preparedness and planning, and contact investigations.

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 Budget authorizes and funds 122.0 FTE positions in FY2016, an increase of 6.0 FTE positions from the FY2015 enacted level. This change reflects the common practice within the Department to shift positions among programs given available federal grants and other funds, and their restrictive stipulations and restrictions.

| Community and Family Health and Equity | General Revenue |
|---|------------------------|
| FY2015 Enacted | \$2,176,155 |
| <i>Target and Other Adjustments</i> | <i>(4,788)</i> |
| Poison Control Center | 200,000 |
| Minority Health Promotion Program | 161,495 |
| Lead Poisoning Prevention | Informational |
| FY2016 Enacted | \$2,532,862 |

Poison Control Center **\$200,000**

The Budget provides a total of \$200,000 in general revenue to fully fund the State's contract with the Regional Poison Control Center (PCC). This is an increase of \$150,000 from all fund sources from the enacted level and replaces a loss of federal funds, which previously supported the contract in its entirety. The PCC serves both Massachusetts and Rhode Island, with funding from federal, state, and other sources. According to DOH, Rhode Island Hospital funded the entire cost of poison control in the 1990s. Most recently, from FY2007 to FY2014, DOH allocated \$200,000 from the Center for Emergency Preparedness and Response (CEPR) grant to the PCC. However, due to federal funding reductions, alternative funding sources have been identified.

| | Poison Control Center Funding | | |
|-----------------|--------------------------------------|---------------------------|---------------------------|
| | FY2014 Final | FY2015 Enacted | FY2016 Enacted |
| General Revenue | \$0 | \$0 | \$200,000 |
| Federal Funds | 200,000 | 50,000 | - |
| Total | \$200,000 | \$50,000 | \$200,000 |

Minority Health Promotion Program **\$161,495**

The Budget shifts \$161,495 in costs associated with Minority Health Programs from restricted receipts to general revenue funding. This funding provides for DOH staff to administer the program (a portion of 1.7 FTE positions) as well as approximately \$150,000 in grants to community organizations for childhood obesity prevention and to reduce disparities in health for ethnic and racial minorities. Under the FY2015 Enacted Budget, these costs were shifted to an indirect cost recovery account, however, the State Budget Office indicates that this account can no longer sustain these expenditures.

Through Minority Health Promotion Centers, the Minority Health Promotion Program engages in community outreach, health education and promotion, and conducts health risk assessments to identify health problems of the populations it serves. For FY2016, this includes funding a portion of the Health Equity Zones, including the Olneyville Housing Corporation (\$148,406) and the Providence Children and Youth Cabinet (\$1,594). The Health Equity Zones initiatives seeks to reduce the prevalence of chronic diseases and promote health and wellness by targeting areas of the State that experience high rates of obesity, heart disease, or other illnesses and conditions.

Lead Poisoning Prevention **Informational**

Consistent with the FY2015 enacted level, the Budget provides approximately \$16,000 in general revenue for Lead Poisoning Prevention. Total program funding for FY2016 is projected to be approximately \$600,000, which is relatively consistent with the current level of funding and mainly comprised of federal funds.

The Department engages in a number of lead abatement activities and programs, including the prevention and treatment of lead poisoning for both children and adults. The Department seeks to eliminate childhood lead poisoning in the state through lead screenings, education and policy development, and referrals for medical treatment for identified cases of lead poisoning. In 2014, approximately 26,000 children younger than 72 months of age were screened. Of the children screened, 5.2 percent were determined to have blood lead levels at or exceeding 5 micrograms per deciliter, a decline from 19.9 percent in 2012. At this level, a child is considered to be lead poisoned based upon current federal guidelines.

Analyst's Note: As of 2013, a child is considered to have lead poisoning at or exceeding 5 micrograms per deciliter, based upon guidelines issued by the Centers for Disease Control (CDC). In 2013, the CDC revised downward the blood lead thresholds for intervention (from 10 micrograms per deciliter to 5 micrograms per deciliter), increasing the number of children from ages 1 to 5 that met blood lead-level thresholds considered to be at risk for lead poisoning.

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 Budget includes 143.0 FTE positions in FY2016, a decrease of 1.9 FTE positions from the FY2015 enacted level. This change reflects the common practice within the Department to shift positions among programs given available federal grants and other funds, and their restrictive stipulations and restrictions.

| Environmental and Health Services Regulation | General Revenue |
|---|------------------------|
| FY2015 Enacted | \$9,251,095 |
| <i>Target and Other Adjustments</i> | <i>278,838</i> |
| Licensure and Inspection Staff | 229,774 |
| Turnover Savings | (200,000) |
| Assisted Living Residences | Informational |
| Professional Licenses | Informational |
| FY2016 Enacted | \$9,559,707 |

Licensure and Inspection Staff **\$229,774**

The Budget fully funds 6.0 FTE positions, which support licensure and inspection functions conducted by the Department (but does not increase its FTE cap). According to the State Budget Office and DOH, these positions, which were previously funded for half of a year and were vacant, will help reduce licensure and inspection backlogs and increase frequency of inspections. According to DOH, backlogs were the result of the prior vacancies, and it expects workloads to level off once the positions are filled in FY2016.

The specific positions, which are currently vacant, include: 2.0 Environmental Health Food Inspectors, 1.0 Health Economics Specialist, 1.0 Radiological Health Specialist, 1.0 Health Services Regulation Licensing Aide II, 1.0 Senior Systems Analyst, and 1.0 Health Facility Surveyor.

Turnover Savings **(\$200,000)**

The Budget assumes \$200,000 in general revenue savings associated with turnover in the Division of Environmental and Health Services Regulation. These savings are based upon recent staffing trends within the Department of Health. As of May 30, 2015, the Department experienced a vacancy rate of nearly 10.0 percent, or 47.7 FTE positions.

Assisted Living Residences **Informational**

The Budget includes an additional \$28,200 in annual assisted living licensing fee revenue due to a regulatory change issued by DOH. The additional revenue is generated by assessing an annual fee of \$600 per facility with a dementia care unit and per \$600 facility with limited health services.

DOH indicates that this new licensure category and fee was added in response to the increased number of assisted living facilities seeking to expand and add a dementia care unit. Upon the addition of this unit,

DOH is required to conduct an inspection. DOH also indicated that the number of incidents, such as reports of abuse and neglect from residents, has continued to increase and requires increased oversight and involvement by DOH staff. However, the revenue will be deposited into the general fund and does not directly fund costs incurred by DOH associated with assisted living residence licensure.

This fee restructure is part of a broader effort by DOH to update the minimum assisted living facility licensing standards. Over 50 changes were proposed, which include expanding the objectives of the Assisted Living Quality Assurance program, instituting abuse/neglect reporting requirements to the Long-Term Care Ombudsman, and specifying direct care staff requirements for an Alzheimer Dementia Special Care Unit/Program.

Currently, 30 of the 62 licensed assisted living residences have a dementia care unit, and this new fee is anticipated to generate \$18,000 in new revenue. According to information provided by the State Budget Office, it is projected that 17 of the 62 facilities will also choose to offer limited health services to its residents, generating \$10,200 in additional revenue. These facilities also pay a base annual licensure fee of \$330 and a \$70 annual per bed fee.

Professional Licenses

Informational

Based upon the results of a review conducted by the Office of Regulatory Reform (ORR), Article 20 eliminates licensing requirements for 27 professional licenses issued by DBR (3), DOH (22), RIDE (1), and DEM (1). The table below outlines which DOH-licensed professions are impacted:

| DOH License Type | Resident Licensing Fee | DOH License Type | Resident Licensing Fee |
|--|-----------------------------------|--|-----------------------------------|
| Acupuncture Assistant | \$310 | Manicurist Demonstrator's Permit | N/A |
| Audiologist Support Person | 50 | Manicurist Instructor | \$25 |
| Barber Apprentice | 50 | Clinical Histologic Technician | 60 |
| Barber Demonstrator's Permit | N/A | Clinical Laboratory Scientist | 60 |
| Barber Instructor | 25 | Clinical Laboratory Technician | 60 |
| Electrologist Apprentice | 50 | Cytotechnologist | 75 |
| Electrologist Instructor | 25 | Orthotist | 120 |
| Esthetician Demonstrator's Permit | N/A | Prosthetist | 120 |
| Esthetician Instructor | 25 | Radiologist Assistant | 85 |
| Hairdresser/Cosmetologist Demonstrator's Permit | N/A | Sanitarian | 25 |
| Hairdresser/Cosmetologist Instructor | 25 | Speech-Language Pathologist Support Person | 50 late fee |

Eliminating the licensing and associated fees reduces revenues by \$273,336 in FY2016 and \$118,051 in FY2017. The difference in revenue between fiscal years is attributable to the biennial renewal schedule of some professional licenses issued by the Department.

This initiative is part of a larger effort undertaken by ORR to repeal unnecessary, duplicative, or burdensome regulatory requirements. ORR worked with these agencies to identify which professional licenses are burdensome, unnecessary due to other requirements that demonstrate professional competence, if there were a small number of license holders, or whether the occupation is licensed in Connecticut and Massachusetts.

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 \$1.5 million in fees.

The Budget includes 79.0 FTE positions in FY2016, an increase of 5.0 FTE positions from the enacted level. This change reflects the common practice within the Department to shift positions among programs given available federal grants and other funds, and their restrictive stipulations and restrictions.

| Health Laboratories | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$6,130,022 |
| <i>Target and Other Adjustments</i> | <i>80,226</i> |
| Maintenance and Supplies | 608,954 |
| Lab Personnel | 556,058 |
| FY2016 Enacted | \$7,375,260 |

Maintenance and Supplies

\$608,954

These funds are used by DOH to purchase medical supplies such as testing kits and provide for lab equipment maintenance. Based on actual expenditures and information provided by the Department, the FY2015 Enacted Budget did not provide sufficient funding for these costs, and the FY2016 Enacted Budget adjusts for this.

DOH also indicated that clinical laboratory testing (including lead, tuberculosis, and sexually-transmitted diseases) and water testing have also increased. Although the testing occurs within the State Health Lab, the billing is outsourced to a contract billing company who coordinates directly with insurance companies and others responsible for the cost of these services. As testing increases, so does the cost of billing for these services, which is approximately 7.0 percent of revenues generated. DOH collects approximately \$2.0 million per year in revenue associated with these testing services, which offsets the projected cost of \$141,000 for these services in FY2016 (an increase of \$125,451 from the FY2015 enacted level).

This increase also reflects the shift of \$236,310 in funding for operating expenses from an indirect cost recovery account back to general revenue. The FY2015 Enacted Budget shifted these costs to an indirect cost recovery account, however, the State Budget Office indicates that this account can no longer sustain these expenditures.

Lab Personnel

\$556,058

The Budget includes \$556,058 in additional general revenue for personnel costs within the State Health Lab. This increase reflects a shift in personnel costs from an indirect cost recovery account to general revenue (\$257,131). The FY2015 Enacted Budget shifted these costs to an indirect cost recovery account, however, the State Budget Office indicates that this account can no longer sustain these expenditures.

This increase also supplements a restoration of funding for 3.0 Forensic Scientists who manage the Department's six month backlog of law enforcement-related drug testing, and will help to reduce the amount of outsourcing for testing of new drugs, and the 2.0 percent cost-of-living adjustment.

INFECTIOUS DISEASE AND EPIDEMIOLOGY

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

The Budget includes 35.0 FTE positions in FY2016, a reduction of 1.5 FTE positions from the enacted level. This change reflects the common practice within the Department to shift positions among programs given available federal grants and other funds, and their restrictive stipulations and restrictions.

| Infectious Disease and Epidemiology | General Revenue |
|--|------------------------|
| FY2015 Enacted | \$1,428,520 |
| <i>Target and Other Adjustments</i> | <i>183,608</i> |
| Communicable Disease Prevention | 105,122 |
| FY2016 Enacted | \$1,717,250 |

Communicable Disease Prevention **\$105,122**

To support the Department's communicable disease prevention efforts, the Budget includes \$105,122 for National Electronic Disease Surveillance System maintenance. These costs, which vary from year to year, were previously supported by federal funds. For FY2016, approximately \$160,000 in federal funds is available for this purpose and the total projected cost of this software upgrade is \$262,981.

PUBLIC HEALTH INFORMATION

The Division of Public Health Information includes three units. The Center for Health Data and Analysis coordinates the collection and sharing of health-related data to inform health policy decisions, monitors the status and quality of the public health, and supports public health initiatives. The Office of Vital Records maintains the statewide birth, death, marriage, and divorce statistics. The Office of Health Information Technology is responsible for developing a statewide Health Information Exchange to facilitate the sharing of critical health information among health care providers, and for promoting the use of electronic medical records.

The Budget includes 44.0 FTE positions in FY2015, an increase of 6.2 FTE positions from the FY2015 enacted level. This includes the addition of 1.0 Senior Public Health Epidemiologist, and reflects the common practice within the Department to shift positions among programs given available federal grants and other funds, and their restrictive stipulations and restrictions.

| Public Health Information | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$1,559,128 |
| <i>Target and Other Adjustments</i> | <i>(2,636)</i> |
| FY2016 Enacted | \$1,556,492 |

| Public Health Information | Other Fund Changes |
|----------------------------------|---------------------------|
| SIM Grant Support Staff | \$121,191 |

SIM Grant Support Staff (federal funds) **\$121,191**

For DOH, the Budget includes \$121,191 in federal funds associated with a four-year \$20.0 million State Innovation Model (SIM) grant to fund 1.0 Senior Public Health Epidemiologist to oversee population health measurement, aggregation, and reporting.

In December 2014, the State was awarded \$20.0 million by the Centers for Medicare and Medicaid Services (CMS) to design, develop, and test new models of delivering and paying for healthcare. This State Innovation Model (SIM) grant is designed to accelerate the shift from volume-based care (a fee-for-service arrangement where providers are incented to provide more care) to value-based care (a fee-for-value arrangement where providers are incented to deliver the best care at the lowest cost). At the end of the four-year grant period, it is expected that 80 percent of payments to providers from both private and public payers will be value-based. Currently, only about 15.0 percent of payments are value-based.

The grant will attempt to reform health care delivery and to provide better care at lower cost through the following broad strategy:

- Coordinate the reform efforts of state agencies, including the Executive Office of Health and Human Services, Health, Human Services, Behavioral Healthcare and Disabilities, Children, Youth, and Families, Corrections, Labor and Training, Office of the Health Insurance Commissioner, and Administration/HealthSource RI. While each of these agencies has been advancing its own reforms, the SIM project creates a forum for these agencies to meet regularly to collaborate, resulting in regulatory initiatives and program funding that align these efforts from statewide perspective. This collaboration will ideally be institutionalized over the four-year grant period so that it will be sustainable beyond the grant period.
- Increase statewide effectiveness through explicit partnership with private entities through the newly created Healthy Rhode Island Steering Committee, which will set the grant’s strategic direction and policy goals as well as approve the allocation of funds. The committee will ensure that any reforms will have buy-in from the wide range of stakeholders comprising the committee, including state agencies, insurers, hospital systems, and physician practices, as well as behavioral healthcare, children and youth, long term care and the community.
- Develop a data-driven culture within state government by integrating existing information technology (IT) systems and increasing the State’s capacity to collect, store, and use data. Though the State currently spends over \$2.0 billion annually on health care, it is generally unable to analyze the outcomes of these expenditures or make evidence-based policy decisions.

The first twelve months of the grant will be used to engage consultants who will assess the overall health of the state and identify areas for intervention. Likely areas of focus will be obesity, diabetes, stroke, smoking, cancer, preventable emergency department visits, and behavioral health morbidity. A distinct population health plan will be developed that recognizes the behavioral health needs of the State’s residents.

It is anticipated that the \$20.0 million grant will fund 6.0 FTE positions throughout several state agencies, a project management office, and further development of state IT systems such as the all-payer claims database and Currentcare, the State’s health information network. Grant funds will also be used to further promising initiatives already underway such as the Chronic Sustainability Initiative, community health teams, and a new payment model for maternity care introduced by insurers and hospitals. It will also fund transition coaching, training, and technical assistance to providers across the State.

Process and outcome measures will assess the reform model’s ability to decrease per capital health care spending in both the private and public healthcare systems.

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 Budget funds 16.4 FTE positions in FY2016, consistent with the enacted level.

| State Medical Examiner | General Revenue |
|--|------------------------|
| FY2015 Enacted | \$1,931,511 |
| <i>Target and Other Adjustments</i> | <i>9,085</i> |
| Personnel Cost Shift and Other Personnel Changes | 834,344 |
| FY2016 Enacted | \$2,774,940 |

Personnel Cost Shift and Other Personnel Changes***\$834,344***

The Budget shifts personnel costs associated with the Office of the Medical Examiner from restricted receipts to general revenues. The FY2014 and FY2015 Enacted Budgets shifted personnel costs within this program to unexpended funds within indirect cost recovery accounts. However, the FY2016 Enacted Budget shifts approximately \$415,000 in Medical Examiner personnel costs back to general revenue.

This increase in personnel costs also reflects more modest, decreased turnover assumptions, and statewide adjustments to salary and benefit costs, including the 2.0 percent cost of living adjustment. These changes do not reflect an increase in actual staffing within the Office.

CAPITAL PROJECTS

The approved capital plan completes the upgrade of the State's outdated birth records system within Vital Records and remains unchanged. The total cost of this module is \$858,941, including \$500,000 in federal funds in FY2015. This project upgrades the State's electronic birth registration system in the Office of Vital Records, which was last updated in December 2000. The previous system, established in 2003, was not web-enabled and does not comply with current federal standards. This upgrade will ensure federal regulatory compliance by DOH.

Department of Human Services

| Expenditures by Program | FY2014 | FY2015 | FY2015 | Change | | FY2016 | Change | |
|--------------------------------------|----------------|----------------|----------------|-----------------|--------------|----------------|-----------------|--------------|
| | Actual | Enacted | Revised | from Enacted | | Enacted | from Enacted | |
| Central Management | \$10.5 | \$9.3 | \$9.7 | \$0.4 | 4.4% | \$10.1 | \$0.5 | 5.0% |
| Child Support Enforcement | 7.2 | 8.2 | 8.8 | 0.5 | 6.6% | 9.6 | 1.4 | 17.0% |
| Health Care Eligibility | 18.5 | 20.0 | 21.1 | 1.1 | 5.7% | 19.5 | 0.5 | 2.5% |
| Individual and Family Support | 139.4 | 157.5 | 166.6 | 8.4 | 5.3% | 156.0 | (1.9) | -1.2% |
| Rhode Island Works | 85.3 | 86.7 | 84.6 | (0.6) | -0.7% | 90.4 | 1.9 | 2.2% |
| State Funded Programs | 288.1 | 302.3 | 269.6 | (32.6) | -10.8% | 269.7 | (32.6) | -10.8% |
| Supplemental Security Income Program | 18.3 | 18.6 | 18.2 | (0.1) | -0.6% | 18.7 | 0.1 | 0.7% |
| Veterans' Affairs | 29.2 | 28.4 | 30.0 | 1.5 | 5.4% | 29.4 | 1.0 | 3.5% |
| Elderly Affairs | 16.9 | 18.7 | 18.1 | (0.6) | -3.2% | 18.9 | (0.4) | -1.9% |
| Total | \$613.3 | \$649.8 | \$626.7 | (\$23.1) | -3.6% | \$622.4 | (\$27.4) | -4.2% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$92.1 | \$96.3 | \$94.8 | (\$1.5) | -1.6% | \$98.3 | \$0.1 | 0.1% |
| Federal Funds | 514.0 | 547.3 | 524.2 | (21.6) | -3.9% | 517.5 | (29.8) | -5.4% |
| Restricted Receipts | 2.4 | 1.8 | 3.1 | 1.2 | 68.3% | 2.1 | 0.3 | 15.5% |
| Other Funds | 4.9 | 4.3 | 4.6 | - | 0.0% | 4.6 | - | 0.0% |
| Total | \$613.3 | \$649.8 | \$626.7 | (\$23.1) | -3.6% | \$622.4 | (\$27.4) | -4.2% |
| Authorized FTE Levels | 959.1 | 959.1 | 959.1 | - | 0.0% | 959.1 | - | 0.0% |

\$ 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 FY2016

The Budget continues to expand access to child care assistance for low-income families and parents engaged in approved workforce training activities. Specifically, the General Assembly removes the sunset associated with the “Back to Work RI” Child Care Assistance Program, and permanently establishes this program in law, which provides subsidies to parents engaged in on-the-job or other approved work preparedness activities. In addition, the Budget continues to fund the temporary extension of child care subsidies from 180.0 percent of the federal poverty level (FPL) to those earning up to 225.0 percent FPL, through FY2016. Under current law, this temporary expansion will sunset on September 30, 2017 (at the end of the first quarter of FY2017).

For eligible child care providers participating in the State’s child care assistance program, the General Assembly increases provider rates by an average of 3.0 percent. To support this increase, which is the first rate adjustment in nearly a decade, \$1.7 million in general revenue (\$2.2 million from all fund sources) is added.

The Budget includes \$301,320 in general revenue to make changes to SSI categories and payment levels to increase support for community-based providers and help delay entry into more expensive nursing home level care. This change will impact eligible individuals in assisted living or adult supportive care setting residences who are eligible for Medicaid-funded long term services and supports.

The Budget reduces funding for FY2016 as compared to the enacted level due to the completion of the design, development, and implementation stage of Phase II of the Unified Health Infrastructure Project (UHIP). UHIP is a collaborative undertaking between the Office of Health and Human Services, Department of Health, Office of the Health Insurance Commissioner, and the Department of Administration, that will allow Rhode Islanders to enroll in public and private health insurance plans and

in other state social service programs through a single online interface. Despite the projected decrease for FY2016, the multi-year, total project cost across state departments has increased from \$150.5 million to a current estimate of \$230.8 million.

The FY2015 Revised Budget funds a feasibility study to identify case management system alternatives to InRhodes for the Office of Child Support (\$1.0 million from all fund sources). In light of the transition to a new integrated eligibility system (IES) throughout the Department, the Office of Child Support will be the remaining DHS program on InRhodes, the legacy eligibility and case management system, which is being replaced through UHIP with a new IES. It is cost prohibitive for the Office to remain the sole user of InRhodes given the cost of licensing and maintenance fees. In FY2016, it is projected the Office of Child Support Services will incur a total of \$1.2 million in costs associated with InRhodes maintenance and licensing.

Every November and May, the State revises cash assistance caseload forecasts in order to estimate entitlement program spending for both the current and the following fiscal year. Aside from any new initiatives included by the General Assembly, the May Caseload Estimating Conference (CEC) adopted estimates dictate the entitlement program appropriations included in the FY2016 Enacted Budget.

The table below provides an overview and comparison of the funding levels from the FY2015 Enacted Budget, the May 2015 CEC, and the FY2016 Enacted Budget by program and fund source.

| | FY2015 Enacted | FY2016 May Adopted | Change to Enacted | FY2016 Enacted | Change to Enacted |
|----------------------------------|---------------------------|-------------------------------|------------------------------|---------------------------|------------------------------|
| Cash Assistance Programs | | | | | |
| Rhode Island Works | \$35.6 | \$29.2 | (\$6.4) | \$29.2 | (\$6.4) |
| Federal Funds | 35.6 | 29.2 | (6.4) | 29.2 | (6.4) |
| Child Care | \$51.1 | \$58.9 | \$7.8 | \$61.3 | \$10.1 |
| Federal Funds | 41.5 | 49.2 | 7.8 | 49.9 | 8.4 |
| General Revenue | 9.7 | 9.7 | - | 11.4 | 1.7 |
| SSI - State Supplement | \$18.6 | \$18.4 | (\$0.2) | \$18.7 | \$0.1 |
| General Revenue | 18.6 | 18.4 | (0.2) | 18.7 | 0.1 |
| General Public Assistance | \$1.4 | \$1.4 | \$0.0 | \$1.4 | \$0.0 |
| General Revenue | 1.4 | 1.4 | 0.0 | 1.4 | 0.0 |
| Total | \$106.7 | \$107.9 | \$1.2 | \$110.5 | \$3.8 |
| Federal Funds | 77.0 | 78.4 | 1.4 | 79.1 | 2.0 |
| General Revenue | 29.7 | 29.5 | (0.1) | 31.5 | 1.8 |

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

Overall spending for cash assistance programs, which includes RI Works, child care subsidies to working families, Supplemental Security Income (SSI) state supplement, and General Public Assistance (GPA) increases. Continued expansion of child care assistance through two initiatives (discussed in further detail under the Rhode Island Works program section) serves as the primary driver of the increase from FY2015 to FY2016. This increase is partially offset by a continued decrease in RI Works caseload, which is estimated to decline from 13,475 to 12,216 individuals in FY2016. Testimony from DHS during the conference indicated that this decline in RI Works is likely attributable to families reaching their statutory time limits and an improving economic recovery.

Although the Department-wide FTE cap is not increased, the Budget authorizes new FTE positions with the expectation that other positions, at the discretion of the Department, will remain unfilled (36.5 FTE positions). As of June 13, 2015, 10.3 percent of the Department's authorized FTE positions remain vacant, which is higher than the statewide average vacancy rate of 8.9 percent.

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 includes 62.0 FTE positions in FY2016 for Central Management, an increase of 2.0 FTE positions over the enacted level, reflecting increases in the quality control unit to improve oversight and controls over eligibility determination. Deficiencies in the State's Medicaid eligibility determination process were identified in a 2014 report issued by the Office of the Auditor General (OAG), and this change in staff seeks to address the OAG's concerns. The General Assembly does not add funding to support these positions, but rather assumes increased turnover in other positions to fund these staff as well as the 2.0 percent cost-of-living adjustment (COLA) increase.

| Central Management | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$4,967,120 |
| <i>Target and Other Adjustments</i> | <i>65,694</i> |
| Community Service Grants | 380,000 |
| FY2016 Enacted | \$5,412,814 |
| Community Service Grants | \$380,000 |

The Budget adds \$380,000 in general revenue to increase grant awards for several organizations or to fund new grants: \$125,000 to Day One (increasing its total grant award to \$216,944), \$100,000 to Crossroads (increasing the total grant award to \$302,500), \$50,000 to the Institute for Study and Practice of Nonviolence (increasing the total grant award to \$215,188), \$50,000 to the Boys and Girls Club of Rhode Island (increasing the total grant award to \$250,000), \$50,000 for the John Hope Settlement House (increasing the total award to \$300,000), and \$5,000 for a new grant for the Rhode Island Military Organization Lounge at T.F. Green Airport.

INDIVIDUAL AND FAMILY SUPPORT

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

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

The Budget includes 462.0 FTE positions in FY2015, a decrease of 9.5 FTE positions from the enacted level. This decrease reflects a number of changes in staffing within the program, including transferring eligibility determination staff to the Health Care Eligibility program and a reduction of 7.0 UHIP eligibility determination staff (technicians). These reductions are combined with a series of other changes that better reflect current programming and the Department's cost allocation plan, which is based upon actual workloads that vary throughout the year. For example, some eligibility staff may shift from conducting determinations for one program area (such as Medicaid) and be shifted to conducting determination for another program area (such as SNAP). These shifts impact the allocation of personnel costs between federal and general revenue sources.

| Individual and Family Support (IFS) | General Revenue |
|--|------------------------|
| FY2015 Enacted | \$24,413,085 |
| <i>Target and Other Adjustments</i> | |
| Unified Health Infrastructure Project | 242,033 |
| Non-Emergency Transportation | (690,480) |
| Urban Institute Work Support Strategies Grant | (522,469) |
| RI Housing-Financed Assisted Living SSI State Supplement | (495,177) |
| SNAP Payment Error Rates | 23,914 |
| | Informational |
| FY2016 Enacted | \$22,970,906 |

Unified Health Infrastructure Project **(\$690,480)**

The Budget provides \$2.1 million in general revenue (\$4.4 million all funds) within DHS for technology costs related to the Unified Health Infrastructure Project (UHIP), a reduction of nearly \$700,000 from the enacted level. This reflects completion of the design, development, and implementation of Phase II during the first half of FY2016. UHIP is a two phase IT project. The first phase supports HealthSource RI (HSRI), the State's health insurance marketplace mandated under the federal health reform law, while the project's second phase replaces the State's existing health and human service eligibility system with an integrated eligibility system. Phase I is nearly complete, while Phase II is underway and anticipated to be completed in FY2016.

The UHIP technology build and operation (exclusive of DHS UHIP eligibility determination staff, which are discussed in the Health Care Eligibility program) is currently estimated to cost a total of \$48.9 million from all funds sources in FY2016, including \$30.4 million from all fund sources from the Office of Health and Human Services (OHHS), \$4.4 million from all fund sources from DHS, and \$12.1 million from all fund sources from HealthSource RI (HSRI); and \$2.0 million from the Information Technology Investment Fund.

The project began in FY2013 by OHHS, HSRI, DHS, and the Department of Administration's Office of Digital Excellence to replace the State's legacy eligibility system, InRhodes, with an integrated eligibility system that would serve as a single portal for DHS programs, Medicaid, and HSRI. Supported by enhanced Medicaid matching funds and HSRI establishment grants, the original project budget of \$150.0 million supported the project's two phases. Phase I, largely completed, includes "simple" Medicaid eligibility and enrollment, and the HSRI marketplace. Phase II includes "complex" Medicaid eligibility and the inclusion of DHS programs such as cash assistance (TANF) and food assistance (SNAP).

The project includes the following vendors:

| UHIP Vendor | Responsibility | Original Contract Value |
|--------------------------------|---|--------------------------------|
| Deloitte Consulting , LLP | Design and Implementation of Technology | \$105.2 |
| Public Consulting Group, LLP | Project Management and Technical Assistance | 4.0 |
| CSG Government Solutions, Inc. | Independent Validation and Verification | 6.8 |
| Connexions | Contact Center Administration | 24.0 |
| Northrop Grumman, Inc. | InRhodes Interface Development and Conversion | 10.5 |
| RI Health Center Association | Outreach and Enrollment Support | Variable |
| Total | | \$150.5 |

\$ in millions

Cost of the project has increased from \$150.5 million to a current estimate of \$230.8 million. This increase has been driven primarily by the contract with Deloitte, which was originally valued at \$105.2 million but has escalated due to contract amendments and change orders currently totaling \$59.2 million.

UHIP's project manager maintains that this increase has been driven by changes in federal guidelines and by technical requirements absent in the contract's original project specifications.

Non-Emergency Transportation

(\$522,649)

In May 2014, DHS contracted with Logisticare, a centralized transportation broker, to administer and manage the non-emergency transportation benefit in order to decrease the number of missed trips and ensure a higher degree of program accountability. The total three-year, fixed contract cost is \$7.6 million, or \$2.4 million annually from FY2015 through FY2017. The contract is funded by general revenue, federal funds, and gas tax revenue and does not vary based upon utilization.

The Budget reduces the general revenue share by \$522,649 as compared to the enacted budget to ensure funding is consistent with the contract amount for FY2016. This general revenue reduction also reflects increased gas tax revenues (\$23,506 as compared to the enacted level). Of the 1-cent per gallon state gas tax revenue, 21.0 percent of revenue is dedicated to DHS for partial funding for the transportation contract, and 79.0 percent is allocated to the Rhode Island Public Transit Authority (RIPTA) to fund paratransit services for the disabled.

Services provided by Logisticare include trips to adult day care, trips to congregate meal sites for the elderly, and trips for the disabled formerly provided through RIPTA's Ride program, which operates in compliance with the federal Americans with Disabilities Act (ADA).

Urban Institute Work Support Strategies Grant

(\$495,177)

The Budget shifts funding associated with the Ford Foundation/Urban Institute's Work Support Strategies grant from general revenue to the Work Support Strategies restricted receipt account to better monitor program expenditures. This three-year grant, which totals \$1.2 million, funds personnel, technical assistance and other resources for the design and implementation of a data-driven plan for streamlined access to the following work support benefits: child care, SNAP, subsidized employment and workforce training. This grant is intended to assist DHS with the redesign and modernization of its service delivery systems, addressing its siloed, redundant, and costly programs and processes in order to maximize participation in and outcomes of its programs. DHS indicates that improvements resulting from the Work Support Strategies grant include business process re-engineering/redesign at the field offices and the preparation for the new Integrated Eligibility System (IES).

RI Housing Financed Assisted Living SSI State Supplement

\$23,914

Based upon testimony provided by DHS during the May 2015 Caseload Estimating Conference, the Budget increases funding for SSI state-only payments (\$206 per month) to residents living in Rhode Island Housing-financed assisted living facilities. DHS indicated 32 participants will be receiving the payment in FY2015.

The Budget provides \$359,198 in FY2015 and FY2016 to fund this payment as well as the \$206 monthly payment to those in non-Medicaid assisted living facilities, an increase of \$23,914 from the enacted level. Although these costs are not projected as part of the Caseload Estimating Conference (CEC), DHS projected in the May 2015 CEC that the state SSI payment to both of these populations would total \$359,198. The Budget adds general revenue to account for this difference to ensure sufficient funding within DHS for both payments.

SNAP Payment Error Rates

Informational

For four consecutive years, federal fiscal years (FFY) 2010 through 2013, the Department of Human Services (DHS) failed to meet the annual national performance measure for the Supplemental Nutrition Assistance Program (SNAP). However, in June 2015, DHS received notice that it was no longer in penalty status based upon its FFY2014 performance and will not be required to pay a penalty in the amount of \$341,675 to the federal government for its failure to meet its FFY2013 target. Each year, the

United States Department of Agriculture (USDA) assesses each state's SNAP program and determines the accuracy of benefits paid as part of its quality control efforts.

The USDA's assessment consists of three components: overpayment rate, underpayment rate, and a payment error rate, which is the sum of the previous two components. The overpayment rate estimates the percent of payments made to households in excess of the entitled amount, whereas the underpayment rate reflects payments that were not received by eligible households. The payment error rate is the benchmark used by the USDA as a performance metric and to determine what, if any, penalty is assessed to an individual state.

| SNAP Payment Error Rate | | | |
|-------------------------|---------------------------|-------------------|------------------------|
| | National Average - Target | Rhode Island Rate | Total Penalty Assessed |
| FFY2009 | 4.36% | 3.67% | \$0 |
| FFY2010 | 3.81% | 5.98% | - |
| FFY2011 | 3.80% | 7.89% | 519,251 |
| FFY2012 | 3.42% | 7.36% | 394,538 |
| FFY2013 | 3.20% | 8.25% | 638,350 |
| 5-Year Average | 3.72% | 6.63% | - |

Each year, USDA provided DHS an option to set aside half of the penalty assessed "at-risk" and reinvest internally the second half of the penalty to improve the accuracy of benefits awarded. However, if the national benchmark was not met in the subsequent fiscal year and improvements were insufficient to decrease the error rate, DHS was required to pay the portion of the penalty that was set aside "at-risk". For example, for FFY2011, a penalty of \$519,251 was assessed, however, only \$259,626 was set aside at-risk and the Department was permitted to reinvest the remaining half into its programs. However, during the FFY2012 audit it was determined by the USDA that Rhode Island once again exceeded the national benchmark, and was required to pay portion of the penalty that was set aside.

The Department has engaged in a six-pronged approach towards reducing its consistently high SNAP error rate, which has been exacerbated by increased caseloads and reductions in field staff. DHS's approach includes the following individual strategies to improve the accuracy of benefits allocated to SNAP clients: Business Process Reengineering/Redesign Project (BPR), reinvestment plan, post implementation reviews, supervisor academy, high risk household case reviews, and federal partner consultation.

RHODE ISLAND WORKS

Rhode Island Works is Rhode Island's cash assistance program. The program provides cash assistance and employment support services, including child care assistance, 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 |
|---|---------------------|
| FY2015 Enacted | \$9,668,635 |
| Child Care Provider Rate Increase | 1,700,000 |
| FY2016 Enacted | \$11,368,635 |
| Rhode Island Works | Other Fund Changes |
| Caseload Estimating Conference - RI Works and Child Care Assistance | \$1,373,228 |
| "Back to Work RI" Child Care Program Sunset Removed | 201,550 |
| Transitional Child Care Assistance Pilot Program | Informational |

Child Care Provider Rate Increase**\$1.7 million**

The Budget adds \$1.7 million in general revenue (\$2.2 million all funds) to increase child care provider rates. Article 17 permits the Department of Human Services (DHS) to increase the maximum reimbursement rate paid to child care providers in the State's Child Care Assistance Program (CCAP), by 3.0 percent for all providers. CCAP provides child care subsidies to low income families and eligible participants in the Rhode Island Works Program.

In addition to the 3.0 percent increase, certified family providers for infants and toddlers up to age 3, and license-exempt providers also receive an additional \$10.00 per week. The following table provides a comparison of the current rates and new rates by age group and provider type for all licensed and certified providers:

| Licensed and Certified Child Care Provider Rates | Infant and Toddler (up to age 3) | Preschool (up to 1st grade) | School Age (up to age 13) |
|---|---|--|--------------------------------------|
| Certified Family Provider - Current | \$155.00 | \$150.00 | \$142.00 |
| Certified Family Provider - New | 169.95* | 154.50 | 146.26 |
| Licensed Child Care Center - Current | 188.00 | 157.00 | 142.00 |
| Licensed Child Care Center - New | 193.64 | 161.71 | 146.26 |

*\$10 rate increase plus 3% increase

Source: Department of Human Services.

Currently, the amount of the weekly subsidy is set by statute (RIGL 40-6.2-1.1, last updated in 2008) to be the average of the 75th percentile of the weekly market rates for child care in 2002 and 2004. However, the subsidy amount is not automatically updated each year and has not been increased to reflect the increased cost of child care; as a result, the *average* cost of care at a licensed child care center for infants and preschoolers in 2014 (\$233 and \$184, respectively) now exceeds the subsidy amount, based upon data provided by RI Kids Count.

Caseload Estimating Conference – RI Works and Child Care Assistance (federal funds) \$1.4 million

The May 2015 Caseload Estimating Conference (CEC) estimated a Rhode Island Works (RIW) caseload average of 12,216 recipients and total program cost of \$29.2 million for FY2016, all of which is federal funds and represents a decrease of \$6.4 million in federal funds from the FY2015 enacted level. The Rhode Island Works Program has experienced a slight decline in both the number of participants and the average cost per month of each participant. DHS indicates a slowly improving economy and families reaching time limits, which impact how long recipients are eligible for RIW benefits, are the primary factors driving this steady decline.

Rhode Island also provides child care assistance to RIW and other low income families (typically, families earning less than 180.0 percent of the federal poverty level are eligible). The CEC adopted a FY2016 estimate of 8,600 child care subsidies at a total cost of \$58.9 million (\$9.7 million in general revenue). This represents an increase of \$7.8 million in federal funds over the FY2015 enacted level.

“Back to Work RI” Child Care Program Sunset Removed (federal funds)**\$201,550**

The Budget eliminates the sunset for the “Back to Work RI” Child Care Program, which was set to expire at the end of FY2015. To fund the projected program growth in FY2016, the Budget allocates approximately \$200,000 federal Temporary Assistance to Needy Families (TANF) funding to DHS for this program.

This program provides short-term child care assistance to families who are engaged in approved job training and preparation activities and currently serves approximately 20 families. Families must also meet income eligibility requirements (below 180.0 percent FPL, or \$36,162 annually for a family of three).

The program currently serves approximately 20 families with nearly 50 children, however, the Budget assumes that this number will grow to 29, and it is anticipated this caseload will remain level in future years as the program is intended to support participants on a short-term basis. As new program participants will come on, those who have been on for up to one year (as determined by DHS regulation) will transition out of the program.

Transitional Child Care Assistance Pilot Program

Informational

As of October 1, 2013, the Transitional Child Care Pilot Program increases exit income eligibility for current child care program participants from 180.0 percent of the federal poverty level (FPL) up to 225.0 percent FPL. The Budget maintains funding for this program in FY2016.

This program is intended to address the child care “cliff” by allowing families to retain eligibility for child care subsidies until their annual income increases up to 225.0 percent FPL, or \$45,202 annually for a family of three. This segment of families eligible for assistance represents less than 5.0 percent of all CCAP families. Approximately 440 families, impacting nearly 660 children, have maintained eligibility for child care assistance since the inception of this program.

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. GPA benefits are available only to adults between the ages of 19 and 64 with very limited income and resources who have an illness, injury, or medical condition that is expected to last 30 days or more and prevents them from working. GPA also includes the hardship contingency fund, intended as the benefit of last resort for Rhode Islanders who do not qualify for Rhode Island Works or SSI. This benefit and funding level is directed by statute and does not typically fluctuate from year to year.

The Supplemental Nutrition Assistance Program (SNAP), formerly called Food Stamps, is a federal nutrition program that provides food assistance to low-income households. SNAP benefits (\$268.0 million in FY2016) are fully federally funded.

| State Funded Programs | General Revenue |
|--------------------------------|------------------------|
| FY2015 Enacted | \$1,616,000 |
| Caseload Estimating Conference | 42,880 |
| FY2016 Enacted | \$1,658,880 |

Caseload Estimating Conference

\$42,880

Estimators at the May 2015 Caseload Estimating Conference (CEC) projected an increase in general public assistance expenditures in FY2016 due to an increase in average monthly cost per person within the program. Expenditures for monthly cash payments and indigent burials, and the GPA hardship contingency fund (\$210,000 general revenue, which is not estimated during the CEC, but included in program totals) are projected to be \$1.4 million in FY2016, a \$42,880 increase from the FY2015 enacted level.

The GPA hardship contingency fund, which is reauthorizes each year in Article 1 of the budget and outside of the CEC, was funded at \$210,000 in general revenue in the FY2015 Budget as Enacted. The Budget continues to fund the program at this level for FY2016.

SUPPLEMENTAL SECURITY INCOME

The Supplemental Security Income (SSI) program is a federal income support program that provides basic cash assistance to individuals aged 65 or older and to adults and children with serious disabilities. Individuals eligible for SSI are also eligible for Medical Assistance (Medicaid) and SNAP (food stamps).

Like all but four states (Arizona, North Dakota, Mississippi, West Virginia), Rhode Island pays beneficiaries a state supplement to the SSI benefit (RIGL 40-6-27).

The federal government, through the Social Security Administration, pays a basic benefit to SSI recipients. The actual monthly benefit depends on the recipient's income; generally, the more income an individual earns, the lower the monthly benefit. Like most states, Rhode Island provides a supplemental state-funded payment to each recipient of the federal payment. The State also makes a state-only payment to some individuals who exceed the federal income eligibility requirements.

The total payment (state and federal) is set at a specific level and is recalculated each year as the federal benefit is adjusted so that the benefit keeps pace with inflation. The amount of the state supplement decreases every year by an amount equal to the federal payment's cost-of-living adjustment, thereby keeping the total benefit the same. Beginning with payments issued in January 2015, the federal benefit increases by 1.7 percent.

For SSI recipients in an assisted living residence, a majority of the payment goes to the facility and the resident retains up to \$20.00 of the payment as a personal needs allowance.

In order to be eligible for SSI, an individual must be age 65 or older, blind, or disabled. For the purposes of determining eligibility for SSI, "disabled" means that an individual over the age of 18 has a medically determinable physical or mental impairment that results in an inability to perform any "substantial gainful activity" and that is either expected to result in death or to last for a year or more. For a child, it is a condition that results in "marked and severe functional limitations" and is expected to either result in death or to last for a year or more.

SSI-eligible individuals must also have "limited resources," defined as less than \$2,000 in resources for an individual or child, and less than \$3,000 in resources for a couple. Certain assets and resources are not included in the resource calculation, including the individual's home, household goods and personal effects, burial plots, and a single vehicle.

| Supplemental Security Income (SSI) | General Revenue |
|--|------------------------|
| FY2015 Enacted | \$18,579,280 |
| "Reinventing Medicaid" Assisted Living SSI Payment | 301,320 |
| Caseload Estimating Conference | (174,122) |
| FY2016 Enacted | \$18,706,478 |

"Reinventing Medicaid" Assisted Living SSI Payment **\$301,320**

The Budget includes \$301,320 in general revenue to change SSI categories and payment levels to increase support for community-based providers and help delay entry into more expensive nursing home level care. First, the Budget adds a new eligibility category for those eligible for Medicaid-funded long term services and supports (LTSS) but living in the community in adult supportive care residence. The Budget also increases SSI state supplemental payments for those living in assisted living facilities that are eligible for LTSS.

Maximum monthly payments for individuals in adult supportive care residences and assisted living facilities are as follows, based upon countable income:

- For those at or below 120.0 percent FPL: the maximum payment increases from \$332 to \$797
- For those above 120.0 percent FPL: the maximum payment increases from \$332 to \$465

The maximum monthly payment for those in an assisted living facility not eligible for LTSS services remains unchanged at \$332.00.

Analyst's Note: Currently, assisted living recipients retain only a small portion of the payment as a personal needs allowance and the balance of the payment goes to the assisted living facility. Thus, the Budget utilizes this existing vehicle to provide capacity-building support to assisted living facilities and rebalance long term care towards community-based settings.

Caseload Estimating Conference**\$126,127**

The May 2015 CEC estimate reflects an SSI caseload average of 34,101 in FY2016, with individuals receiving an estimated average monthly payment \$44.85 for total general revenue costs of \$18.4 million (included \$52,000 in fees associated with the SSI program) in FY2016.

The maximum state-funded monthly payments and DHS caseload projections for FY2016 are outlined in the following table:

| SSI State Supplement Category¹ | Maximum State Benefit (\$) | FY2016 Federal & State Benefit Recipients (#) | FY2016 State-Only Recipients (#) | State-Only as % of Total |
|--|-----------------------------------|--|---|---------------------------------|
| Assisted Living | \$465 | 374 | 159 | 42.5% |
| Persons ² | \$97 | 33,337 | 723 | 2.2% |

¹ Caseload projections are based on DHS estimates provided during the May 2015 CEC.

² Includes couples and individuals, which impacts maximum payment amount.

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

HEALTH CARE ELIGIBILITY

Health Care Eligibility is responsible for determining Medicaid eligibility. This includes the determination of eligibility for medical benefits for certain low income individuals and/or families with dependent children, and individuals who meet eligibility criteria within the following populations: RI Works participants; SSI participants; Children with Special Health Care Needs; children in foster care or subsisted adoption within the Department of Children, Youth, and Families; low income families; and aged, blind, or disabled individuals.

The Budget includes 141.0 FTE positions for FY2016, an increase of 7.0 FTE positions from the enacted level, which reflects an increase in Medical Services (Medicaid eligibility determination) staff of 16.0 FTE positions. This increase is offset by a reduction of 9.0 term limited UHIP eligibility technicians as well as a series of other changes that better reflect current programming and the Department's cost allocation plan, which is based upon actual workloads that vary throughout the year. For example, some eligibility staff may shift from conducting determinations for one program area (such as Medicaid) and be shifted to conducting determination for another program area (such as SNAP). These shifts impact the allocation of personnel costs between federal and general revenue sources.

| Health Care Eligibility | General Revenue |
|---|------------------------|
| FY2015 Enacted | \$8,226,587 |
| <i>Target and Other Adjustments</i> | <i>345,170</i> |
| "Reinventing Medicaid" Operational Efficiencies | (\$500,000) |
| FY2016 Enacted | \$8,071,757 |

“Reinventing Medicaid” Operational Efficiencies***(\$500,000)***

The Budget reduces general revenue by \$500,000 (\$1.0 million from all fund sources) reflecting increased operational efficiencies and administrative simplification with OHHS. This will require OHHS to conduct a thorough review, which is ongoing, of staff assignments to ensure that the proper workload, based on expertise, is assigned to staff. To achieve savings, it is expected that through this process, positions that were slated to be filled will not be filled and existing staff will be redistributed throughout agencies.

VETERANS’ AFFAIRS

The Division of Veterans’ Affairs serves Rhode Island’s veteran population of approximately 80,000. The program operates the Rhode Island Veterans’ Home, a state-run nursing facility in Bristol, Rhode Island, and the Veterans’ Cemetery in Exeter, Rhode Island.

The FY2016 Budget includes 239.6 FTE positions for the Division, consistent with the enacted level.

| Veterans' Affairs | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$20,274,566 |
| <i>Target and Other Adjustments</i> | 222,304 |
| Veterans' Home - New Construction | Informational |
| FY2016 Enacted | \$20,496,870 |

Veterans’ Home – New Construction***Informational***

In November 2012, voters approved a \$94.0 million bond issue to construct a new Veterans’ Home 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 current facility in Bristol and is anticipated to be completed in FY2017.

The current facility will also be repurposed to allow the home to meet the 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.

Though construction and renovation will be financed initially through bonds, the Department of Human Services (DHS) anticipates reimbursement from the U.S. Department of Veterans Affairs (VA). As such, the Budget includes bond proceeds of \$13.4 million and assumes \$34.2 million in federal funds for the construction of a new Veterans’ Home in FY2016. The ground breaking occurred on May 22, 2015, construction of the new home is scheduled to begin Summer 2015. The Budget reflects the receipt of \$34.5 million in federal funds in FY2016 and \$18.0 million in FY2017.

CHILD SUPPORT ENFORCEMENT

The Office of Child Support Enforcement assists families by ensuring payment of court-ordered child support payments, and manages over 57,000 cases. 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. On average, the Office receives between \$400,000 and \$800,000 in collections each day.

The Budget funds and authorizes 60.0 FTE positions for FY2016, an increase of 2.0 FTE positions from the FY2015 enacted level, which reflects the addition of an executive assistant and new finance staff to respond to findings and recommendations issued in a report from the Bureau of Audits. The report indicated weaknesses exist within the Office’s financial reporting and internal controls, and according to DHS, these new staff are intended to strengthen its financial controls and address the Bureau’s concerns.

| Child Support Enforcement | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$2,362,840 |
| <i>Target and Other Adjustments</i> | <i>(74,256)</i> |
| Child Support System | 408,000 |
| Reserve Adjustment | 300,000 |
| FY2016 Enacted | \$2,996,584 |

Child Support System**\$408,000**

The Budget adds \$408,000 from general revenue (\$1.2 million from all fund sources) in FY2016 for costs associated with the license and maintenance of the InRhodes system. The FY2015 Enacted Budget included approximately \$700,000 for the Office's share of the cost of licensure and maintenance, however, as the Office is anticipated to be the remaining user of InRhodes in FY2016, it will be solely responsible for these costs.

In light of the transition to a new integrated eligibility system (IES) throughout the Department, the Office of Child Support will be the remaining DHS program on InRhodes, the legacy eligibility and case management system, which is being replaced through UHIP with a new IES. According to DHS and the State Budget Office, it is cost prohibitive for the Office to remain the sole user of InRhodes given the cost of licensing and maintenance fees and the Department seeks to explore alternatives for the Office.

Analyst's Note: To identify alternatives to InRhodes for this division, the Budget provides \$1.0 million from Child Support Lien Network revenue for consultant contracts in the FY2015 Revised Budget to fund a feasibility study. This revenue is derived from fees earned from the State's participation in the Child Support Lien Network. Rhode Island established the network and remains a host state (which entitles Rhode Island to fee revenue), which created a database used to assist in capturing past due child support payments from insurance settlements owed by delinquent child support obligators.

Reserve Adjustment**\$300,000**

Based upon the recommendations of a 2014 State Bureau of Audits report, the Budget establishes an account to absorb the cost of reversals associated with federal tax refund intercepts, which occur in cases in which a parent owes child support to a custodial parent.

In cases in which the federal tax refund is determined to be fraudulent or overstated, the federal government will recoup the intercepted funds back from the State. The State then bears the burden of this "bad debt", which totals on average \$300,000 annually. Establishing this account would ensure a reserve is available to the Office if and when such reversals occur.

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 2,600 Rhode Islanders. Recipients are eligible if they are age 65 and older, or age 55 and older and receiving Social Security Disability Income (SSDI). Since 2008, RIPAE enrollees are required to enroll in a Medicare Part D prescription drug plan, which significantly reduces RIPAE utilization.

The Budget includes 31.0 FTE positions for FY2016, consistent with the FY2015 enacted level.

| Elderly Affairs | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$6,220,668 |
| <i>Target and Other Adjustments</i> | <i>49,802</i> |
| Meals on Wheels | 330,000 |
| Community Service Grants | (11,711) |
| FY2016 Enacted | \$6,588,759 |

| Elderly Affairs | Other Fund Changes |
|------------------------|---------------------------|
| RIPAE Rebates | (\$162,103) |

Meals on Wheels **\$330,000**

The Budget provides additional funding for Meals on Wheels of Rhode Island in FY2016 (\$330,000), increasing the total annual grant award to \$530,000. Currently, the Department provides \$200,000 in support to this organization through the Division of Elderly Affairs for home meal delivery and a congregate dining program for seniors. DHS indicates that the additional funds will improve Meals on Wheels customer service and provide additional meals throughout Rhode Island.

Meals on Wheels of Rhode Island provides home delivered meals to the elderly and home-bound. On average, approximately 1,500 meals per day are delivered throughout the state by Meals on Wheels volunteers. Meals on Wheels also provides individuals who are aged 60 years or older, or to some handicapped and disabled, access to a congregate dining program which has 6 locations in Providence (Capitol City Cafes). Based on the most current data from Meals on Wheels, more than half of all meals served are attributable to its congregate dining programs.

| Meals on Wheels - DHS/DEA Grant Awards¹ | | | |
|---|-----------|--------|---------|
| FY2007 | \$503,500 | FY2012 | 181,260 |
| FY2008 | 362,520 | FY2013 | 200,000 |
| FY2009 | 201,400 | FY2014 | 200,000 |
| FY2010 | 201,400 | FY2015 | 200,000 |
| FY2011 | 201,400 | FY2016 | 530,000 |

Source: DHS/DEA.

¹State funds only, does not include federal grants.

Community Service Grants **(\$11,711)**

The General Assembly revises a number of community service grant awards for FY2015. Within DHS, this includes a reduced awards within DEA. The Budget eliminates grant in the amount of \$9,059 to the Retired Senior Volunteer Association (RSVA), which provides volunteer service opportunities for those ages 55 and over. RSVA is closing and will therefore not apply for the funding in FY2015 and FY2016. A reduction of \$2,652 for the Town of North Smithfield's elderly transportation service, which is no longer in operation, is also included.

RIPAE Rebates (restricted receipts) **(\$162,103)**

The Rhode Island Pharmaceutical Assistance for the Elderly (RIPAE) program, which provides income-scaled pharmaceutical subsidies for low- and middle-income seniors, is budgeted at \$137,026 in the FY2016 budget, a reduction of approximately \$160,000 to reflect the actual number of claims received. There is no impact on program participants.

According to DHS, this program is staffed by 1.0 FTE position, which is also responsible for other tasks within the Division, and personnel costs for FY2016 are nearly level with the enacted budget (approximately \$92,000). However, contract costs associated with program administration were eliminated in FY2016 (\$57,103 in restricted receipts) due to the continued reduction in claims, and according to the Division, HP Enterprise Services agreed to absorb the costs of providing services for this program.

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 illustrates the declining trend in clients, claims, and cost per claim:

| Rhode Island Pharmaceutical Assistance Program | | | | | |
|--|------------------|----------------|---------------------|-------------|--|
| | 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 | 5,177 | 5,051 | 22.72 | 1,176,261 | |
| FY2011 | 48,485 | 4,591 | 21.01 | 1,018,726 | |
| FY2012 | 22,360 | 3,481 | 16.05 | 358,878 | |
| FY2013 | 26,073 | 2,793 | 6.22 | 162,083 | |
| FY2014 | 26,381 | 1,685 | 3.28 | 86,533 | |

CAPITAL PROJECTS

The Budget includes a total of \$93.7 million for capital projects from FY2015 through FY2020. With the exception of the new Veterans’ home, which is a multi-year project, and funding for blind vending facilities, for which DHS provides on-going, annual support, all capital projects within DHS are anticipated to be completed within FY2015. Specific projects and funding amounts include:

- \$36.5 million in general obligation bond funds and \$57.5 million in federal funds for the construction of a new Veterans’ Home. The ground breaking occurred in May 2015, and construction of the new home is scheduled to begin Summer 2015. The Budget assumes the receipt of \$34.2 million in federal funds in FY2016, \$18.0 million in FY2017, and \$5.4 million in FY2018. Construction is anticipated to be completed in FY2018.
- \$727,735 in restricted receipts to complete renovations and upgrades to the existing Veterans’ Home and to fund one project at the Veterans’ Cemetery. Funding for all three projects is derived from existing restricted receipts, which are accrued through fees charged to the veterans living at the facility.
 - \$600,000 to renovate three nursing units at the Veterans’ Home in Bristol, which is focused on providing residents with a clean environment to live in until construction of the new Home is completed.
 - \$127,735 for electrical and fire alarm systems upgrades at the Veterans’ Home in Bristol.
 - \$50,000 to conduct a burial field survey at the Veterans’ Cemetery.
- \$165,000 annually in RICAP funds to establish and refurbish vending facilities to be operated by the legally blind (\$990,000 in total RICAP funds). From FY2013 through FY2014, DHS spent nearly all of the funding appropriated for this purpose, however, in FY2012 only approximately \$73,000 of the funds were spent.

Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals

| Expenditures by Program | FY2014 | FY2015 | FY2015 | Change | | FY2016 | Change | |
|--|----------------|----------------|----------------|--------------|-------------|----------------|--------------|-------------|
| | Actual | Enacted | Revised | from Enacted | | Enacted | from Enacted | |
| Central Management | \$1.2 | \$1.5 | \$1.6 | \$0.0 | 3.2% | \$1.6 | \$0.1 | 7.0% |
| Hospital & Community System Support | 2.8 | 3.9 | 3.6 | (0.3) | -8.0% | 2.8 | (1.1) | -29.2% |
| Service for the Developmentally Disabled | 229.4 | 227.4 | 234.9 | 7.5 | 3.3% | 230.9 | 3.5 | 1.5% |
| Behavioral Healthcare Services | 98.7 | 19.0 | 21.0 | 2.0 | 10.4% | 19.4 | 0.4 | 1.9% |
| Hospital & Community Rehabilitation Svcs | 113.7 | 113.7 | 112.1 | (1.5) | -1.4% | 116.3 | 2.6 | 2.3% |
| Total | \$445.7 | \$365.5 | \$373.2 | \$7.7 | 2.1% | \$370.9 | \$5.4 | 1.5% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$200.2 | \$167.5 | \$173.3 | \$5.8 | 3.4% | \$172.5 | \$5.0 | 3.0% |
| Federal Funds | 228.6 | 181.2 | 185.6 | 4.4 | 2.4% | 182.6 | 1.4 | 0.8% |
| Restricted Receipts | 8.5 | 9.6 | 8.8 | (0.8) | -8.5% | 9.2 | (0.4) | -4.5% |
| Other Funds | 8.5 | 7.2 | 5.5 | (1.7) | -23.2% | 6.7 | (0.5) | -7.4% |
| Total | \$445.7 | \$365.5 | \$373.2 | \$7.7 | 2.1% | \$370.9 | \$5.4 | 1.5% |
| Authorized FTE Levels | 1,420.4 | 1,420.4 | 1,420.4 | - | 0.0% | 1,421.4 | 1.0 | 0.1% |

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

The Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) provides a comprehensive system of care for people with mental illness, physical illness, developmental disability, and substance use disorders or addiction. BHDDH administers a coordinated system of mental health promotion and substance abuse prevention through contracted, community-based service delivery programs and direct services at both campuses of Eleanor Slater Hospital (Pastore Center in Cranston and Zambarano in Burrillville) and Rhode Island Community Living and Supports (RICLAS) facilities.

The Budget reallocates FTE positions among programs within the Department, for a net increase of 1.0 FTE position. This reallocation better reflects current programming and the Department's current indirect cost allocation plan.

MAJOR ISSUES AND TRENDS FOR FY2016

The FY2016 Budget adds \$5.9 million in general revenue (\$12.0 million all funds) to the FY2015 Budget as Enacted for private community-based services for individuals with developmental disabilities. New funding will ensure compliance with the consent decree between United States Department of Justice and the Department, restructure the current payment methodology for services for the developmentally disabled, and fund a recent provider rate increase. This additional funding is offset by \$1.4 million in general revenue savings achieved through a new program integrity initiative.

The Budget also includes \$2.0 million in general revenue (\$4.0 million all funds) savings associated with the privatization or reorganization of the RICLAS system as recommended by the Working Group to Reinvent Medicaid. These savings result from lowering the cost structure of the system and from reserving RICLAS for use by the highest need individuals.

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, asset management and capital projects, performance improvement, and funds development for the Department.

For FY2016, the Budget includes 11.0 FTE positions, consistent with the enacted level.

| Central Management | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$970,823 |
| <i>Target and Other Adjustments</i> | <i>44,747</i> |
| FY2016 Enacted | \$1,015,570 |

HOSPITALS AND COMMUNITY SYSTEM SUPPORT

The Hospitals and Community Support program provides financial management support for the entire Department, including the hospitals and community patient care facilities. Operational areas within the program include Budget Development/Program Analysis; Business Services; Accounting and Financial Control; Federal Grants; Contract Management; Revenue Collection; Billing and Accounts Receivable; Patient Resources and Benefits; and Hospital Cost Setting/Revenue Forecasting.

For FY2016, the Budget includes 24.0 FTE positions, a decrease of 3.0 FTE positions from the enacted level to better reflect current programming and the Department's new indirect cost allocation plan. These positions have been shifted to other programs within the Department.

| Hospitals and Community System Support | General Revenue |
|--|------------------------|
| FY2015 Enacted | \$1,594,280 |
| <i>Target and Other Adjustments</i> | <i>44,384</i> |
| Consolidation of Capital to Department of Administration | (170,614) |
| FY2016 Enacted | \$1,468,050 |

Consolidation of Capital to Department of Administration (\$170,614)

Funding for 2.0 FTE positions is removed from BHDDH and transferred to the Department of Administration; however, these positions remain in BHDDH. This shift is consistent with the Budget's consolidation of capital funding and personnel in order to provide greater oversight of capital projects and asset management.

Though the funding is removed for the two positions- Deputy Chief, Division of Facilities Management and for Chief, Central Power Plant Operator- the Department's FTE authorization remains unchanged and funding for BHDDH capital projects remains within BHDDH's budget.

BHDDH is currently responsible for the care and custody of over 150 group homes across the State that serve the needs of individuals with developmental disabilities and with behavioral health and substance abuse disorders. The Department is also responsible for management and upkeep of the State's public hospital buildings on the Pastore Campus in Cranston and the Zambarano campus in Burrillville. Its two administrative buildings, Barry and Simpson Halls on the Pastore Campus, are also maintained by BHDDH.

DEVELOPMENTAL DISABILITIES

The Developmental Disabilities (DD) program supports a statewide network of private and public programs for those with developmental disabilities. These supports include several levels of residential care, community placements, day programs, and respite programs. The goal of the program is to provide access to appropriate supports in the least restrictive environment for the developmentally disabled. The program manages a population that ranges from those previously institutionalized at Ladd School prior to the closure of the facility in 1993 to those with mild functional disabilities in need of daytime supports and vocational training to function within the community.

The program serves approximately 4,200 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 195 persons. Private residential providers operate over 300 facilities and support approximately 1,700 persons. The remaining 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.

For FY2016, the Budget includes 448.0 FTE positions, a decrease of 0.4 FTE position from the enacted level.

| Service for the Developmentally Disabled | General Revenue |
|--|------------------------|
| FY2015 Enacted | \$111,028,105 |
| <i>Target and Other Adjustments</i> | <i>266,390</i> |
| Reinventing Medicaid: Privatize or Reorganize RICLAS | (2,000,000) |
| Private DD System: Direct Care Wage Increase | 2,000,000 |
| Private DD System: Restructure Provider Payment System | 2,000,000 |
| Private DD System: Consent Decree Compliance | 1,870,649 |
| Electronic Visit Verification | (1,361,604) |
| Personnel Cost of Living Adjustment | 769,571 |
| Cost of Care Automation | (450,000) |
| FY2016 Enacted | \$114,123,111 |

Reinventing Medicaid: Privatize or Reorganize RICLAS **(\$2.0 million)**

As recommended by the Working Group to Reinvent Medicaid, the Budget includes \$2.0 million in general revenue savings (\$4.0 million all funds) achieved through the privatization or reorganization of Rhode Island Community Living and Supports (RICLAS) group homes for individuals with developmental disabilities. Established as part of closure of Ladd School in Exeter, RICLAS currently provides residential services to about 200 individuals in 24 group homes, 4 apartment buildings, and 3 special care facilities.

There are 370.0 FTE positions represented by four labor unions in the RICLAS system. Under this initiative, RICLAS would remain as a provider of services only to those unable to be placed in private group homes. This initiative also presents the option of achieving these savings through a negotiated reorganization of RICLAS homes to lower its cost structure.

Private DD System: Direct Care Wage Increase **\$2.0 million**

The Budget increases funding for private providers of services for the developmentally disabled. This \$2.0 million general revenue increase (\$4.0 million all funds) is a rebasing of the program's cost subsequent to a provider rate increase that raised the hourly wage of direct care workers from \$11.30 to \$11.55

Private DD System: Restructure Provider Payment System**\$2.0 million**

The Budget includes \$2.0 million in general revenue (\$4.0 million all funds) to restructure payments to private providers of day programs for individuals with developmental disabilities. The new methodology will be based on the outcomes of services provided rather than on the volume of services provided.

These additional funds will also increase providers' ability to transition from programs centered on sheltered workshops to programs centered on supported employment, consistent with the requirements of the U.S. Department of Justice (DOJ) consent decree (see below). BHDDH anticipates between two to four years of increased costs before savings begin to be realized from participants' increased independence from its programs.

The FY2012 Budget reformed the payment methodology for privately-run residential, day and family support programs to individuals with developmental disabilities. Project Sustainability, as it is known, replaced the flat monthly bundled individually-negotiated rates paid to providers with a fee-for-service payment methodology that specifies a rate for each service that is applied to every private provider. The Department proposes to reform rates again, as the Project Sustainability methodology has proven to be administratively difficult for providers.

Analyst's Note: Article 5 authorizes the Department to seek CMS approval as required to implement a new payment methodology, new arrangements, or new rates. It also authorizes BHDDH to issue new or to amended existing rules, regulations, and procedures.

Private DD System: Consent Decree Compliance**\$1.9 million**

A consent decree entered into by the Department and the U.S. Department of Justice requires additional spending for more 1:1 services to individuals with developmental disabilities and for consultants and contracts.

After its investigation into the State's services, the Department of Justice concluded that day services provided by the State to individuals with developmental disabilities had not been provided in the most integrated settings appropriate to individuals' needs and had violated the Americans with Disabilities Act. Findings were centered on sheltered workshops run by the Training through Placement program and the Harold A. Birch Vocational Program at Mount Pleasant High School. These programs were found to have isolated individuals with developmental disabilities from their non-disabled peers, be institutional in the nature of the settings, characterized by protracted placements, and to result in segregation.

In April 2014, the DOJ and the State reached agreement. The resultant consent decree requires the State to restructure its programs to focus on employment in integrated settings rather than on sheltered workshops and day programs. Supported employment placements are to be typical jobs in the community that pay at least minimum wage and that offer employment for an average of at least 20 hours per week. The State is also required to provide transition services for individuals with developmental disabilities beginning at age 14. Services are to include internships, job site visits and mentoring so that upon graduation from high school students are prepared for jobs in the community at competitive wages.

The decree requires significant funding sustained over a ten-year period and the redirection of funds currently used to support services in segregated settings to those that incentivize services in integrated settings. The Budget includes the following associated costs in FY2016:

- Monitor, to oversee the State's compliance with the consent decree and provide written quarterly reports to the Court.
- Contracts, including those necessary to fulfill the data reporting required by the consent decree.
- Sheltered Workshop Conversion Trust Fund and Conversion Institute, which funds providers' start-up costs and provides technical assistance to convert services from primarily sheltered employment to primarily supported employment services.

Electronic Visit Verification**(\$1.4 million)**

The Budget includes \$1.4 million in general revenue savings (\$2.7 million all funds) from increased program integrity through the implementation of an electronic visit verification (EVV) program that will monitor the delivery of Medicaid home-based services to those with developmental disabilities. The program utilizes technology to verify point-of-care service delivery by the correct caregiver to the correct individual.

BHDDH proposed 2.0 percent annual savings net of initial implementation costs, a conservative estimate based upon the fact that an EVV system is not traditionally used for DD services but rather for home and community-based services for the elderly. The Budget includes 3.0 percent savings, closer to the expected savings reported by the system's vendor.

Analyst's Note: The Executive Office of Health and Human Services budget includes \$1.5 million in general revenue savings (\$3.0 million all funds) for the implementation of this same technology within its home and community-based services program for the elderly.

Personnel Cost of Living Adjustment**\$769,571**

General revenue personnel costs are increased primarily due to cost of living adjustments (COLA) provided by new collective bargaining contracts.

Cost of Care Automation**(\$450,000)**

Rhode Island, along with thirty-four other states plus the District of Columbia, permits those with higher-than-allowable incomes to "spend down" their income to a level that qualifies them for Medicaid eligibility. For those eligible through this avenue and who receive home and community-based services for the developmentally disabled, the Department has not historically collected this "spend down" or "cost of care" amount. Instead, providers have billed the full claim amount as well as billing the participant for the cost of care amount. Once the participant pays the cost of care, the provider recalls the original claim and resubmits it, subtracting the cost of care from the claim amount.

The Budget includes savings from the automation of this process. Providers will now bill claims net of the cost of care amount and will be responsible for collecting the cost of care from participants. BHDDH hopes to increase compliance to 95.0 percent through this automated process.

BEHAVIORAL HEALTHCARE SERVICES

The Behavioral Healthcare Services program consists of two subprograms: Mental Health and Substance Abuse. The program plans, coordinates, and administers systems of treatment for substance abuse prevention and 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.

For FY2016, the Budget authorizes 33.0 FTE positions, an increase 4.0 FTE positions from the enacted level to better reflect current programming and the Department's new indirect cost allocation plan.

| Behavioral Healthcare Services | General Revenue |
|---------------------------------------|------------------------|
| FY2015 Enacted | \$1,980,322 |
| <i>Target and Other Adjustments</i> | <i>92,668</i> |
| Access to Recovery Grant Expiration | 220,469 |
| FY2016 Enacted | \$2,293,459 |

Access to Recovery Grant Expiration**\$220,469**

The expiration of the Access to Recovery (ATR) program and associated federal funds results in a general revenue increase in FY2016. The administrative portion of the grant had provided partial personnel support for a number of FTE positions within the Department. Costs for these existing FTE positions had shifted from general revenue to ATR grant funding; the Budget shifts these costs back to general revenue.

The purpose of the Access to Recovery program is to help those with substance abuse disorders develop more personalized recovery plans than are typically available through traditional programs and allows access to a wider range of treatment and recovery support services that best fit their needs and goals. The program provided over \$3.0 million a year for services through a voucher system for care coordination, coaching and recovery housing.

Access to Recovery is a four-year program funded through a series of grants from the Substance Abuse and Mental Health Services Administration's (SAMHSA) Center for Substance Abuse Treatment (CSAT). The program ended on September 29, 2014. BHDDH continues to work with providers and insurers to establish further funding for these services.

HOSPITAL AND COMMUNITY REHABILITATIVE SERVICES

The Hospital and Community Rehabilitative Services program provides care for individuals requiring both short- and long-term hospitalization for psychiatric and developmentally disabled issues. The Hospital facilities are licensed by the Department of Health (DOH) and accredited by the national board for health care organizations: the Joint Commission on Accreditation of Healthcare Organizations (JCAHO). The Eleanor Slater Hospital has two campuses: the larger, at the Pastore Center in Cranston, has 306 licensed beds, while the Zambarano Campus in Burrillville has 189 licensed beds. The Pastore Center Campus focuses on surgical services and long-term psychiatric and psychogeriatric services. The Zambarano Campus focuses on long-term and rehabilitative care.

For FY2016, the Budget authorizes 906.4 FTE positions, a decrease of 1.6 FTE positions from the enacted level to better reflect current programming and the Department's new indirect cost allocation plan.

| Hospital and Community Rehabilitation Services | General Revenue |
|---|------------------------|
| FY2015 Enacted | \$51,963,343 |
| <i>Target and Other Adjustments</i> | <i>526,489</i> |
| Personnel Increase | 1,635,460 |
| Closure of Zambarano Group Homes | (449,742) |
| Consolidation of Food and Laundry Services | (300,000) |
| Eleanor Slater Hospital - Licensing Fee | 137,971 |
| FY2016 Enacted | \$53,513,521 |

Personnel Increase**\$1.6 million**

General revenue personnel costs are increased primarily due to cost of living adjustments (COLA) provided by new collective bargaining contracts.

Closure of Zambarano Group Home**(\$449,742)**

The Budget includes savings resulting from the closure of Rogler group home for the developmentally disabled. This home is part of Zambarano Hospital network and is located in Smithfield.

Rogler is one of four group homes in the network that was formed in the 1980's. As residents of this network have

| Zambarano Group Homes | Capacity | Current Census |
|----------------------------------|-----------------|---------------------------|
| East Wallum Lake | 6 | 4 |
| Mallory | 6 | 5 |
| Rogler | 6 | 2 |
| Southwick | 4 | Closed |
| Total | 22 | 11 |

aged, the census of the homes has declined, allowing for the opportunity to consolidate residents and close homes.

The FY2014 Budget as Enacted included \$346,443 of general revenue savings from the closure of the Southwick group home, also part of the Zambarano network, though the home was not closed until the first half of FY2015.

Consolidation of Food and Laundry Services ***(\$300,000)***

The Budget includes \$150,000 in general revenue savings (\$300,000 all funds) from the consolidation of Eleanor Slater Hospital food services with that of the Department of Corrections (DOC). DOC currently purchases and warehouses food for its facilities and for the State's school lunch program.

Under this proposal, the Hospital will purchase food through DOC's contracts, which are more competitive than the Hospital's, for savings of approximately 20.0 percent. Staffing levels remain unchanged.

The Budget also includes savings from a review of laundry services at both hospital campuses. Savings of \$150,000 general revenue (\$300,000 all funds) will be realized through consolidation or privatization.

Hospital Licensing Fee – Eleanor Slater Hospital ***\$137,971***

The increase in the hospital licensing fee from 5.703 to 5.862 percent increases the fee levied on the Eleanor Slater Hospital by \$137,971 in FY2016.

CAPITAL PROJECTS

The Budget includes funding for twelve projects as part of the BHDDH Capital budget, totaling \$7.0 million from all sources for FY2016.

New Psychiatric Hospital

The Budget does not include funding in FY2016 for the construction of a new public psychiatric hospital. This is consistent with the FY2015 capital plan in which the General Assembly removed funding for FY2015 through FY2017 in order to reassess the project. The Department has engaged AMS Consulting for a data-driven study of the ESH system's management, systems and facilities; its efficiencies, both current and future, as benchmarked with private hospitals in the region; and options in terms of costs and outcomes, including an examination of current community hospital capacity. This study has not yet been publically released.

Though the project originally involved the restructuring of the Eleanor Slater Hospital through the renovation of the Mathias and Varley buildings, the current project proposes construction of a new 140 bed facility. This new structure will consolidate the Pastore Center hospital system, which is currently scattered throughout the complex, into one building, making operations more efficient and cost effective. The project had been scheduled for completion in FY2017.

Other projects funded in the FY2016 Capital Budget include:

- \$1.5 million (\$300,000 in FY2016) to purchase hospital beds and medical equipment such as infusion pumps, defibrillators, vital sign monitors, and Stryker beds. The hospital reports that it currently spends approximately \$300,000 annually to rent beds that comply with accrediting agencies and that meet current patient needs.
- Continued funding for fire code upgrades for residential, workshop, day program, and outpatient facilities of the behavioral health program (\$400,000 in FY2016) and of the developmental disabilities program (\$600,000 in FY2016).

Governor's Commission on Disabilities

| Expenditures by Program | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | | FY2016 Enacted | Change from Enacted | |
|---------------------------------------|--------------------------|---------------------------|---------------------------|--------------------------------|-------------|---------------------------|--------------------------------|---------------|
| Governor's Commission on Disabilities | \$871,546 | \$1,508,802 | \$1,572,596 | \$63,794 | 4.2% | \$428,524 | (\$1,080,278) | -71.6% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$339,529 | \$358,275 | \$357,141 | (\$1,134) | -0.3% | \$383,056 | \$24,781 | 6.9% |
| Federal Funds | 50,799 | 141,350 | 305,524 | 164,174 | 116.1% | 35,459 | (105,891) | -74.9% |
| Restricted Receipts | 6,898 | 9,177 | 9,931 | 754 | 8.2% | 10,009 | 832 | 9.1% |
| Other Funds | 474,320 | 1,000,000 | 900,000 | (100,000) | -10.0% | - | (1,000,000) | -100.0% |
| Total | \$871,546 | \$1,508,802 | \$1,572,596 | \$63,794 | 4.2% | \$428,524 | (\$1,080,278) | -71.6% |
| 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.

Consistent with the enacted level, the Budget funds 3.0 FTE positions in the FY2015 revised and FY2016 budgets.

| Governor's Commission on Disabilities | General Revenue |
|--|------------------------|
| FY2015 Enacted | \$358,275 |
| <i>Target and Other Adjustments</i> | 24,781 |
| FY2016 Enacted | \$383,056 |

| Governor's Commission on Disabilities | Other Fund Changes |
|--|---------------------------|
| Handicapped Accessibility Capital Projects | (\$1,000,000) |

Handicapped Accessibility Capital Projects (RICAP) (\$1.0 million)

The Budget consolidates all handicapped accessibility capital projects into the Department of Administration to improve project coordination and oversight, however, the Commission will still maintain a role in determining which specific handicapped accessibility projects are a priority. The Budget includes a total of \$5.0 million in Rhode Island Capital Plan (RICAP) funds from FY2016 through FY2020 (\$1.0 million annually) within the Department of Administration, a reduction of \$2.5 million from the enacted plan. This includes funds to improve or expand handicapped accessibility at the State House; fire safety improvements at the Pastore Center; and classroom renovations and parking improvements to increase access to higher education for the disabled at both the University of Rhode Island and Rhode Island College. Prior to this shift, the Governor's Commission on Disabilities was solely responsible for coordinating the expenditure of capital improvement funding for projects to bring State governmental facilities into compliance with the American's with Disabilities Act (ADA).

Commission on the Deaf and Hard of Hearing

| Expenditures by Program | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | | FY2016 Enacted | Change from Enacted | |
|--|--------------------------|---------------------------|---------------------------|--------------------------------|-------------|---------------------------|--------------------------------|-------------|
| Commission on the Deaf and Hard of Hearing | \$399,505 | \$474,279 | \$478,741 | \$4,462 | 0.9% | \$491,883 | \$17,604 | 3.7% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$375,549 | \$394,279 | \$398,741 | \$4,462 | 1.1% | \$411,883 | \$17,604 | 4.5% |
| Restricted Receipts | 23,956 | 80,000 | 80,000 | - | 0.0% | 80,000 | - | 0.0% |
| Total | \$399,505 | \$474,279 | \$478,741 | \$4,462 | 0.9% | \$491,883 | \$17,604 | 3.7% |
| 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 FY2016

The Budget funds 3.0 FTE positions in FY2015 and FY2016 for the CDHH, consistent with the enacted level. The Budget does not include any major adjustments from the FY2015 enacted level for FY2016; however, some expenditure modifications are made to reflect cost-of-living and other personnel adjustments.

| Commission on the Deaf and Hard of Hearing | General Revenue |
|---|------------------------|
| FY2015 Enacted | \$394,279 |
| <i>Target and Other Adjustments</i> | <i>17,604</i> |
| FY2016 Enacted | \$411,883 |

| Commission on the Deaf and Hard of Hearing | Other Fund Changes |
|--|---------------------------|
| Emergency and Public Communications Access Program | Informational |

Emergency and Public Communications Access Program (restricted receipts) **Informational**

The FY2014 Budget as Enacted established the Emergency and Public Communications Access Program (EPCAP) to improve emergency communication and communication access within state departments, and to support emergency responder training. Annual operations of this program are funded by a transfer of \$80,000 in restricted receipts from the Public Utilities Commission (PUC) to the Emergency and Public Communications Access Fund.

The Budget maintains funding for the EPCAP at the current level of \$80,000, which includes \$40,000 for a contracted part-time program coordinator; \$20,500 for contract trainers and consultants; and \$19,500 for equipment, advertising, and other expenses. According to the Commission, a part-time contracted coordinator has been hired and planning for training for first responders is underway. However, the Commission has indicated some of the planned training sessions in the current fiscal year were canceled due to a lack of interpreters.

Office of the Child Advocate

| Expenditures by Program | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | FY2016 Enacted | Change from Enacted | | |
|--------------------------------|--------------------------|---------------------------|---------------------------|--------------------------------|---------------------------|--------------------------------|-----------------|-------------|
| Child Advocate | \$583,702 | \$661,817 | \$683,154 | \$21,337 | 3.2% | \$717,273 | \$55,456 | 8.4% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$544,231 | \$611,817 | \$633,154 | \$21,337 | 3.5% | \$672,273 | \$60,456 | 9.9% |
| Federal Funds | 39,471 | 50,000 | 50,000 | - | 0.0% | 45,000 | (5,000) | -10.0% |
| Total | \$583,702 | \$661,817 | \$683,154 | \$21,337 | 3.2% | \$717,273 | \$55,456 | 8.4% |
| Authorized FTE Levels | 5.8 | 6.0 | 6.0 | - | 0.0% | 6.0 | - | 0.0% |

The Office of the Child Advocate (OCA) protects the legal, civil and special rights of all children and youth involved in the care of the Department of Children, Youth and Families (DCYF). The Office strives to improve conditions and circumstances through monitoring, compliance and advocacy.

MAJOR ISSUES AND TRENDS FOR FY2016

The Budget funds 6.0 FTE positions for the Office of the Child Advocate in FY2016, consistent with the enacted level. Despite the overall decrease in DCYF caseloads, the number of indicated cases of child abuse and neglect increased from 2,294 to 2,413 in 2014. The 2014 rate of indicated cases of child abuse and neglect in the State's four core cities (Central Falls, Pawtucket, Providence, and Woonsocket) was approximately 2.2 percent, or more than double the statewide rate of 1.0 percent of all children in Rhode Island.

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. Beginning in FY2012, the Office conducted a greater number of inspections of programs servicing DCYF youth after filling 1.0 Senior Monitor position. The Office had difficulty keeping pace with site reviews as this position was once again vacant from September 2013 until January 2014. According to the Office, regular site visits have resumed with the hiring of a new Senior Monitor.

| Child Advocate | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$611,817 |
| <i>Target and Other Adjustments</i> | <i>60,456</i> |
| FY2016 Enacted | \$672,273 |

Office of the Mental Health Advocate

| Expenditures by Program | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | | FY2016 Enacted | Change from Enacted | |
|--------------------------------|--------------------------|---------------------------|---------------------------|--------------------------------|------|---------------------------|--------------------------------|------|
| Mental Health Advocate | \$485,005 | \$495,010 | \$506,078 | \$11,068 | 2.2% | \$508,251 | \$13,241 | 2.7% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$485,005 | \$495,010 | \$506,078 | \$11,068 | 2.2% | \$508,251 | \$13,241 | 2.7% |
| Authorized FTE Levels | 3.7 | 3.7 | 3.7 | - | 0.0% | 4.0 | 0.3 | 8.1% |

The Office of the Mental Health Advocate (OMHA) ensures the legal, civil, and special rights of people with mental illness in Rhode Island. This includes providing legal representation at involuntary commitment proceedings, monitoring procedures and policies at in-patient treatment facilities and community-based mental health programs, proposing and evaluating legislation, and litigating civil rights and treatment rights disputes. The Office also advocates for improvements in the Mental Health System by monitoring and evaluating the quality of services available to clients of the mental health system. The Office seeks to close gaps in the services and programs administered by mental health providers including shortcomings in service related to emergency hospitalizations, psychiatric care for prison inmates, and homelessness among individuals with chronic serious mental illness.

MAJOR ISSUES AND TRENDS FOR FY2016

The Budget funds 3.7 FTE positions in FY2015 and 4.0 FTE positions in FY2016 for the Office to increase one staff attorney position from part-time to full-time status. Over time, the Office staff has been reduced. As a result, the Office has ceased performing regular compliance reviews of mental health facilities and licensed mental health group homes. It now investigates only when a complaint has been filed and in emergency situations. The Office is statutorily mandated to periodically review procedures of certain facilities to ensure compliance with the State's Mental Health Law.

According to the Mental Health Advocate, in order to be fully-staffed and meet its statutory responsibilities (most significantly within its Compliance Review Unit), 1.0 social worker position and 0.3 staff attorney position (to transition a part time attorney to full time) at a cost of \$95,000 is needed. However, the Budget maintains the current FTE position level and does not include any staffing changes for FY2016.

| Mental Health Advocate | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$495,010 |
| <i>Target and Other Adjustments</i> | <i>13,241</i> |
| FY2016 Enacted | \$508,251 |

Elementary and Secondary Education

| Expenditures by Program | FY2014 | FY2015 | FY2015 | Change from | | FY2016 | Change from | |
|---|------------------|------------------|------------------|--------------|-------------|------------------|---------------|-------------|
| | Actual | Enacted | Revised | Enacted | | Enacted | Enacted | |
| Admin of the Comprehensive Education Strategy | \$226.9 | \$235.2 | \$238.6 | \$3.3 | 1.4% | \$229.6 | (\$5.6) | -2.4% |
| Central Falls | 38.4 | 39.0 | 39.0 | - | 0.0% | 39.5 | 0.5 | 1.3% |
| Davies Career and Technical School | 17.3 | 19.1 | 18.7 | (0.4) | -1.9% | 18.9 | (0.2) | -0.9% |
| School for the Deaf | 6.7 | 6.8 | 6.9 | 0.1 | 1.7% | 7.4 | 0.6 | 8.2% |
| Metropolitan Career and Technical School | 17.3 | 11.8 | 12.5 | 0.7 | 6.2% | 13.7 | 1.9 | 16.5% |
| Education Aid | 742.8 | 776.7 | 777.2 | 0.5 | 0.1% | 815.6 | 38.9 | 5.0% |
| School Construction Aid | 67.7 | 67.9 | 68.1 | 0.2 | 0.2% | 90.9 | 23.0 | 33.8% |
| Teacher Retirement | 80.4 | 89.5 | 88.6 | (0.9) | -1.0% | 92.8 | 3.3 | 3.7% |
| Total | \$1,197.4 | \$1,246.1 | \$1,249.6 | \$3.5 | 0.3% | \$1,308.5 | \$62.4 | 5.0% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$959.9 | \$1,004.4 | \$1,002.8 | (\$1.6) | -0.2% | \$1,067.7 | \$63.3 | 6.3% |
| Federal Funds | 203.8 | 208.5 | 214.8 | 6.3 | 3.0% | 204.0 | (4.5) | -2.2% |
| Restricted Receipts | 25.5 | 27.0 | 27.4 | 0.4 | 1.6% | 28.9 | 2.0 | 7.4% |
| Other Funds | 8.1 | 6.2 | 4.6 | (1.6) | -26.0% | 7.9 | 1.6 | 25.8% |
| Total | \$1,197.4 | \$1,246.1 | \$1,249.6 | \$3.5 | 0.3% | \$1,308.5 | \$62.4 | 5.0% |
| Authorized FTE Levels | 357.4 | 340.9 | 344.4 | 3.5 | 1.0% | 337.4 | (3.5) | -1.0% |

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

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

MAJOR ISSUES AND TRENDS FOR FY2016

The Budget fully funds the fifth year of the education funding formula and provides funding for categorical aid accounting for most of the \$63.3 million general revenue increase in FY2016. Other increases include \$20.0 million to capitalize the new School Building Authority Capital Fund, \$3.3 million for teacher retirement, \$3.0 million in school housing aid, \$1.0 million in statewide COLA and target adjustments, and \$429,631 to support investments made through the federal Race to the Top (RTTT) grant.

Federal funding for RTTT will end on July 1, 2015. As a result, the Department will experience a federal funding decrease of \$2.2 million in FY2016 and funding to the districts will decrease by \$6.3 million. The grant funded 22.0 FTE positions needed to carry out the program. Due to the reduction in grant funding, 16.5 FTE positions were eliminated in FY2015, leaving 5.5 FTE positions. To continue the RTTT initiative, the Budget eliminates 4.5, of the remaining 5.5 FTE positions, and shifts funding for 1.0 of these FTE positions from federal funds to general revenue. The Budget adds \$429,631 in general revenues to support ongoing RTTT initiatives.

The estimated local contribution to the statewide transportation contract increases by \$1.0 million in FY2016 due to a number of factors discussed later in this analysis. Another \$758,710 increase in restricted receipts is due to a projected increase in revenues for the E-Rate program; however, based on updated trends the increase is not expected to materialize. The decrease in other funds is due to proposed changes in Rhode Island Capital Plan (RICAP) expenditures.

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 158.4 FTE positions in FY2015 and 151.4 FTE positions in FY2016 for the program, an increase of 3.5 in FY2015 and a decrease of 3.5 FTE positions in FY2016 relative to the FY2015 Budget as Enacted. The federal Race to the Top (RTTT) originally funded 22.0 FTE positions and was scheduled to end on September 23, 2014. However, in March 2014, the grant was extended until July 1, 2015; and consequently, the FY2015 Budget as Enacted eliminated only 16.5 of the grant funded FTE positions, leaving a balance of 5.5 federally-funded FTE positions. The increase in the revised FY2015 Budget is due to the change in position titles associated with the shifting of funding from federal funds to general revenue in FY2016.

| | Race to the Top Affiliated FTEs | | | |
|--|---------------------------------|----------------|----------------|----------------|
| | FY2014 | FY2015 Enacted | FY2015 Revised | FY2016 Enacted |
| | 22.0 | 5.5 | 9.0 | 1.0 |

Analyst's Note: It is unclear why the change is needed in FY2015 when the positions are federally funded through the end of the fiscal year. A change in position title can be approved by the Budget Office without a change in the FTE cap. Furthermore, in FY2016, the Budget removes the 4.5 positions from RTTT that are not being shifted to general revenue and the 3.5 that are added in the FY2015 Revised Budget.

In FY2016, the Budget shifts funding for 1.0 RTTT FTE positions from federal to general revenue funding. The FTE decrease of 3.5 positions is due to the elimination of the 4.5 FTE federally funded positions (1.0 FTE position was shifted to general revenue), and the addition of 1.0 FTE position for a new construction manager to assist in developing procedures for the proposed School Building Authority Capital Fund. (The new construction manager position is discussed in the School Housing Aid section of this analysis.)

| | \$ |
|---|--------------|
| FY2015 Enacted | \$20,418,574 |
| <i>Target and Other Adjustments</i> | |
| Woonsocket Grant for Full-Day Kindergarten | (500,000) |
| Maintain Race to the Top Operations (1.0 FTE) | 492,631 |
| Community Service Grants | 355,000 |
| Turnover | (282,666) |
| Vision Services | (246,666) |
| Channel 36 Transition Grant | (50,000) |

| | \$ |
|--|---------------|
| Race to the Top (federal funds) | (\$2,208,586) |
| Race to the Top Pre-School Development (federal funds) | 1,000,000 |
| Race to the Top Early Learning Challenge (federal funds) | 501,168 |

Woonsocket Grant for Full-Day Kindergarten (\$500,000)

The FY2014 Budget as Enacted provided a one-time community service grant to Woonsocket for costs associated with implementing a full-day kindergarten program. Since the district was unable to implement a full-day program in FY2014, the funds were shifted into FY2015 and spent accordingly. Because the grant was intended for one-time use, the Budget does not provide funding in FY2016 and reduces community service grants by \$500,000 relative to the FY2015 Budget as Enacted.

Maintain Race to the Top Operations (1.0 FTE) \$492,631

Federal funding for Race to the Top (RTTT) is scheduled to end on July 1, 2015, resulting in a decrease in federal funding of \$12.2 million for the Department in FY2015. Through this grant program, new investments were made in standards and curriculum, instruction improvement systems, educator effectiveness, human capital development, and school transformation and innovation. The FY2015 Budget as Enacted includes \$250,000 in general revenues to support ongoing RTTT projects that were previously federally funded. The Budget includes additional general revenue expenditures and 1.0 new FTE position to provide ongoing support for investments made through the federal RTTT grant and the priority in the strategic plan to *Ensure Educator Excellence*.

Community Service Grants \$355,000

The Budget increases community service grants by \$355,000 in general revenue for the following awards: \$250,000 to Teach for America, \$50,000 for a one-time award for the music program in Woonsocket schools, \$45,000 for the Child Opportunity Zones (COZs), and \$30,000 to Man-Up, partially offset by a \$20,000 reduction to adjust for an error in the account. Teach for America is a non-profit that recruits diverse individuals to become teachers in low-income communities for two-year terms. Man Up, Inc., is a non-profit that adopts strategies and models to decrease the rate of recidivism, increase higher educational participation, and increase economic stability in the inner city, particularly for African American and Latino men with significant barriers to employment and education.

Turnover (\$282,666)

The Budget includes \$282,666 in general revenue turnover savings within the Department.

Vision Services (\$246,666)

FY2016 is the third and final year in a three-year plan to shift the cost of the Department's share of the Vision Services Program to the districts. The savings estimated for FY2016 is \$246,666, for a total savings over the full transition of \$745,000. The shift is consistent with the Department's original intent to move certain general revenue expenditures to the local education agencies (LEAs) and provide state support through the high-cost special education categorical fund. 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. In FY2013, before the reduction began, the Department paid two-thirds of the service cost and the district paid one-third.

Race to the Top (federal funds) (\$2.2 million)

Race to the Top is a \$4.3 billion education reform fund made available by the United States Department of Education (USDOE) as part of the American Recovery and Reinvestment Act (ARRA). Awards in the grant competition went to states that submitted plans for education reform. In August 2010, Rhode Island was one of ten states awarded a Race to the Top (RTTT) grant in the second phase of the competition, coming in fifth out of the 35 states, plus the District of Columbia, that applied. Rhode Island won \$75.0 million over four years to help transform education in the State. The RTTT grant is intended to accelerate Rhode Island student achievement by strengthening teachers, leaders, and the systems that support them. New investments were made in standards and curriculum, instruction improvement systems, educator effectiveness, human capital development, and school transformation, and innovation.

Federal funding for RTTT was originally scheduled to end on September 23, 2014, resulting in a decrease in federal funding of \$12.2 million for the Department in FY2015. In March 2014, the grant was extended until July 1, 2015. As a result of the program ending, the Department will experience a decrease in federal funding of \$2.2 million in FY2016, relative to the FY2015 Budget as Enacted, and federal funding to the districts will decrease by \$6.3 million.

Race to the Top Pre-School Development Grant (federal funds)**\$1.0 million**

The Budget includes \$1.0 million in federal funds for a new Race to the Top Pre-School Development grant. This four-year grant will be used to increase funding for pre-school programs in high-need communities around the State. These funds will be used to accelerate funding for the early childhood grant program.

Race to the Top - Early Learning Challenge Grant (federal funds)**\$501,168**

In December 2011, Rhode Island was awarded a Race to the Top - Early Learning Challenge grant for \$50.0 million over four years. The focus of the grant is to improve access to early learning programs as a strategy to close the preparation gap among children entering kindergarten. The federal grant supports work to expand the child-care program quality-rating system, provide professional development for individuals working in early-learning programs, build upon the statewide data system to monitor students from birth through their college years, and develop a statewide kindergarten assessment. This program ends December 31, 2015.

The Budget includes \$5.4 million in FY2016 for this program, an increase of \$501,168 from the FY2015 Budget as Enacted. The FY2013 Budget as Enacted included an additional 13.0 limited-term, federally-funded positions to be financed through this grant.

CENTRAL FALLS SCHOOL DISTRICT

In 1991, it was determined that the City of Central Falls could not afford to meet its contractual, legal, and regulatory obligations related to school funding because its tax base had sustained little or no growth over several years. The school district was reorganized and has since been under the control of the State Department of Elementary and Secondary Education. Since FY1993, the State has been responsible for 100.0 percent of the education expenditures for the Central Falls School District.

Since FY2012, Central Falls has been funded according to the education funding formula. The Budget provides \$39.5 million for the Central Falls School Department in FY2016. This includes the formula distribution as well as \$3.7 million in funding through the Central Falls Stabilization Fund, an increase of \$1.9 million over the FY2015 Budget. (*See Education Aid in the Special Report section of this publication for further detail.*)

| Central Falls | General Revenue |
|-----------------------------|------------------------|
| FY2015 Enacted | \$39,010,583 |
| Funding Formula Adjustment | (1,381,271) |
| Central Falls Stabilization | 1,890,791 |
| FY2016 Enacted | \$39,520,102 |

Central Falls Stabilization**\$1.9 million**

Central Falls schools are currently 100.0 percent state funded, with the State providing both the local and state contributions. Generally, the costs outside the foundation aid formula, such as transportation, facility maintenance and retiree health benefits, are paid by the district. This categorical was created due to concerns regarding the city's capacity to meet the local share of education costs. Previously the statute required Central Falls to pay its share of the local contribution prior to receiving stabilization funds. However, the 2012 General Assembly amended the statute to provide for an annual review of the respective shares and to allow stabilization funds to be provided without the district having to pay the entire local share as determined from the education funding formula. Although Central Falls has been working with the Department to reduce expenditures over the last several years, the district has not been able to reduce costs enough to keep pace with the phase in of the funding formula. Also, charter school tuitions have been increasing. The Budget funds this category at \$3.7 million in FY2016, an increase of \$1.9 million from the enacted level.

DAVIES CAREER AND TECHNICAL CENTER

The Davies Career and Technical School provides a high school education program in occupational areas for students in grades nine through twelve. The school provides an integrated academic and vocation curriculum with up-to-date technology programs to provide a solid foundation for students entering postsecondary education or the community. Davies operates as a local education agency and is governed by a Board of Trustees.

The Davies School receives funding from state and federal sources; however, beginning in FY2012, it receives its State funding as determined through the new funding formula. Instead of being State funded, the sending districts now pay a portion of the tuition for each student from their district. Furthermore, Davies is now responsible for the cost of transporting students to and from their sending districts. The estimated cost for transportation is about \$650,000 in FY2016.

The Budget provides \$11.6 million in general revenue funding for the Davies Career and Technical School, a decrease of \$600,021 from the FY2015 Budget as Enacted. (*See Education Aid in the Special Report section of this publication for further detail.*)

The Budget includes 126.0 positions in FY2015 and FY2016 for the program, consistent with the FY2015 Budget as Enacted.

| Davies Career & Technical School | General Revenue |
|---|------------------------|
| FY2015 Enacted | \$12,240,174 |
| <i>Target and Other Adjustments</i> | <i>(600,022)</i> |
| FY2016 Enacted | \$11,640,152 |

| Davies Career & Technical School | Other Fund Changes |
|---|---------------------------|
| Davies Career and Technical School HVAC (RICAP funds) | \$500,000 |

Davies Career and Technical School HVAC (RICAP funds) **\$500,000**

The Budget increases RICAP funding for the Davies HVAC project by \$500,000 to reflect the current project schedule. This project replaces and repairs the HVAC system at the Davies Career and Technical Center. The existing equipment is over 30 years old, is inefficient, and is contributing to air quality issues in a number of areas in the building. The original submission includes \$1.5 million in FY2015 and \$395,000 in FY2016; however, the funding will not be needed until April 2016, with the major construction occurring between June and September of 2016. The Budget shifts \$1.4 million from FY2015 into FY2016 through FY2018 to reflect the updated project schedule, while leaving the total project funding intact.

RHODE ISLAND SCHOOL FOR THE DEAF

The Rhode Island School for the Deaf is a public school which offers educational programs to approximately 160 deaf and hard of hearing youth (and their families) from birth through age 21 in the elementary program, junior and senior high school, and early intervention and preschool programs.

The Budget provides \$6.3 million in general revenue funding for FY2016, and 60.0 FTE positions in FY2015 and FY2016 for the program. The funding represents an increase of \$349,766, and the FTE positions are consistent with FY2015 Budget as Enacted. However, the FY2016 Budget requires the School to hold 2.0 FTE positions vacant for the fiscal year, unless other sources of funding become available. As of June 17, 2015, the School has 11.0 vacant FTE positions.

| Rhode Island School for the Deaf | General Revenue |
|---|------------------------|
| FY2015 Enacted | \$5,929,824 |
| <i>Target and Other Adjustments</i> | <i>349,766</i> |
| FY2016 Enacted | \$6,279,590 |

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

The Budget provides \$9.9 million in general revenue funding for the Met, a decrease of \$636,935 from the FY2015 Budget as Enacted. The Met School is governed by a board, appointed by the Board of Education but operated independently. Also, unlike Davies, the employees at the Met School are not state employees. (*See Education Aid in the Special Report section of this publication for further detail.*)

| Metropolitan Career & Technical School | General Revenue |
|---|------------------------|
| FY2015 Enacted | \$10,501,360 |
| <i>Target and Other Adjustments</i> | <i>(636,935)</i> |
| FY2016 Enacted | \$9,864,425 |

| Metropolitan Career & Technical School | Other Fund Changes |
|---|---------------------------|
| MET School HVAC (RICAP funds) | \$3,736,370 |

MET School HVAC (RICAP funds) \$3.7 million

The Budget includes an additional \$3.7 million in RICAP funds for Phase II of the HVAC project at the MET School. Phase II is expected to be started and completed in FY2016.

This project replaces and repairs the HVAC systems for five buildings at the MET School's Peace Street and Public Street campuses. The HVAC equipment at the Public Street campus was installed in 2000-2001. Due to the "value engineering" of the system's original design and balancing, many of the controls and systems are unable to work together efficiently. Despite measures to correct problems, heating, cooling and air quality issues persisted. RISE Engineering, in conjunction with the State of Rhode Island Office of Energy Resources, conducted a preliminary audit of the HVAC systems in 2009 and the audit confirmed that the systems were inefficient and that units were operating 24/7 with no ability to control them. In FY2011, the MET School procured an investment grade audit of the HVAC systems that identified \$4.2 million in necessary repairs. The Department has since issued a contract with Building Engineering Resources (BER), Inc. to design a full system upgrade/replacement.

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 |
|---|------------------------|
| FY2015 Enacted | \$758,820,708 |
| <i>Target and Other Adjustments</i> | |
| Year 5 Funding Formula | 36,447,330 |
| Categorical Aid | 2,000,000 |
| Group Home Aid | (978,061) |
| Full-Day Kindergarten Pilot Program | (250,000) |
| Charter School Growth | Informational |
| Telecommunications Access Fund (E-Rate) | Informational |
| FY2016 Enacted | \$796,039,977 |

| Education Aid | Other Fund # |
|--------------------------|---------------------|
| Statewide Transportation | \$965,554 |

Year 5 Funding Formula **\$36.4 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 (\$8,928 in FY2016) 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, (\$3,571 in FY2016) for each student eligible for free or reduced lunch. The formula also accounts for local revenue generating capacity and overall poverty level by using the EWAV (Equalized Weighted Assessed Valuation) and the concentration of pre-kindergarten through sixth grade students eligible for free or reduced price lunch.

The Act includes a multi-year transition plan to ease districts into the new formula, allowing time to adjust for gains or losses in education aid. The plan provides a transition period of ten years for those districts projected to receive less school aid than they did through the aid distribution in FY2011, and seven years for those districts projected to receive more aid. FY2016 is the fifth year of the transition. (See *Education Aid in the Special Report section of this publication.*)

The FY2016 Budget includes an additional \$36.4 million to fund the fifth year of the funding formula, for a total of \$775.7 million, for all the school districts except Central Falls, which is included as a separate budget program, and the state schools. This amount also includes \$1.2 million for districts that may implement full-day kindergarten programs in FY2016. The Kindergarten Accessibility Act requires that beginning in school year 2014-2015 districts converting from a half-day to a full-day program are credited on a full-time basis in the RADM for the funding formula in the first year of enrollment. In previous years, the aid was distributed only to districts that convert from a half-day to a full-day program pursuant to the requirements and limitations of RIGL 16-99-4. Through Article 6, the Budget modifies the Full-Day Kindergarten Accessibility Act to require that all districts provide full-day kindergarten by August 2016 and allows districts to keep the funding from the formula for startup costs even if the full-day program is not implemented in FY2016.

The funding for fifth 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 \$32.7 million. This total does not include the \$1.2 million for full-day kindergarten implementation. The remaining difference is due to the increase in funding to Central Falls (\$509,520, including the stabilization), offset by a decrease in funding to Davies (\$600,022), and the Met (\$636,935) in FY2016 relative to the FY2015 enacted level.

Categorical Funds

\$2.0 million

When the education funding formula was passed in 2010, five categorical funds were identified that would not be distributed according to the formula, but according to other methodology. They include Transportation, High-Cost Special Education, Career & Technical Education, Early Childhood, and the Regionalization Bonus. *(The Central Falls Stabilization Fund is addressed in the Central Falls section of this analysis.)*

| Categorical | Change from Enacted | Total Funding |
|-----------------------------|---------------------|---------------|
| Transportation | \$0.0 | \$4.4 |
| High-Cost Special Education | 1.0 | 2.5 |
| Career & Tech. Schools | - | 3.5 |
| Early Childhood | 1.0 | 4.0 |
| Regionalization Bonus | - | - |
| Total | \$2.0 | \$14.4 |

\$ in millions.

The FY2016 Budget includes funding for all the categories, except the regionalization bonus.

- **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 level funds this category in FY2016; however, since the distribution is pro-rated based on district expenditures, the funding by district can vary.
- **High-Cost Special Education:** This fund reimburses districts for instructional and related services provided to a student pursuant to an Individual Education Plan (IEP). The State reimburses costs that exceed five times the combined core instruction and student success factor funding (currently \$62,485 for FY2016). The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget funds this category at \$2.5 million in FY2016, an increase of \$1.0 million over the FY2015 Budget as Enacted.
- **Career and Technical Schools:** This fund contributes toward the initial investment needs to transform existing programs or create new programs and the costs associate with facilities, equipment maintenance and repair, and supplies of higher cost programs at career and technical schools. The Budget funds this category at \$3.5 million in FY2016, level funded with the FY2015 Budget as Enacted.
- **Early Childhood Education:** This fund is designed to increase access to voluntary, free, high-quality pre-kindergarten programs. The funds will be distributed through a request for proposals process targeting communities in three tiers, with the first tier having the highest concentration of children at risk for poor educational outcomes. The Budget funds this category at \$4.0 million in FY2016, an increase of \$1.0 million over the FY2015 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 fund this category in FY2016, the fifth year of funding for the regionalized districts, as no new regional districts have been formed. This represents level funding from the FY2015 Budget as Enacted.

Group Home Aid**(\$978,061)**

The FY2016 Budget includes \$5.1 million to fund group home beds. This is \$978,061 less than the FY2015 Budget as Enacted, and represents a decrease of 17 beds (3.8 percent) system wide, a decrease of \$255,000. This reduction also includes a decrease of \$723,061, required pursuant to RIGL 16-7-22(1)(ii) to reduce the average daily membership of a district by the number of group home beds used in the group home aid calculation. This adjustment is shown in the group home aid category, rather than in the formula calculator.

| LEA | FY2015 Enacted | FY2015 Revised ¹ | Group Home Aid | | | | Total Change | FY2016 Total Aid |
|------------------------------------|--------------------|--------------------------------|-------------------------------------|-------------------|-----------------------------------|---|--------------------|---------------------|
| | | | FY2016 Aid based on bed count | Number of Beds | Aid change due to bed count | Aid change due to RIGL 16-7-22(1)(ii) | | |
| Burrillville | \$266,361 | \$326,361 | \$360,000 | 4 | \$60,000 | (\$42,987) | \$17,013 | \$283,374 |
| Coventry | 107,883 | 107,883 | 120,000 | - | - | (12,394) | (12,394) | 95,489 |
| Cranston | 53,182 | 53,182 | 60,000 | - | - | (6,828) | (6,828) | 46,354 |
| East Providence | 575,275 | 575,275 | 636,000 | - | - | (64,527) | (64,527) | 510,748 |
| Lincoln | 123,826 | 123,826 | 135,000 | - | - | (10,727) | (10,727) | 113,099 |
| Middletown | 374,656 | 374,656 | 330,000 | (4) | (60,000) | (12,638) | (72,638) | 302,018 |
| Newport | 254,914 | 254,914 | 210,000 | (4) | (60,000) | (10,890) | (70,890) | 184,024 |
| North Providence | 211,819 | 211,819 | 240,000 | - | - | (29,387) | (29,387) | 182,432 |
| North Smithfield | 110,978 | 110,978 | 120,000 | - | - | (9,128) | (9,128) | 101,850 |
| Pawtucket | 606,854 | 621,854 | 750,000 | 1 | 15,000 | (130,444) | (115,444) | 491,410 |
| Portsmouth | 547,476 | 547,476 | 555,000 | - | - | (11,293) | (11,293) | 536,183 |
| Providence | 1,541,907 | 1,541,907 | 1,740,000 | (10) | (150,000) | (308,171) | (458,171) | 1,083,736 |
| Smithfield | 233,753 | 233,753 | 240,000 | - | - | (14,733) | (14,733) | 219,020 |
| South Kingstown | 308,034 | 308,034 | 315,000 | - | - | (7,123) | (7,123) | 300,911 |
| Warwick | 301,470 | 301,470 | 300,000 | (2) | (30,000) | (24,126) | (54,126) | 247,344 |
| Woonsocket | 98,870 | 98,870 | 90,000 | (2) | (30,000) | (14,217) | (44,217) | 54,653 |
| Bristol-Warren | 114,733 | 114,733 | 120,000 | - | - | (5,057) | (5,057) | 109,676 |
| Exeter-West Greenwich ¹ | 261,242 | 261,242 | 270,000 | - | - | (8,391) | (8,391) | 252,851 |
| Total | \$6,093,233 | \$6,168,233 | \$6,591,000 | (17) | (\$255,000) | (\$723,061) | (\$978,061) | \$5,115,172 |

¹ The 5 bed increase was reported in the December 31, 2014, DCYF Group Home Report; and consequently, the \$75,000 increase in Group Home Aid will be applied to the FY2015 Revised Budget as well, pursuant to RIGL 16-64-1.1(b)(2). The increase includes four beds in Burrillville and one bed in Pawtucket.

Full-Day Kindergarten Pilot Program**(\$250,000)**

The Budget eliminates \$250,000 in general revenue funding for the Full-Day Kindergarten Accessibility Act to reflect the impact of Article 6. The Full-Day Kindergarten Accessibility Act was enacted 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 cost associated with the relocation of students, and costs associated with the development and implementation of new curricula. Article 6 requires the Department of Elementary and Secondary Education to provide funding to support transition expenses for districts that do not offer universal full-day programs in FY2016; however, the language of the amendment limits the funding to “the amount of state aid that would otherwise have been provided to the district for operating a universal full-day kindergarten program...”. Consequently, districts that receive the full-day funding based on the formula calculation cannot receive pilot program funding as well. The following districts did not provide full-day kindergarten programs in FY2015: Coventry, Cranston, East Greenwich, North Kingstown, Tiverton, and Warwick.

Charter School Growth**Informational**

The Budget includes \$67.5 million for public charter schools, an increase of \$8.3 million from the FY2015 Budget as Enacted. The Budget funds the following charter school growth:

- **Achievement First:** which is located in Providence and enrolls 440 students from Cranston, North Providence, Providence and Warwick, will add a third grade, another kindergarten, and another first grade (264 new students).
- **Highlander:** which is located in Providence and enrolls 392 students, will add an 11th grade (40 new students).
- **RIMA – Blackstone Valley Prep:** which is located in Cumberland and currently enrolls 1,200 students, will add a fourth and tenth grade (262 new students).
- **Trinity Academy for the Performing Arts:** which is located in Providence and currently enrolls 170 students, will add a twelfth grade (34 new students).
- **Village Green:** a virtual charter high school located in Providence currently enrolls 200 from around the state will add a twelfth grade (68 new students).

The Budget also funds a new charter school scheduled to open in FY2016.

- **RISE Mayoral Academy:** which will be located in Woonsocket and enroll students from Woonsocket, North Smithfield, and Burrillville, will have grades kindergarten through eight, starting with 81 students in kindergarten in FY2016.

Telecommunications Education Access Fund (E-Rate)

Informational

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

In addition to declining restricted receipt revenue, under the new federal rules Rhode Island federal subsidies are expected to decline. The federal subsidy is based on the income eligibility guidelines used for the free and reduced school lunch program. The federal subsidy is a discount on the cost of the internet access. For example, if a district has a 50.0 percent discount rate, the district pays the vendor providing the service 50.0 percent of the eligible costs. The vendor receives the remaining 50.0 percent directly from the federal program. Under the current rules, Rhode Island gets a federal discount of 65.0 percent. In FY2016, under the new rules that subsidy is expected to decrease to 55.0 percent as the discount rate is calculated on a district-wide basis, instead of by building. Consequently, at a time when our education system is relying more heavily on wireless access, two of the three funding streams for this program are declining.

| Rhode Island Telecommunication Education Access Fund | | | |
|--|--------------------|--------------------|--------------------|
| | FY2015 | | |
| Revenue | FY2013 | FY2014 | Projected |
| Revenue from \$0.26 per land line | \$1,226,887 | \$1,233,548 | \$1,070,665 |
| Indirect Cost Recovery (10.0 percent) | (122,689) | (123,355) | (107,067) |
| Department's administrative costs | (10,089) | (8,822) | (8,822) |
| General Revenue | - | 400,000 | 400,000 |
| Total | \$1,094,109 | \$1,501,371 | \$1,354,777 |

Source: Rhode Island Department of Elementary and Secondary Education

Under the current rules, Rhode Island gets a federal discount of 65.0 percent. In FY2016, under the new rules that subsidy is expected to decrease to 55.0 percent as the discount rate is calculated on a district-wide basis, instead of by building. Consequently, at a time when our education system is relying more heavily on wireless access, two of the three funding streams for this program are declining.

The FY2015 Budget as Enacted included \$400,000 as the state general revenue match for the E-Rate program. The Department requested an additional \$600,000 in FY2016. It is estimated that the additional general revenue would leverage \$330,000 in federal support. The Budget does not include the requested increase but includes the \$400,000, level funded with the FY2015 Budget as Enacted.

Statewide Transportation (restricted receipts)

\$965,554

The statewide student transportation program was created to help districts provide transportation for students attending schools outside their district with greater service and cost efficiencies. Transportation is provided to students who attend private, parochial, and charter schools, as well as career & technical

education centers and other approved programs. This program maximizes the sharing of buses when possible to achieve service and cost efficiencies. This program is entirely funded by participating school districts but managed by the Department. Payments from the participating districts are deposited into a restricted receipt account within the Department for payment to the vendor providing the transportation services. The costs associated with the statewide transportation program are expected to increase in FY2016 due to several factors. First, the program has expanded to provide service to more locations. Also, the Department is installing cameras on all the special education buses. Finally, the Department has seen a significant increase in the number of homeless students needing inter-district transportation. Due to the federal McKinney-Vento Homeless Education Assistance Act, districts are required to provide transportation for homeless students to and from their school of origin if it is in the student's best interest.

The FY2016 Budget includes an estimated increase in expenditures for the statewide transportation program of \$965,554 in restricted receipts, relative to the FY2015 Budget as Enacted.

HOUSING AID

In 1960, the school housing aid program was enacted by the General Assembly to guarantee adequate school facilities for all public school children in the state, and to prevent the cost of constructing and repairing facilities from interfering with the effective operation of the schools. Applications for aid to support the construction and renovation of school buildings are submitted to and evaluated by the Rhode Island Department of Elementary and Secondary Education (RIDE). State aid is provided for approved projects based on a percentage of cost. The percentage provided by the State to the school district is determined based on a share ratio designed to measure a community's need. For FY2016, the minimum state share is 35.0 percent for school districts and the maximum is 96.1 percent for Central Falls percent; the state share for charter schools is 30.0 percent.

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

The 2011 General Assembly enacted legislation limiting the approval of new projects between FY2012 and FY2015, to those necessitated by immediate health and safety reasons. Any project requested during the moratorium must be reported to the chairs of the House and Senate Finance Committees. Any project approval granted prior to the adoption of the school construction regulations in 2007, which is currently inactive, did not receive voter approval, or has not been previously financed, is no longer eligible for reimbursement. Article 22 of the FY2015 Budget extends the moratorium from June 30, 2014, to May 1, 2015, limiting the approval of new projects between FY2012 and FY2015 to those necessitated by immediate health and safety conditions.

As part of the 2011 legislation, RIDE was charged with developing recommendations for further cost containment strategies in the school housing aid program. The following recommendations were submitted on March 22, 2012:

- Establish capital reserve funds on the state and local level.
- Reduce the minimum share ratio.
- Limit costs associated with bonding by establishing a mechanism to allow districts with poor bond ratings to borrow at a lower interest rate, reduce the State's reimbursement rate on interest, and provide incentives for districts to re-finance bonds.

Article 13 of the FY2014 Budget as Enacted provided an incentive to communities to refinance existing school housing bonds by allowing communities to receive 80.0 percent of the total savings, instead of distributing the savings based on the state share ratio. The increased savings to the communities would only apply to refinancing done between July 1, 2013, and December 31, 2015.

| Housing Aid/ School Construction Aid | General Revenue |
|---|------------------------|
| FY2015 Enacted | \$67,949,504 |
| <i>Target and Other Adjustments</i> | |
| School Building Authority Capital Fund | 20,000,000 |
| Housing Aid | 2,957,606 |
| FY2016 Enacted | \$90,907,110 |

School Building Authority Capital Fund **\$20.0 million**

Article 9 designates the Department of Elementary and Secondary Education (Department) as the State's School Building Authority and charges the Department with implementing a system of state funding for school facilities, managing the school housing aid program, and developing a project priority system. The Authority will oversee two distinct funding mechanisms for school facilities: the foundation program, as currently enumerated in RIGL 16-7-35 through 16-7-47, and the school building authority capital fund (Capital Fund), as created through the article. The Budget adds 1.0 FTE position to the Department for a new construction manager to assist in developing procedures for the proposed Capital Fund. While the one-time appropriation of \$20.0 million in new general revenue to capitalize the Capital Fund is in the Department's budget, the article establishes that the Capital Fund be held in trust and administered by the Rhode Island Health and Education Building Corporation (RIHEBC).

Housing Aid **\$3.0 million**

The Budget provides \$3.0 million in additional school housing aid reimbursements in FY2016, for a total of \$70.9 million, due to the anticipated completion of significant health and safety projects in Burrillville, Coventry, Exeter-West Greenwich, North Providence, Pawtucket, and Warwick.

TEACHER RETIREMENT

Since 1949, all teachers are required to become members of the State Retirement System. The State pays 40.0 percent of the employer's share of the retirement contribution each year. These funds, which are actuarially determined annually, are appropriated to the Department of Education for transfer to the State Retirement Fund.

On November 17, 2011, the General Assembly passed the Rhode Island Retirement Security Act of 2011 (RIRSA) to reform the state and local pension systems. The Act introduces a hybrid pension structure for all except public safety employees and judges, to shift risk to the employee by combining the attributes of both the defined benefit and defined contribution plans.

| Teacher Retirement | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$89,529,396 |
| <i>Target and Other Adjustments</i> | |
| Defined Benefit Plan | 3,238,944 |
| Defined Contribution Plan | 37,496 |
| FY2016 Enacted | \$92,805,836 |

Defined Benefit Plan **\$3.2 million**

The Budget provides total funding of \$89.0 million for the State's contribution to the teacher retirement defined benefit plan, reflecting a net increase of \$3.2 million from FY2015 Budget as Enacted. The employer contribution rates are actuarially determined annually, and appropriated to the Department of Education for transfer to the State Retirement Fund. For teachers the State pays 40.0 percent of the employer contribution.

Defined Contribution Plan**\$37,496**

The Budget provides \$3.8 million in general revenue for the State's share of the contribution to the new defined contribution portion of the hybrid pension system, reflecting a net increase of \$37,496 from FY2015 Budget as Enacted. The plan includes a mandatory 5.0 percent employee and 1.0 percent employer contributions. For teachers the State pays 40.0 percent of the employer contribution.

CAPITAL PROJECTS

The Budget includes a total of \$4.3 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2015 and \$7.5 million in FY2016, including:

- \$1.8 million in FY2015 and \$3.7 million in FY2016 to replace and repair the HVAC system for five buildings at the MET School's Peace Street and Public Street campuses.
- \$1.4 million in FY2015 and \$2.0 million in FY2016 for capital repairs at three career and technical schools (Cranston, Warwick, and Woonsocket).
- \$820,000 in FY2015 and \$770,000 in FY2016 for asset protection at the Davies Career and Technical School.
- \$100,000 in FY2015 and \$895,000 in FY2016 to replace and repair the HVAC system at the Davies Career and Technical School.

Public Higher Education

| Expenditures by Program | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | | FY2016 Enacted | Change from Enacted Enacted | |
|---|--------------------------|---------------------------|---------------------------|--------------------------------|--------------|---------------------------|--|-------------|
| Office of the Postsecondary Commissioner ¹ | \$10.1 | \$9.7 | \$10.6 | \$0.9 | 9.6% | \$28.3 | \$18.6 | 193.0% |
| University of Rhode Island | 730.9 | 743.6 | 733.9 | (9.7) | -1.3% | 720.7 | (22.9) | -3.1% |
| Rhode Island College | 168.1 | 171.4 | 175.1 | 3.7 | 2.2% | 179.0 | 7.7 | 4.5% |
| Comm. College of Rhode Island | 152.6 | 156.2 | 156.1 | (0.1) | -0.1% | 162.2 | 6.0 | 3.8% |
| Total | \$1,061.8 | \$1,080.8 | \$1,075.7 | (\$5.1) | -0.5% | \$1,090.2 | \$9.4 | 0.9% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$179.2 | \$191.0 | \$188.3 | (\$2.7) | -1.4% | \$196.3 | \$5.4 | 2.8% |
| Federal Funds | 5.2 | 5.1 | 5.1 | 0.0 | 0.1% | 15.1 | 10.0 | 196.4% |
| Restricted Receipts | 0.6 | 0.6 | 0.6 | - | 0.0% | 0.7 | 0.0 | 1.4% |
| Other Funds | 876.8 | 884.1 | 881.7 | (2.4) | -0.3% | 878.1 | (6.0) | -0.7% |
| Total | \$1,061.8 | \$1,080.8 | \$1,075.7 | (\$5.1) | -0.5% | \$1,090.2 | \$9.4 | 0.9% |
| Third Party Funded FTE | 642.9 | 750.8 | 750.8 | 0.0 | 0.0% | 745.8 | (5.0) | -0.7% |
| Authorized FTE Levels | 3,604.1 | 3,496.2 | 3,498.4 | 2.2 | 0.1% | 3,513.4 | 17.2 | 0.5% |
| Total Authorized Positions | 4,247.0 | 4,247.0 | 4,249.2 | 2.2 | 0.1% | 4,259.2 | 12.2 | 0.3% |

¹ Formerly the Office of Higher Education.

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

The major responsibilities of the Board of Education (Board), pertaining to higher education, include the governance of public institutions of higher learning and the regulation of proprietary schools; the preparation of a public higher education budget and capital development program; and the development of policies in pursuit of the primary goals of excellence, opportunity and access, diversity and responsiveness, coordination and accountability in public higher education.

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

Prior to January 1, 2013, higher education in Rhode Island functioned under the direction of the Board of Governors for Higher Education. The FY2013 Budget as Enacted established a new Board of Education consisting of 11 members, appointed by the Governor with the advice and consent of the Senate. The Board of Governors for Higher Education and the Board of Regents for Elementary and Secondary Education were abolished as of January 1, 2013.

The FY2015 Budget as Enacted establishes the Council on Postsecondary Education, which will have duties and responsibilities per RIGL 16-59-1 and 16-59-4, much the same as the former Board of Governors for Higher Education.

MAJOR ISSUES AND TRENDS FOR FY2016

The FY2016 Budget as Enacted includes total funding of \$1,090.2 million, representing an increase of \$9.4 million (0.9 percent) over the FY2015 Budget as Enacted, including a general revenue increase of \$5.4 million (2.8 percent).

The Budget eliminates the Rhode Island Higher Education Assistance Authority and moves its functions to a new Division of Higher Education Assistance (DHEA) within the Office of the Postsecondary Commissioner, transferring \$18.3 million and 10.0 FTE positions (Article 7). This is a decrease of 12.0 FTE positions from the 22.0 FTE positions authorized in the FY2015 Budget as Enacted for RIHEAA. Seven of the twelve positions are currently filled.

Federal funds increase in FY2016 by \$10.0 million from the FY2015 Budget as Enacted. Major changes include a transfer of \$10.9 million due to the transfer of functions from RIHEAA to DHEA within the Office of the Postsecondary Commissioner. This increase is offset by decreases of \$200,000 for the

Higher Education Partnership Grant and \$676,500 for the College Access Challenge Grant (from \$1.5 million to \$823,500).

Tuition will increase at all three schools for the first time in three years. The institutions are required to maintain internal student aid at the 2014/2015 academic year level.

| URI | FY2013 | FY2014 | FY2015 | FY2016 | Change from FY2015 | % Change |
|----------------------|---------------|---------------|---------------|---------------|-----------------------------------|-----------------|
| In-State Tuition | \$10,878 | \$10,878 | \$10,878 | \$11,128 | \$250 | 2.30% |
| Out-of-State Tuition | 26,444 | 26,444 | 26,444 | 27,118 | 674 | 2.55% |
| Mandatory Fees | 1,572 | 1,572 | 1,628 | 1,734 | 106 | 6.51% |
| RIC | | | | | | |
| In-State Tuition | \$6,530 | \$6,530 | \$6,530 | \$7,118 | \$588 | 9.00% |
| Out-of-State Tuition | 17,228 | 17,228 | 17,228 | 18,779 | 1,551 | 9.00% |
| Mandatory Fees | 1,068 | 1,072 | 1,072 | 1,079 | 7 | 0.65% |
| CCRI | | | | | | |
| In-State Tuition | \$3,624 | \$3,624 | \$3,624 | \$3,950 | \$326 | 9.00% |
| Out-of-State Tuition | 10,256 | 10,256 | 10,256 | 11,180 | 924 | 9.01% |
| Mandatory Fees | 326 | 326 | 326 | 316 | (10) | -3.07% |

Rhode Island Nursing Education Center

The FY2015 Budget as Enacted, through Article 4, authorized the Board of Education and the Department of Administration to enter into a multi-year lease with the developer (Commonwealth Ventures of Boston, Massachusetts) of the South Street Landing property in Providence for use as a Nursing Education Center by the University of Rhode Island (URI) and Rhode Island College (RIC). Construction is scheduled to begin in October 2015, with a target completion date of November 2016. The original plan had the school opening in September 2016.

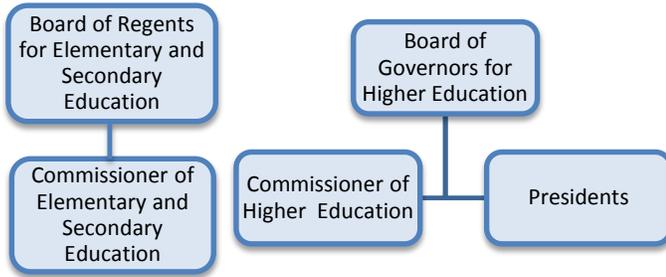
URI College of Engineering – General Obligation Bond Referendum

Voters approved a general obligation bond referendum in November 2014 for \$125.0 million for a comprehensive overhaul of physical space dedicated to the Engineering programs at URI. Projects include the removal of five URI Engineering buildings (Crawford Hall, Gilbreth Hall, Kelly Hall, Kelly Annex, and Wales Hall), renovation of the Kirk Building, and construction of a new facility adjacent to the remaining buildings (Bliss Hall and Kirk Hall).

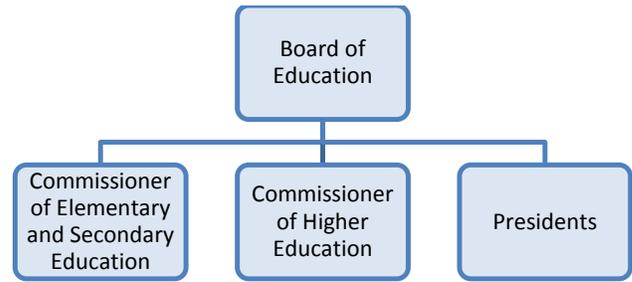
Higher Education Governance

The General Assembly included language in the FY2015 Budget as Enacted to enhance coordination between higher and lower education, to close the skills gap, and to make high school and college graduates more competitive and marketable. A new governance structure for the administration of higher education was instituted on July 1, 2015, with the passage of Article 20 in the FY2015 Budget as Enacted.

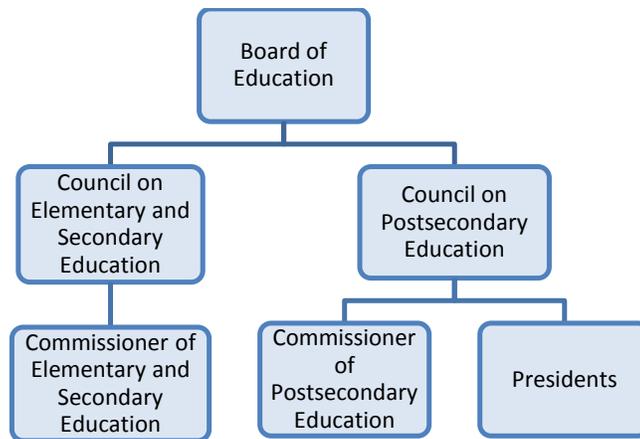
Pre-FY2013



FY2013 Budget as Enacted



FY2015 Changes to Education Governance Structure



The new governance structure maintains a single Board of Education, increasing the current membership from 11 to 17, eight of whom shall be designated to serve on the Council on Elementary and Secondary Education and eight of who shall be designated to serve on the Council on Postsecondary Education. The Board will have powers and duties set forth in RIGL 16-97-1.2, including adopting a strategic plan and setting system-wide goals and priorities for the entire public education system, and holding the system accountable for performance. The Board of Education is responsible to coordinate and increase efficiencies throughout the education system so that workforce skills are strengthened.

The legislation created two councils, the Council on Elementary and Secondary Education and the Council on Postsecondary Education, each comprised of eight members, who also serve on the Board of Education.

The Council on Elementary and Secondary Education has duties and responsibilities per RIGL 16-60-1 and 16-60-4, much the same as the former Board of Regents for Elementary and Secondary Education. The Council on Postsecondary Education will have duties and responsibilities per RIGL 16-59-1 and 16-59-4, much the same as the former Board of Governors for Higher Education.

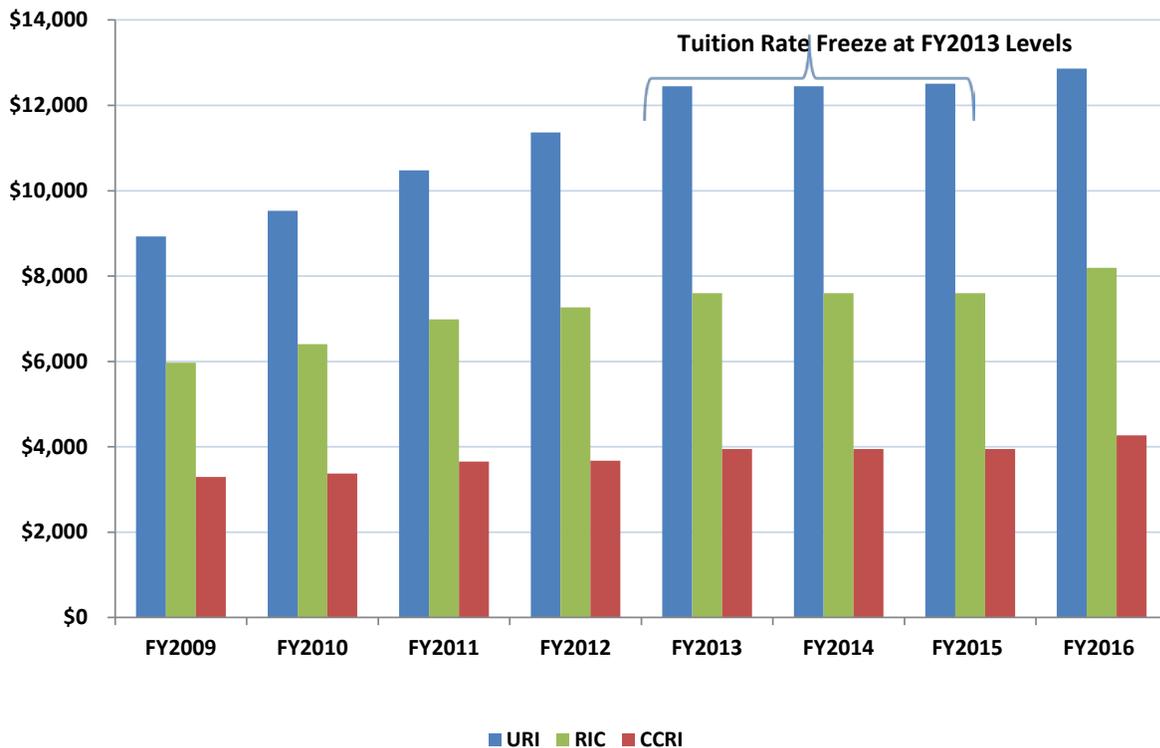
The Office of Higher Education was abolished on July 1, 2014, and a new Office of the Postsecondary Commissioner was created. The Office will have the same duties and responsibilities as the former Office of Higher Education. The legislation also delegates the following responsibilities and duties, previously held by the Board of Governors for Higher Education, and later the responsibility of the Board of Education, to the State’s public college and university presidents, consistent with shared governance practices, in conformity with 16-32-10:

- Ability to create and consolidate departments, divisions, programs and courses of study within the school with the assistance of the Commissioner of Postsecondary Education
- Adopt a budget and submit it to the Council on Postsecondary Education
- Manage property
- Recommend tables of organization to the Council on Postsecondary Education

Tuition Revenue Trends

Actual tuition and fee rates, by institution, including FY2016, are shown in the graph below.

In-State Undergraduate Tuition & Fees



Personnel

The Budget includes 4,259.2 FTE positions, which includes 745.8 third party funded positions, an overall increase of 12.2 FTE position.

- The Budget creates a Division of Higher Education Assistance in the Office of the Postsecondary Commissioner. The Budget transfers 10.0 FTE positions from the Rhode Island Higher Education Assistance Authority to staff this new division. The FY2015 Revised Budget also includes 2.2 FTE unspecified FTE positions within the Office of the Postsecondary Commission, which will allow the new Commissioner to determine staffing and operations.
- The Budget shifts 5.0 FTE third-party funded positions to non-research positions at CCRI, with the intent to provide FTE positions in general education, without increasing the overall FTE cap. The new positions include 1.0 Clery Compliance Officer FTE position to comply with the Federal Clery Act; 3.0 new Student Development Counselor FTE positions to reduce the ratio of students to student advisors; and 1.0 new Joint Articulation Advisor FTE position to assist students transferring to RIC or URI.

Analyst's Note: The Clery Act is a federal statute that requires all colleges and universities that participate in federal financial aid programs to keep and disclose information about crime on and near their respective campuses.

| Vacant Higher Education Positions | | | | | | | | | |
|-----------------------------------|--------|----------------|----------------|--------------|-------------|--------------|--------------|--------------|--------------|
| | | FTE | FTE | FTE | FTE | LSE | LSE | LSE | LSE |
| | | Authorized | Filled | Vacant | % Vacant | Authorized | Filled | Vacant | % Vacant |
| OPC | Jan-14 | 12.8 | 10.0 | 2.8 | 21.9% | 1.0 | 0.0 | 1.0 | 100.0% |
| | Jan-15 | 11.8 | 9.0 | 2.8 | 23.7% | 1.0 | 0.0 | 1.0 | 100.0% |
| URI | Jan-14 | 1863.3 | 1828.7 | 34.6 | 1.9% | 593.2 | 474.1 | 119.1 | 20.1% |
| | Jan-15 | 1882.7 | 1832.6 | 50.1 | 2.7% | 573.8 | 469.8 | 104 | 18.1% |
| RIC | Jan-14 | 841.6 | 799.6 | 42.0 | 5.0% | 82.0 | 6.6 | 75.4 | 92.0% |
| | Jan-15 | 841.6 | 783.7 | 57.9 | 6.9% | 82.0 | 62.8 | 19.2 | 23.4% |
| CCRI | Jan-14 | 754.1 | 699.7 | 54.4 | 7.2% | 100.0 | 56.5 | 43.5 | 43.5% |
| | Jan-15 | 760.1 | 684.6 | 75.5 | 9.9% | 94.0 | 51.1 | 42.9 | 45.6% |
| Total | Jan-14 | 3,471.8 | 3,338.0 | 133.8 | 3.9% | 776.2 | 537.2 | 239.0 | 30.8% |
| | Jan-15 | 3,496.2 | 3,309.9 | 186.3 | 5.3% | 750.8 | 583.7 | 167.1 | 22.3% |

- Limited Service Employees (LSE), also referred to as third party funded positions or sponsored 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 THE POSTSECONDARY COMMISSIONER

| | FY2014 | FY2015 | FY2015 | Change from | FY2016 | Change from | | |
|-------------------------------------|---------------|--------------|---------------|--------------|-------------|---------------|---------------|---------------|
| Expenditures by Source ¹ | Actual | Enacted | Revised | Enacted | Enacted | Enacted | | |
| General Revenue | \$4.9 | \$4.6 | \$5.5 | \$0.9 | 20.2% | \$5.8 | \$1.2 | 27.4% |
| Federal Funds | 5.2 | 5.1 | 5.1 | 0.0 | 0.1% | 15.1 | 10.0 | 196.4% |
| Other Funds | - | - | - | - | 0.0% | 7.4 | 7.4 | 0.0% |
| Total | \$10.1 | \$9.7 | \$10.6 | \$0.9 | 9.6% | \$28.3 | \$18.6 | 193.0% |

¹ The figures for FY2014 are for the Office of Higher Education, which was replaced in FY2015 by the Office of the \$ in millions. Totals may vary due to rounding.

The Office of the Postsecondary Commissioner, formerly the Office of Higher Education, houses the Commissioner of Higher Education, two Associate Commissioners, legal staff, financial and audit support, and several positions supporting specific programs, such as early college access and veterans affairs. The Office provides research, policy, and fiscal analysis, and seeks to ensure that higher education in Rhode Island remains economically and geographically accessible.

The FY2016 Budget as Enacted creates a new Division of Higher Education Assistance (DHEA) within the Office of the Postsecondary Commissioner. The Budget proposal eliminates the Rhode Island Higher Education Assistance Authority and moves its functions to DHEA, transferring \$18.3 million and 10.0 FTE positions (Article 7).

| Office of the Postsecondary Commissioner | General Revenue |
|---|--------------------|
| FY2015 Enacted | \$4,566,270 |
| Target and Other Adjustments | (73,395) |
| Personnel | 1,322,448 |
| FY2016 Enacted | \$5,815,323 |
| Office of the Postsecondary Commissioner | Other Fund Changes |
| Last Dollar Scholarship Program (Federal & Other Funds) | 10,095,000 |
| Prepare RI (Other Funds) | 1,300,000 |
| College Access Challenge Grant (Federal) | (\$676,500) |

Personnel**\$1.3 million**

The FY2016 Budget as Enacted includes \$1.8 million for salaries, wages and fringe benefits for the Commissioner's Office (\$2.8 million all funds). This is an increase of \$1.3 million in general revenue over the FY2015 Budget as Enacted, and \$499,770 more than the FY2015 Revised Budget. The FY2015 Budget as Enacted allowed the new Commissioner to reorganize the Office of the Postsecondary Commissioner (OPC), and the FY2016 funding reflects 2.2 new FTE positions, as well as new functions of the Office, including two new research associate/data analyst IV positions, a Director of PK-20 Affairs, and an assistant commissioner for workforce development, and a communications director.

The Budget also adds 10.0 FTE positions, transferred to the OPC from the Rhode Island Higher Education Assistance Authority (RIHEAA), along with the duties and functions of RIHEAA. The Budget creates a new Division of Higher Education Assistance within the OPC. The FTE transfer is funded by \$911,407 in federal funds generated from Guaranty Agency functions that were formerly performed by RIHEAA that will now transfer to OPC.

Last Dollar Scholarship Program (other funds)**\$10.1 million**

The Budget includes \$10.1 million in needs-based scholarships for students with proven academic achievement but for whom higher education might be otherwise unaffordable. Four million dollars is appropriated from the RIHEAA guaranty agency reserve, and \$6.1 million is appropriated from the tuition savings program. Additionally, Article 7 requires that the lesser of 20.0 percent or \$2.0 million of the appropriation be distributed to qualified students attending participating independent, non-profit higher education institutions in Rhode Island. The remainder of the funds will be limited to public higher education institutions in Rhode Island. Campus financial aid offices will be given the flexibility in awarding these funds so that more students can be funded a meaningful level.

Article 7 also requires the Commission of Postsecondary Education, as part of the budget submission, to include a plan of how the need based scholarship and grant funds will be allocated to each public institution receiving funds. This program replaces the needs-based scholarship program in RIHEAA, which provided need-based funding for Rhode Island students attending out-of-state public and private colleges and universities as well as Rhode Island public and private higher institutions.

Prepare RI (other funds)**\$1.3 million**

The Budget includes \$1.3 million from the tuition savings program for a dual and concurrent enrollment initiative that will allow qualified high school students to earn credits at their high school and credits at state public colleges and universities (URI, CCRI, and RIC) at no cost to the student. Concurrent enrollment is defined as credit hours earned when a high school student is taking a college course for both high school and college credit during the high school day, at the high school. Dual enrollment allows a high school student to be enrolled at a local institution of higher education. If a student passes a college class, the credits received may be applied toward a high school diploma and toward a college degree as well.

College Access Challenge Grant (federal funds)**(\$676,500)**

The Budget includes \$823,500 for the College Access Challenge Grant in FY2016, a decrease of \$676,500 in federal funds from the FY2015 Budget as Enacted, based on available resources and projected expenditures. The grant funds provide professional development for school counselors, college admissions and financial aid administrators to increase postsecondary attainment for more students. This is the final year of funding for this five-year grant.

UNIVERSITY OF RHODE ISLAND

| Expenditures by Source | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | | FY2016 Enacted | Change from Enacted | |
|-------------------------------|--------------------------|---------------------------|---------------------------|--------------------------------|--------------|---------------------------|--------------------------------|--------------|
| General Revenue | \$85.4 | \$91.2 | \$89.1 | (\$2.1) | -2.4% | \$90.6 | (\$0.6) | -0.6% |
| Other Funds | 645.5 | 652.4 | 644.8 | (7.5) | -1.2% | 630.0 | (22.3) | -3.4% |
| Total | \$730.9 | \$743.6 | \$733.9 | (\$9.7) | -1.3% | \$720.7 | (\$22.9) | -3.1% |

\$ 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 |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$91,231,968 |
| <i>Target and Other Adjustments</i> | <i>37,004</i> |
| Debt Service | (2,717,382) |
| Personnel | 1,810,788 |
| Community Service Objective Grants | 281,868 |
| Tuition and Fees | Informational |
| Enrollment | Informational |
| Article 2 - Debt Resolution | Informational |
| College of Engineering | Informational |
| URI/RIC Nursing Education Center | Informational |
| FY2016 Enacted | \$90,644,246 |

Debt Service **(\$2.7 million)**

The FY2016 Budget as Enacted includes \$18.2 million for general obligation debt service funded by general revenue. This is a decrease of \$2.7 million from the FY2015 Budget as Enacted and is a result of refunding of the general obligation bond debt.

Personnel **\$1.8 million**

The FY2016 Budget as Enacted includes an increase of \$1.8 million for personnel costs funded by general revenue. The increase is a result of step increases, faculty promotions, and benefit adjustments, combined with funding anticipating successful contract negotiations with union employees. The Budget does not include any new FTE positions for FY2016.

Community Service Objective Grants **\$281,868**

The FY2016 Budget as Enacted includes \$737,945 for community service objective grants funded by general revenue. This is an increase of \$281,868 from the FY2015 Budget as Enacted. Changes include the following:

Polaris Manufacturing Extension Partnership: The Budget adds \$350,000 to enable Polaris Manufacturing Extension Partnership (Polaris MEP) to improve manufacturing processes for small Rhode Island manufacturers.

Polaris MEP is a statewide nonprofit organization that provides competitive manufacturing business improvement programs to grow RI's manufacturing industry. Polaris MEP is an affiliate of the National Institute of Standards and Technology's Manufacturing Extension Partnership (NIST MEP) and a business unit of the University of Rhode Island Research Foundation. Polaris MEP provides one-on-one consulting, public workshops and in-house training in the following: Strategic Growth, Technology Acceleration, Innovation Engineering, Sustainability, Change Management, Supply Chain, Lean Solutions, ISO/Six Sigma/Quality, Facilities Planning, and Workforce Development.

Senior Standard Medical Information System: The Budget discontinues \$68,132 in funding for Senior Standard Medical Information System, a community service grant received by the University of Rhode Island. Funding was granted to ER Card LLC, which developed an electronic personal health records system to support this program. This company ceased operations in June 2014. The College of Pharmacy, which administered this grant, has determined that there are no other companies that can provide this service.

Tuition and Fees

Informational

The FY2016 Budget includes an increase in tuition for both in-state and out-of-state students, as well as an increase in mandatory fees. This is the first increase in three years as tuition has been frozen at the FY2013 level. Two fees will increase in FY2016: an increase of \$6 in the Student Union Fee and \$4 in the Transportation Fee. Also, the average cost for room and board will increase by \$204 per year. Auxiliary charges, including the Bookstore, Dining Services, Health Services, Housing and Residential Life, and Student Union fees are projected to generate \$88.6 million in revenue in FY2016.

| URI | FY2013 | FY2014 | FY2015 | FY2016 | Change | |
|-----------------------|-------------|-------------|-------------|-------------|-------------|----------|
| | | | | | from FY2015 | % Change |
| In-State Tuition | \$10,878 | \$10,878 | \$10,878 | \$11,128 | \$250 | 2.30% |
| Out-of-State Tuition | 26,444 | 26,444 | 26,444 | 27,118 | 674 | 2.55% |
| Mandatory Fees | 1,572 | 1,572 | 1,628 | 1,734 | 106 | 6.51% |
| Tuition & Fee Revenue | 264,180,165 | 265,448,401 | 268,497,608 | 279,415,003 | 10,917,395 | 4.07% |

Article 1 of the FY2016 Budget as Enacted mandates that the University shall not decrease internal student financial aid in the 2015/2016 academic year below the level of the 2014/2015 academic year. The Budget requires the President of each higher education institution to report to the Chair of the Council of Postsecondary Education, prior to the commencement of the 2015/2016 academic year that the tuition charges and the internal student aid levels have been achieved, as required by the Budget as Enacted.

| | Student Aid/Tuition and Fee Revenue | | | | | | FY2016 | FY2016 |
|-------------------------|-------------------------------------|--------|--------|--------|-----------|-----------|-------------|-------------|
| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | Change from | Change from |
| | | | | | Projected | Projected | FY2011 | FY2015 |
| Student Aid | \$69.2 | \$77.3 | \$83.8 | \$93.0 | \$92.5 | \$95.7 | \$26.5 | \$3.2 |
| Tuition and Fee Revenue | 232.0 | 245.3 | 264.2 | 265.4 | 268.5 | 279.4 | \$47.4 | \$10.9 |
| Student Aid as a % of | | | | | | | | |
| Tuition and Fee Revenue | 29.8% | 31.5% | 31.7% | 35.0% | 34.4% | 34.2% | - | - |

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

Enrollment

Informational

Instate enrollment is projected to be 8,071 full-time equivalent students in FY2016 a decrease of 79 students, or 1.0 percent; while out-of-state students are projected at 6,273 students, an increase of 91

students, or 1.5 percent. As the University has not raised its tuition in the last 3 years, it has recruited more out-of-state students, who pay a higher rate, in an effort to generate more revenue.

| URI | FY2013 | FY2014 | FY2015 | FY2016 | | |
|-------------------------|---------------|---------------|---------------|---------------|-----------|-------------|
| | | | | Projected | Change | % Change |
| Instate | 8,498 | 8,254 | 8,150 | 8,071 | (79) | -1.0% |
| Out-of-State | 5,958 | 6,089 | 6,182 | 6,273 | 91 | 1.5% |
| Total Enrollment | 14,456 | 14,343 | 14,332 | 14,344 | 12 | 0.1% |

Article 2 – Relating to Debt Management Act Joint Resolution

Article 2 serves as a joint resolution required pursuant to RIGL 35-18-1 for the issuance of debt for the infrastructure projects in the district known as “Fraternity Circle” at the University of Rhode Island. The act authorizes the issuance of not more than \$5.1 million in debt to finance improvements to water distribution and storm water management systems, gas, electric and telecommunication infrastructure, and roadways, walkways, and parking lots. Bonds will be financed through the Rhode Island Health and Educational Building Corporation (RIHEBC) with an expected term of 20 years.

Total debt service on the bonds, including principal and interest, is not expected to exceed \$8.1 million, or \$407,000 annually, for debt service at 5.0 percent borrowing rate over a 20-year repayment period. Payments are expected to begin in FY2016. Capital costs for this project are expected to be \$417,790 in FY2016, \$3.8 million in FY2017, and \$906,518 in FY2018.

URI College of Engineering – General Obligation Bond Referendum

Voters approved a general obligation bond referendum in November 2014 for \$125.0 million for a comprehensive overhaul of physical space dedicated to the Engineering programs at URI. Projects include the removal of five URI Engineering buildings (Crawford Hall, Gilbreth Hall, Kelly Hall, Kelly Annex, and Wales Hall), renovation to the Kirk Building, and construction of a new facility adjacent to the remaining buildings (Bliss Hall and Kirk Hall). An RFP for architectural services was posted on April 2, 2015, and proposals are due by April 30. The school anticipates issuing a purchase order by the end of July, 2015.

Rhode Island Nursing Education Center

The FY2015 Budget as Enacted, through Article 4, authorized the Board of Education and the Department of Administration to enter into a multi-year lease with the developer (Commonwealth Ventures of Boston, Massachusetts) of the South Street Landing property (also referred to as the South Street Power Station or Dynamo House) in Providence for use as a Nursing Education Center by the University of Rhode Island (URI) and Rhode Island College (RIC). The lease will run for an initial term of fifteen years, with a two-year extension option, beginning from the date the two schools take possession of their sections of the building. The Budget includes \$10.5 million in Certifications of Participation in FY2016 to support the acquisition of equipment needed to outfit the planned simulation labs.

The project is entering into the construction design document phase. Construction is scheduled to begin in October 2015, with a target completion date of November 2016. The original plan had the school opening in September 2016.

RHODE ISLAND COLLEGE (RIC)

| Expenditures by Source | FY2014 | FY2015 | FY2015 | Change from | | FY2016 | Change from | |
|---------------------------|----------------|----------------|----------------|--------------|-------------|----------------|--------------|-------------|
| | Actual | Enacted | Revised | Enacted | Enacted | Enacted | Enacted | Enacted |
| General Revenue | \$42.5 | \$47.4 | \$46.2 | (\$1.2) | -2.4% | \$50.2 | \$2.8 | 6.0% |
| Other Funds and Transfers | 125.6 | 124.0 | 128.9 | 4.9 | 4.0% | 128.8 | 4.8 | 3.9% |
| Total | \$168.1 | \$171.4 | \$175.1 | \$3.7 | 2.2% | \$179.0 | \$7.7 | 4.5% |

\$ 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 |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$47,361,399 |
| <i>Target and Other Adjustments</i> | |
| Personnel | 1,156,302 |
| Additional Operating Funds | 1,385,310 |
| Tuition and Fees | 300,000 |
| Enrollment | Informational |
| Approved Bond Issues | Informational |
| FY2016 Enacted | \$50,203,011 |

Personnel

\$1.4 million

The Budget includes an increase of \$1.4 million for personnel costs funded by general revenue. The increase is a result of the restoration of unachieved turnover savings combined with funding anticipating successful contract negotiations with union employees. The Budget does not include any new FTE positions for FY2016.

Additional Operating Funds

\$300,000

The Budget includes an increase of \$300,000 in general revenue for Rhode Island College. A three-year tuition freeze, along with stagnant enrollment, has forced the College to reduce its budgeted expenses. The administration has stated that it is finding it difficult to offer comparable salaries to compete with area schools for qualified faculty. These funds will help stabilize the College's budget.

Tuition and Fees

Informational

The FY2016 Budget includes an increase in tuition for both in-state and out-of-state students, as well as an increase in mandatory fees. This is the first increase in three years as tuition has been frozen at the FY2013 level. The Dining Center Fee increases by \$7 per year; and the average cost for room and board will increase by \$310 per year.

| RIC | FY2013 | FY2014 | FY2015 | FY2016 | Change from FY2015 | % Change |
|-----------------------|---------------|---------------|---------------|---------------|-----------------------------------|-----------------|
| In-State Tuition | \$6,530 | \$6,530 | \$6,530 | \$7,118 | \$588 | 9.00% |
| Out-of-State Tuition | 17,228 | 17,228 | 17,228 | 18,779 | 1,551 | 9.00% |
| Mandatory Fees | 1,068 | 1,072 | 1,072 | 1,079 | 7 | 0.65% |
| Tuition & Fee Revenue | 65,553,238 | 66,058,085 | 65,501,907 | 70,265,844 | 4,763,937 | 7.27% |

Article 1 of the FY2016 Budget as Enacted mandates that the College shall not decrease internal student financial aid in the 2015/2016 academic year below the level of the 2014/2015 academic year. The Budget requires the President of each higher education institution to report to the Chair of the Council of Postsecondary Education, prior to the commencement of the 2015/2016 academic year that the tuition charges and the internal student aid levels have been achieved, as required by the Budget as Enacted.

Enrollment**Informational**

Between FY2007 and FY2015, enrollment at RIC has increased by 279.0 FTE students, or 4.4 percent. Growth accelerated in the second half of the decade, peaking in FY2010; however, enrollment has decreased by 404 students, or 5.7 percent, since that time. The following table shows the actual student enrollment, both by headcount and by FTE, from 2007 through 2013, and a projection for 2014 and 2015.

| RIC Student Enrollment, 2007-2016 Projected | | | | | |
|---|--------------|--------------------|--------------|--------------|--|
| Year | Headcount | Headcount % Change | FTE | FTE % Change | |
| 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 | 8,660 | -4.8% | 6,810 | -1.1% | |
| 2014 | 8,507 | -1.8% | 6,825 | 0.2% | |
| 2015 | 8,530 | 0.3% | 6,690 | -2.0% | |
| 2016 Projected | 8,470 | -0.7% | 6,860 | 2.5% | |
| 8-Year Average | 8,804 | -0.2% | 6,845 | 0.6% | |

| RIC | FY2013 | FY2014 | FY2015 | FY2016 | Change | % Change |
|-------------------------|--------------|--------------|--------------|--------------|------------|-------------|
| In state | 6,010 | 5,958 | 5,860 | 6,010 | 150 | 2.6% |
| Out-of-State | 800 | 867 | 830 | 850 | 20 | 2.4% |
| Total Enrollment | 6,810 | 6,825 | 6,690 | 6,860 | 170 | 2.5% |

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 2015, 5860 (87.6 percent) were in-state students while 830 (12.4 percent) were out-of-state students.

Capital Improvement Bond Issue**Informational**

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). 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. It is anticipated that this project will be completed in CY2016.

COMMUNITY COLLEGE OF RHODE ISLAND (CCRI)

| Expenditures by Source | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | | FY2016 Enacted | Change from Enacted | |
|------------------------|------------------|-------------------|-------------------|------------------------|--------------|-------------------|------------------------|-------------|
| General Revenue | \$46.3 | \$47.8 | \$47.5 | (\$0.3) | -0.7% | \$49.6 | \$1.8 | 3.9% |
| Restricted Receipts | 0.6 | 0.6 | 0.6 | - | 0.0% | 0.7 | 0.0 | 1.4% |
| Other Funds | 105.6 | 107.7 | 108.0 | 0.3 | 0.2% | 111.9 | 4.1 | 3.8% |
| Total | \$152.6 | \$156.2 | \$156.1 | (\$0.1) | -0.1% | \$162.2 | \$6.0 | 3.8% |

\$ 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 |
|--|------------------------|
| FY2015 Enacted | \$47,795,274 |
| <i>Target and Other Adjustments</i> | |
| Person | 229,542 |
| Enrollment | 1,617,560 |
| Tuition and Fees | Informational |
| FY2016 Enacted | \$49,642,376 |

Personnel

\$1.6 million

The FY2016 Budget includes an increase of \$1.6 million for personnel costs funded by general revenue. The Budget shifts 5.0 FTE third-party funded positions to non-research positions at CCRI, with the intent to provide FTE positions in general education, without increasing the overall FTE cap. The new positions include 1.0 Clery Compliance Officer FTE position to comply with the Federal Clery Act; 3.0 new Student Development Counselor FTE positions to reduce the ratio of students to student advisors; and 1.0 new Joint Articulation Advisor FTE position to assist students transferring to RIC or URI. The increase reflects the additional positions combined with funding anticipating successful contract negotiations with union employees.

Enrollment

Informational

Between FY2007 and FY2015, enrollment at CCRI increased by 857.0 FTE students, or 8.0 percent. The increase in enrollment over the eight-year period averages 1.1 percent annually (1.4 percent based on actual headcount). The following table shows the actual student enrollment, both by headcount and by FTE, from 2007 through 2015, and a projection for 2016. Enrollment is projected to decrease by 357 full-time equivalent students, or 3.4 percent.

| CCRI Student Enrollment, 2007-2016 Projected | | | | |
|---|------------------|---------------------------|---------------|---------------------|
| Year | Headcount | Headcount % Change | FTE | FTE % Change |
| 2007 | 15,739 | 2.7% | 9,641 | 4.9% |
| 2008 | 16,369 | 4.0% | 10,059 | 4.3% |
| 2009 | 16,810 | 2.7% | 10,330 | 2.7% |
| 2010 | 17,476 | 4.0% | 10,771 | 4.3% |
| 2011 | 17,226 | -1.4% | 10,523 | -2.3% |
| 2012 | 17,541 | 1.8% | 10,591 | 0.6% |
| 2013 | 17,351 | -1.1% | 10,433 | -1.5% |
| 2014 | 17,017 | -1.9% | 10,141 | -2.8% |
| 2015 Projected | 17,543 | 3.1% | 10,498 | 3.5% |
| 2016 Projected | 17,017 | -3.0% | 10,141 | -3.4% |
| 8-Year Average | 17,167 | 1.4% | 10,418 | 1.1% |

Tuition and Fees

Informational

The FY2016 Budget includes an increase in tuition for both in-state and out-of-state students, as well as an increase in mandatory fees. This is the first increase in four years as tuition has been frozen at the

FY2013 level. 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.

| CCRI | FY2013 | FY2014 | FY2015 | FY2016 | Change | |
|-----------------------|------------|------------|------------|------------|----------------|----------|
| | | | | | from FY2015 | % Change |
| In-State Tuition | \$3,624 | \$3,624 | \$3,624 | \$3,950 | \$326 | 9.00% |
| Out-of-State Tuition | 10,256 | 10,256 | 10,256 | 11,180 | 924 | 9.01% |
| Mandatory Fees | 326 | 326 | 326 | 316 | (10) | -3.07% |
| Tuition & Fee Revenue | 54,426,909 | 53,028,803 | 55,101,113 | 58,230,857 | 3,129,744 | 5.68% |

Article 1 of the FY2016 Budget as Enacted mandates that the College shall not decrease internal student financial aid in the 2015/2016 academic year below the level of the 2014/2015 academic year. The Budget requires the President of each higher education institution to report to the Chair of the Council of Postsecondary Education, prior to the commencement of the 2015/2016 academic year that the tuition charges and the internal student aid levels have been achieved, as required by the Budget as Enacted.

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 FY2016.

URI, RIC, CCRI – Asset Protection

Asset Protection projects are budgeted from Rhode Island Capital Plan funds (RICAP) and are used to maintain and repair facilities, including roads, buildings, and infrastructure. The asset protection program includes a number of projects at various facilities, and allows each school to shift funding based on current priorities. The Budget includes a total of \$83.2 million in asset protection funding for URI, RIC, and CCRI from FY2015 to FY2020, including \$13.0 million in FY2016.

University of Rhode Island

Chemistry Building – Fourth Floor Build-Out: This project completes the interior of the fourth floor research areas in the new Center for Chemical and Forensic Sciences. The original \$69.7 million in available funding (including \$61.0 million in general obligation bond funds) for this building is insufficient to complete the fourth floor, including research laboratories, four instructional laboratories, and an air handling unit. The Budget includes \$7.5 million to complete the fourth floor building, including \$4.0 million in RICAP funds in FY2016.

Electrical Utility Substation Replacement: The Budget includes RICAP funding of \$5.8 million in FY2015 and \$1.2 million in FY2016 to replace 2 electric substations and associated switch gear. The substations will receive and distribute power underground versus the current overhead configuration making the new substations more reliable in extreme weather conditions. The new configuration will provide additional capacity, redundancy, and connectivity to existing infrastructure.

Fire Safety and Protection Academic and Administrative Buildings: This project involves the installation of fire-suppressing sprinkler systems, the upgrade/replacement of existing fire alarm systems, and life safety improvements in academic and administrative buildings in order to comply with changes in the State Fire Code. The Budget includes RICAP funding of \$13.2 million through FY2016, which received \$12.5 million in federal American Recovery and Reinvestment Act (ARRA) funding prior to FY2015.

Rhode Island College

Infrastructure Modernization: The Budget includes RICAP funds and College Funds to modernize and replace steam lines, water lines, and the electrical distribution system. Improvements will address issues

of water quality, limit power failures, and eliminate steam plumes throughout the campus. The project expends \$18.5 million in RICAP funds through FY2019.

Energy Performance Contract: The Budget includes \$7.5 million in Certificates of Participation (COPs) from FY2013 through FY2016 and \$400,000 in University Funds through FY2016 for projects related to an Energy Performance Contract with an Energy Service Company (ESCO) to purchase energy saving improvements for buildings and infrastructure.

Community College of Rhode Island

Knight Campus Renewal: The Budget includes a total of \$20.1 million in RICAP funding from FY2015 through FY2020 for the renovation of 280,000 square feet of the 385,000 square-foot Knight Campus Megastructure, including lighting, painting and replacement of carpeting/tile.

Rhode Island State Council on the Arts

| Expenditures by Program | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | | FY2016 Enacted | Change from Enacted | |
|--------------------------------|--------------------------|---------------------------|---------------------------|--------------------------------|-------------|---------------------------|--------------------------------|--------------|
| State Council on the Arts | \$1.4 | \$1.9 | \$1.9 | \$0.1 | 3.1% | \$3.0 | \$1.1 | 58.7% |
| Grants Program | 0.9 | 1.1 | 1.1 | - | 0.0% | 1.1 | 0.0 | 2.8% |
| Total | \$2.3 | \$2.9 | \$3.0 | \$0.1 | 2.0% | \$4.0 | \$1.1 | 38.5% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$1.3 | \$1.5 | \$1.5 | \$0.0 | 0.5% | \$1.9 | \$0.4 | 25.6% |
| Federal Funds | 0.7 | 0.8 | 0.7 | (0.1) | -8.0% | 0.8 | (0.0) | -3.0% |
| Other Funds | 0.3 | 0.6 | 0.7 | 0.1 | 18.0% | 1.4 | 0.8 | 121.1% |
| Total | \$2.3 | \$2.9 | \$3.0 | \$0.1 | 2.0% | \$4.0 | \$1.1 | 38.5% |
| Authorized FTE Levels | 6.0 | 6.0 | 6.0 | - | 0.0% | 8.6 | 2.6 | 43.3% |

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

The Rhode Island State Council on the Arts (RISCA) provides grants, technical assistance and support to arts organizations, schools, community centers, social service organizations, and local governments to bring the arts into the lives of Rhode Islanders. RISCA provides these services through grant making, partnerships, education and technical assistance. RISCA also manages the Art for Public Facilities Program providing art for state buildings.

The Budget authorizes 8.6 FTE for FY2016, an increase of 2.6 FTE positions consistent with transfer of the Film and Television Office to RISCA.

| RI State Council on the Arts | General Revenue |
|--|------------------------|
| FY2015 Enacted | \$1,483,075 |
| <i>Target and Other Adjustments</i> | 54,686 |
| Transfer of the Film and Television Office | 325,291 |
| Percent for the Arts Program | Informational |
| Cultural Arts and the Economy | Informational |
| FY2016 Enacted | \$1,863,052 |

Transfer of the Film and Television Office **\$325,291**

The Budget includes 2.6 FTE positions and \$325,291 in general revenue funding associated with the transfer of the Rhode Island Film and Television Office to RISCA. The office was to have been transferred from the Department of Administration (DOA) to the Office of Commerce in FY2016 in order to better coordinate the efforts of the two entities. The budget, however, transfers the Film and Television Office from DOA to RISCA, where it had been prior to FY2013.

Percent for the Arts Program **Informational**

The Rhode Island State Council on the Arts administers the State's Percent for Public Art Program, which was established in 1987 to expand the public experience of art, foster the development of artists, and create a more humane environment. It also serves to stimulate the state's economy.

In accordance with Rhode Island General Law, at least 1.0 percent of state government capital construction costs are allocated for the acquisition of works of art to be placed in public places. The 1.0 percent is generally spent on the project from which the funds were derived; any amounts not expended by RISCA are retained to provide for the maintenance and restoration of existing works.

The following table shows recently completed, current, and future projects of the program.

| 1% for Public Art Program - 2011 to Present | Location | Project Cost |
|--|-----------------|---------------------|
| <i>Recently Completed Projects (Spent)</i> | | |
| Division of Motor Vehicles | Cranston | \$88,000 |
| Rhode Island School for the Deaf | Providence | 43,000 |
| URI - School of Pharmacy | Kingston | 995,020 |
| Division of Motor Vehicles- Conservation | Cranston | 2,000 |
| <i>Current Projects (Budget)</i> | | |
| Intermodal Station | Warwick | 300,000 |
| Wickford Junction | Wickford | 350,000 |
| URI - Biotechnology and Life Sciences | Kingston | 651,000 |
| Rhode Island College - Art Center | Providence | 170,000 |
| Met School | Providence | 78,000 |
| <i>Future Projects (Budget)</i> | | |
| Eleanor Slater Hospital | Cranston | 370,000 |
| Veterans Home | Bristol | 700,000 |
| Total | | \$3,747,020 |

Cultural Arts and the Economy**Informational**

In November 2014, voters approved a \$30.0 million bond issue to establish the Cultural Arts and the Economy Grant Program. RISCA, in consultation with Commerce Corporation of Rhode Island, administers this new program.

Similar to the State Preservation Grants Program administered by the Historic Preservation and Heritage Commission, this program offers matching grants to public and non-profit historic sites, museums, artistic organizations, performance centers, and cultural art centers for capital preservation and renovation projects.

The Program provides \$23.1 million in 1:1 matching grants to the following non-profit arts organizations for facility improvement, preservation and renovation. The remaining \$6.9 million will be a pool of 1:1 matching funds awarded by RISCA to other non-profit cultural organizations for capital improvements to both owned and leased facilities.

| Cultural Arts and the Economy | Location | Project | Grant |
|--|-----------------|---|---------------|
| Trinity Repertory Company | Providence | Renovate Lederer Theater and Pell Chafee Center | \$4.6 |
| Rhode Island Philharmonic/Music School | E. Providence | Complete Carter Center | 2.4 |
| Newport Performing Arts Center | Newport | Restore Newport Opera House | 4.2 |
| WaterFire Providence | Providence | Develop Warehouse into Multi-use Arts Center | 3.2 |
| Westerly Land Trust/United Theater | Westerly | Restore United Theater | 2.4 |
| Stadium Theater | Woonsocket | Restore Stadium Realty Building | 2.1 |
| AS220 | Providence | Improve Empire St., Performing Arts/Gallery Buildings | 2.1 |
| Chorus of Westerly | Westerly | Renovate Kent Hall | 1.1 |
| 2nd Story Theater | Warren | Renovate Market and Liberty Street Buildings | 1.1 |
| Total Projects | | | \$23.1 |
| Pool fund | | | 6.9 |
| Total | | | \$30.0 |

\$ in millions

RISCA has established rules and regulations for the program and intends to begin disbursement of funds to the named organizations in FY2016. The application period for pool funds will close on October 1, 2015, and awards from this fund will be announced in January 2016. The FY2016 Budget as Enacted includes \$5.0 million for the program.

Rhode Island Atomic Energy Commission

| Expenditures by Program | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | | FY2016 Enacted | Change from Enacted | |
|--------------------------------|--------------------------|---------------------------|---------------------------|--------------------------------|--------------|---------------------------|--------------------------------|-------------|
| Atomic Energy Commission | \$1.1 | \$1.3 | \$1.6 | \$0.3 | 26.3% | \$1.3 | \$0.1 | 5.2% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$0.9 | \$0.9 | \$0.9 | (\$0.0) | -0.6% | \$1.0 | \$0.0 | 4.8% |
| Federal Funds | 0.0 | - | 0.4 | 0.4 | 0.0% | 0.1 | 0.1 | 0.0% |
| Other Funds | 0.3 | 0.4 | 0.3 | (0.0) | -3.3% | 0.3 | (0.0) | -9.1% |
| Total | \$1.1 | \$1.3 | \$1.6 | \$0.3 | 26.3% | \$1.3 | \$0.1 | 5.2% |
| Authorized FTE Levels | 8.6 | 8.6 | 8.6 | - | 0.0% | 8.6 | - | 0.0% |

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

The Rhode Island Atomic Energy Commission (Commission) operates and maintains the Rhode Island Nuclear Science Center (RINSC), which is used for medical, biological, environmental, and materials research, education and commercial activities. The Commission also provides assistance to other state agencies in their radiation and emergency response programs.

RINSC operates a research reactor and provides laboratories and classrooms for research and education programs for the University of Rhode Island as well as for other colleges and universities in the state and throughout New England. In 2010, the University of Rhode Island (URI) began offering a nuclear engineering minor program of study; a new nuclear engineer operating course has been added this year that prepares students for the license exam. The Commission continues its collaboration with schools and universities in the State. Davies High School, Brown University physics classes and URI mechanical design students are among those that have utilized the facility.

MAJOR ISSUES AND TRENDS FOR FY2016

The revised FY2015 budget increases federal funds due to a new United States Department of Energy grant for the purchase of new radiation monitoring instrumentation. There is currently only one monitor in the facility; this grant will fund the replacement of this monitor as well as place additional instruments to monitor the air at different locations around the facility, particularly in locations where experiments with radioactive materials are conducted.

The Commission reports that the IT system upgrades funded by a recent grant through the Nuclear Regulatory Commission's Global Threat Reduction Initiative have been completed. New video security equipment has been installed and the facility has been hardened against threats.

The Commission continues the renewal process for its 20-year licensure from the Nuclear Regulatory Commission (NRC). The Rhode Island Atomic Energy Commission is required to provide assurances to the NRC that it would have adequate resources to operate the facility safely during the renewal period. The Commission's current license remains in effect until the new license is approved. To ensure safety, the NRC inspects the facility twice per year, and it has not identified any significant problems during these inspections. The NRC reports that it plans to have all reactors relicensed by September 2016.

The Budget authorizes 8.6 FTE positions in FY2016 for the program, 2.6 of which are funded through URI for its radiation safety functions and URI funding also covers 40.0 percent of the Commission's overhead costs, including its building maintenance and repair costs.

| Atomic Energy Commission | General Revenue |
|---|------------------------|
| FY2015 Enacted | \$913,197 |
| <i>Target adjustments and statewide changes</i> | 43,973 |
| FY2016 Enacted | \$957,170 |

CAPITAL PROJECTS

The Budget proposes a total of \$50,000 in RICAP-funded asset protection projects for FY2016. Projects include driveway and landscaping improvements in order to assure access to the cooling towers and emergency generator propane tanks. The Commission also plans to install a gravity-fed sewer system and refurbish basement laboratories.

The FY2015 Budget as Enacted included a one-time RICAP appropriation of \$83,040 for FY2015 to upgrade the facility IT network to a secure system and to increase bandwidth to accommodate significantly increased data transfer. This work has been completed and the FY2016 budget removes this funding.

Rhode Island Historical Preservation and Heritage Commission

| Expenditures by Program | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | | FY2016 Enacted | Change from Enacted | |
|---|--------------------------|---------------------------|---------------------------|--------------------------------|-------------|---------------------------|--------------------------------|---------------|
| Historical Preservation & Heritage Commission | \$2.0 | \$5.9 | \$6.1 | \$0.2 | 3.0% | \$4.0 | (\$2.0) | -33.1% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$1.3 | \$1.3 | \$1.2 | (\$0.1) | -8.7% | \$1.4 | \$0.1 | 4.6% |
| Federal Funds | 0.5 | 2.2 | 2.3 | 0.1 | 3.5% | 2.1 | (0.1) | -5.0% |
| Restricted Receipts | 0.0 | 0.4 | 0.4 | (0.0) | -1.4% | 0.4 | (0.0) | -1.4% |
| Other Funds | 0.1 | 2.0 | 2.2 | 0.2 | 11.1% | 0.1 | (1.9) | -96.4% |
| Total | \$2.0 | \$5.9 | \$6.1 | \$0.2 | 3.0% | \$4.0 | (\$2.0) | -33.1% |
| Authorized FTE Levels | 16.6 | 16.6 | 16.6 | - | 0.0% | 16.6 | - | 0.0% |

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

The Rhode Island Historical Preservation and Heritage Commission (Commission) operates a statewide historical preservation program that identifies and protects historic buildings, districts, structures, and archaeological sites. The Commission also develops and carries out programs to document and celebrate the rich cultural heritage of Rhode Island's people. Through a site manager, the Commission administers the Eisenhower House at Fort Adams State Park in Newport as a venue for events and social functions.

The Budget authorizes 16.6 FTE positions for FY2016, consistent with the enacted level.

| Historical Preservation and Heritage Commission | General Revenue |
|--|------------------------|
| FY2015 Enacted | \$1,320,610 |
| <i>Target and Other Adjustments</i> | <i>60,362</i> |
| Hurricane Sandy Disaster Relief Federal Grant | Informational |
| FY2016 Enacted | \$1,380,972 |

Hurricane Sandy Disaster Relief Federal Grant **Informational**

The Budget includes \$1.4 million in federal funds from the Hurricane Sandy Disaster Relief Grant. As part of the Disaster Relief Appropriations Act of 2013, the National Park Service allocated \$50.0 million for the preservation of historic resources damaged by Hurricane Sandy. Rhode Island is one of twelve states that received a major disaster declaration pursuant to the Stafford Act and is eligible for this grant.

The Commission has awarded a total of \$2.5 million, with the majority of the funding budgeted in FY2015 and FY2016 with final completion scheduled for FY2017. Grants will fund repairs to the Watch Hill Lighthouse (\$447,500), Rose Island Lighthouse (\$103,500), the Cliff Walk (\$254,118), as well as funding surveys of archaeological sites on Block Island (\$581,000) and the coasts of Narragansett, Charlestown, and Westerly (\$477,847).

These grants were awarded based the following criteria:

- Historic and architectural significance
- Severity and nature of damage to the historic property
- Ability of the project to repair storm damage
- Project cost in relation to public benefit

CAPITAL PROJECTS

The capital budget reflects the completion of renovations to the Eisenhower House. Renovations began in early 2014 and are now complete. The facility is reopened for events as of June 13, 2015. Project costs total \$2.4 million, including \$2.2 million in the FY2015 Budget as Enacted.

The Eisenhower House, built in 1873 as the official residence of the U.S. Navy Commandant of the Newport Naval Base and later used as the summer residence of President Dwight D. Eisenhower, is located in Fort Adams State Park, Newport. The facility is operated by the State and rented out as an event facility.

Department of the Attorney General

| Expenditures by Program | FY2014 | FY2015 | FY2015 | Change from | | FY2016 | Change from | |
|-----------------------------------|---------------|---------------|---------------|--------------|-------------|---------------|----------------|--------------|
| | Actual | Enacted | Revised | Enacted | | Enacted | Enacted | |
| General Division | \$2.9 | \$1.5 | \$1.4 | (\$0.0) | -1.0% | \$1.6 | \$0.0 | 3.2% |
| Criminal Division | 21.3 | 5.7 | 6.2 | 2.9 | 11.1% | 6.2 | 0.4 | 7.8% |
| Civil Division | 5.5 | 26.4 | 29.4 | 0.5 | 7.9% | 23.1 | (3.3) | -12.6% |
| Bureau of Criminal Identification | 1.4 | 3.1 | 3.0 | 0.0 | 2.2% | 3.2 | 0.1 | 2.6% |
| Total | \$31.0 | \$36.8 | \$40.0 | \$3.4 | 9.2% | \$34.0 | (\$2.8) | -7.5% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$23.2 | \$23.6 | \$24.4 | \$0.9 | 4.0% | \$25.2 | \$1.6 | 6.7% |
| Federal Funds | 1.6 | 1.6 | 2.7 | 1.0 | 63.9% | 1.3 | (0.3) | -21.0% |
| Restricted Receipts | 5.9 | 11.2 | 12.7 | 1.5 | 12.9% | 7.3 | (4.0) | -35.6% |
| Other Funds | 0.2 | 0.3 | 0.3 | (0.1) | -16.7% | 0.3 | - | 0.0% |
| Total | \$31.0 | \$36.8 | \$40.0 | \$3.4 | 9.2% | \$34.0 | (\$2.8) | -7.5% |
| Authorized FTE Level | 233.1 | 236.1 | 236.1 | - | 0.0% | 236.1 | - | 0.0% |

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

The Department of the Attorney General is the central legal agency of the State. The Department is responsible for the prosecution of all felony criminal cases and misdemeanor appeals as well as prosecution of misdemeanor cases brought by state law enforcement in the various district courts. Additionally, as chief legal officer of the state, the Attorney General acts to protect consumers against fraudulent business practices; investigates Opens Meetings Act and Access to Public Records compliance; and, acts as the central repository for criminal history and information in the State. The Department is divided into four budget programs: Criminal, Civil, General, and Bureau of Criminal Identification. The Budget includes 236.1 FTE positions in FY2015 and FY2016, consistent with the FY2015 Budget as Enacted.

MAJOR ISSUES AND TRENDS FOR FY2016

The Budget includes \$34.0 million in total funding for the Department, a decrease of \$2.8 million from the FY2015 Budget as Enacted, primarily due to a \$4.0 million decrease in restricted receipts. General revenues increase by \$1.6 million, or 6.7 percent from the FY2015 Budget as Enacted, to \$25.2 million. Approximately \$300,000 of this increase is due to ongoing litigation relating to both the tobacco litigation and 2011 pension reform court case. A potential settlement agreement was reached on April 2, 2015, regarding the 2011 pension changes. It would affect almost 59,000 past and present state and municipal workers. Three municipal police and fire unions are likely to continue the litigation. Future legal costs related to the pension case are unknown at this time; however, \$250,000 is included for FY2016.

The Budget includes \$6.0 million in restricted receipts relating to Google forfeiture funds: \$5.0 million supports the renovation of the Gloria McDonald building at the Pastore Center. This building will house certain divisions of the department, including the Bureau of Criminal Identification (BCI). The building requires significant renovations which will be funded solely through Google forfeiture funds. The \$1.0 million balance is intended to finance redesign and renovation of office space in the Attorney General's main headquarters building at 150 South Main Street in Providence. This project will include addition of interior office space and HVAC projects.

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 21.6 FTE positions in FY2015 and FY2016 for the program, consistent with the enacted level.

| General Division | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$2,773,613 |
| <i>Target and Other Adjustments</i> | <i>81,398</i> |
| FY2016 Enacted | \$2,855,011 |

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 148.1 FTE positions in FY2015 and FY2016 for the program, consistent with the FY2015 Budget as Enacted.

| Criminal Division | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$14,475,192 |
| <i>Target and Other Adjustments</i> | <i>695,900</i> |
| Personnel Funding Shift | 163,177 |
| Witness Protection Services | 126,772 |
| FY2016 Enacted | \$15,461,041 |

| Criminal Division | Other Fund Changes |
|--------------------------|---------------------------|
| Google Forfeiture Funds | (\$4,000,000) |

Personnel Funding Shift **\$163,177**

The Budget includes an increase of \$163,177 in general revenue for personnel expenditures that were previously funded by the following federal grants: Victims of Crime, Violence Against Women, Community Prosecutor, Drug Court, Traffic Resource Prosecutor, Grants to Encourage Arrest Policies, and Social Security Investigations.

Witness Protection Services **\$126,772**

The Budget increases general revenue by \$126,772 in operating expenses primarily due unexpected responsibilities for witness protection services based on actual amounts spent to date in FY2015. Expenditures for this program are unpredictable and financing must be sufficient to provide witness protection services as necessary. Expenses incurred in this program are used to get witnesses to safety and may include housing expenses, cell phone costs, or money while in protection, dependent on the level of risk to the person's safety.

Google Forfeiture Funds (restricted receipts) **(\$4.0 million)**

The Budget includes \$6.0 million in restricted receipts relating to Google forfeiture funds, a decrease of \$4.0 million compared to the FY2015 enacted level. In FY2016, \$5.0 million will support the renovation of the Gloria McDonald building at the Pastore Center. This building will house certain divisions of the department, including the Bureau of Criminal Identification (BCI). The building requires significant

renovations which will be funded solely through Google forfeiture funds. The \$1.0 million balance is intended to finance redesign and renovation of office space in the Attorney General's main headquarters building at 150 South Main Street in Providence. This project will include addition of interior office space and HVAC projects. The table below outlines expenditures of these funds to date.

| Google Funds Expenditures | | | |
|-------------------------------------|-----------------|--------------------|---------------------|
| Item | FY2013 | FY2014 | FY2015 |
| Building Maintenance and Repairs | - | \$1,118,978 | \$1,867,151 |
| Vehicles | 53,769 | - | - |
| Building Acquisition | - | 3,400,000 | - |
| IT System Design | - | 574,205 | 1,301,371 |
| General Operating Expenses | 4,600 | 40,994 | 731,679 |
| Total | \$58,369 | \$5,134,177 | \$3,900,201 |
| Balance Remaining from Award | | | \$50,907,253 |

Analyst Note: The highest ranking department official, in this case, the Attorney General, has sole authority to make spending requests to the Department of Justice for use of Google forfeiture funds. The state budget serves only as a planning tool for monitoring these expenditures. In FY2015, the Budget assumed \$10.0 million would be spent; however, the Attorney General spent less than \$4.0 million of the amount authorized by the Budget.

The Criminal Division of the Office assisted in an investigation of the AdWords program of Google, Inc., which Canadian pharmacies used to advertise importation of illegal prescription drugs to U.S. consumers. In FY2012, the Department of Attorney General received \$60.0 million from the United States Department of Justice (DOJ) as part of the Google Forfeiture Settlement. Funds from this settlement may only be used by law enforcement agencies for law enforcement purposes and may not be used to replace funds that have already been appropriated. All projects must be approved by the DOJ.

CIVIL DIVISION

The Civil Division is charged with conducting the State's legal affairs and representing the State in legal proceedings. By law, the Attorney General initiates and defends actions in state and federal courts whenever warranted; ensures that representation is provided to state officers, employees, and agencies in all courts; advises state officers and agencies on legal issues; and issues written opinions on legal issues when requested by governmental officers.

The Budget provides 45.0 FTE positions in FY2015 and FY2016 for the program, consistent with the FY2015 Budget as Enacted.

| Civil Division | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$4,816,217 |
| <i>Target and Other Adjustments</i> | <i>179,779</i> |
| Pension Litigation | 250,000 |
| Tobacco Litigation | 40,000 |
| FY2016 Enacted | \$5,285,996 |

Pension Litigation **\$250,000**

The Budget increases general revenue funding by \$250,000 to support the State's role in the pension litigation. This amount is based on past expenditures which were funded through a discretionary account in the Governor's office under the previous administration. The Governor's office remains responsible for the portion of the cost to litigate the case which challenges the constitutionality of the 2011 reforms. The Attorney General is handling the logistics and trial evidence portions for e-discovery (review of information for the case) and depositions jointly with the Treasurer. This funding is also included in the

FY2015 revised budget as the previous Governor was funding these expenses through the Governor's Office Contingency Fund.

Analyst's Note: A settlement agreement was reached on April 2, 2015, regarding the 2011 pension changes. It would affect almost 59,000 past and present state and municipal workers. Three municipal police and fire unions are likely to continue the litigation. The financial requirements of future litigation are unclear.

Tobacco Litigation

\$40,000

The Budget increases by \$40,000 in general revenue from the enacted level for expenses relating to the National Association of Attorney General (NAAG) – Tobacco Litigation.

In 1998, the State, along with 45 others, participated in a Master Settlement Agreement (MSA) with participating tobacco manufacturers. Under the MSA, participating states are entitled to annual payments from manufacturers. Participating manufacturers claim that many states are not fully complying with the terms of the MSA, and as a result, the manufacturers are making legal claims that future annual payments should be reduced. Rhode Island, as a participating state in NAAG, is required to provide legal counsel and/or resources for the legal proceedings, which have gone to arbitration.

BUREAU OF CRIMINAL IDENTIFICATION

The Bureau of Criminal Identification (BCI) is the state entity charged with maintaining criminal history information for crimes committed in Rhode Island. The BCI responds to criminal history records requests, analyzes and records fingerprint information, maintains pistol permits, issues security guard licenses, and conducts employee background checks. The BCI is open 24-hours per day, 7-days per week to respond to requests from law enforcement agencies throughout the country.

The Budget includes 19.0 FTE positions in FY2015 and FY2016 for the program, consistent with the enacted level.

| Bureau of Criminal Identification | General Revenue |
|--|------------------------|
| FY2015 Enacted | \$1,542,124 |
| <hr/> | |
| <i>Target and Other Adjustments</i> | <i>49,038</i> |
| FY2016 Enacted | \$1,591,162 |

CAPITAL PROJECTS

The Budget includes Rhode Island Capital Plan (RICAP) funding of \$300,000 in FY2016 for renovations on the Attorney General's main office building at 150 South Main Street, including HVAC upgrades, repointing/limestone repairs on the building exterior, new piping infrastructure due to leakages, electrical wiring upgrades, roof replacement, and renovations to preserve the cupola on the top of the building. The project totals \$3.8 million in RICAP funds through FY2020.

Additionally, the Budget includes \$6.0 million in restricted receipts relating to Google forfeiture funds: \$5.0 million supports the renovation of the Gloria McDonald building at the Pastore Center. This building will house certain divisions of the department, including the Bureau of Criminal Identification (BCI). The building requires significant renovations which will be funded solely through Google forfeiture funds. The \$1.0 million balance is intended to finance redesign and renovation of office space in the Attorney General's main headquarters building at 150 South Main Street in Providence. This project will include addition of interior office space and HVAC projects.

Department of Corrections

| Expenditures by Program | FY2014 | FY2015 | FY2015 | Change from | | FY2016 | Change from | |
|------------------------------------|----------------|----------------|----------------|--------------|-------------|----------------|--------------|-------------|
| | Actual | Enacted | Revised | Enacted | | Enacted | Enacted | |
| Central Management | \$8.2 | \$9.5 | \$9.8 | \$0.3 | 3.0% | \$9.1 | (\$0.1) | -1.1% |
| Community Corrections | 15.1 | 15.1 | 15.0 | (0.1) | -0.7% | 16.0 | 0.9 | 6.0% |
| Custody and Security | 121.3 | 119.6 | 125.3 | 5.8 | 4.8% | 127.6 | 7.6 | 6.3% |
| Healthcare Svcs | 19.2 | 18.9 | 21.0 | 2.0 | 10.8% | 20.8 | 1.9 | 9.8% |
| Institutional Based Rehab/Pop Mgmt | 9.7 | 9.6 | 10.2 | 0.6 | 5.9% | 10.1 | 0.5 | 5.0% |
| Institutional Support | 21.1 | 35.3 | 30.7 | (4.5) | -12.9% | 26.0 | (7.5) | -21.4% |
| Parole Board | 1.2 | 1.3 | 1.3 | 0.0 | 2.7% | 1.4 | 0.1 | 5.3% |
| Total | \$195.8 | \$209.3 | \$213.3 | \$4.0 | 1.9% | \$211.0 | \$3.2 | 0.8% |

| Expenditures by Source | | | | | | | | |
|------------------------|----------------|----------------|----------------|--------------|-------------|----------------|--------------|-------------|
| General Revenue | \$188.2 | \$187.7 | \$196.3 | \$8.5 | 4.5% | \$200.2 | \$12.3 | 6.6% |
| Federal Funds | 1.8 | 1.7 | 2.0 | 0.4 | 21.4% | 1.3 | (0.3) | -19.2% |
| Restricted Receipts | 0.1 | 0.4 | 0.4 | 0.0 | 1.4% | 0.0 | (0.4) | -88.2% |
| Other Funds | 5.8 | 19.5 | 7.9 | (4.9) | -24.9% | 9.4 | (8.4) | -43.1% |
| Total | \$195.8 | \$209.3 | \$206.5 | \$4.0 | 1.9% | \$211.0 | \$3.2 | 0.8% |

| | | | | | | | | |
|-----------------------|---------|---------|---------|---|------|---------|---|------|
| Authorized FTE Levels | 1,419.0 | 1,419.0 | 1,419.0 | - | 0.0% | 1,419.0 | - | 0.0% |
|-----------------------|---------|---------|---------|---|------|---------|---|------|

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

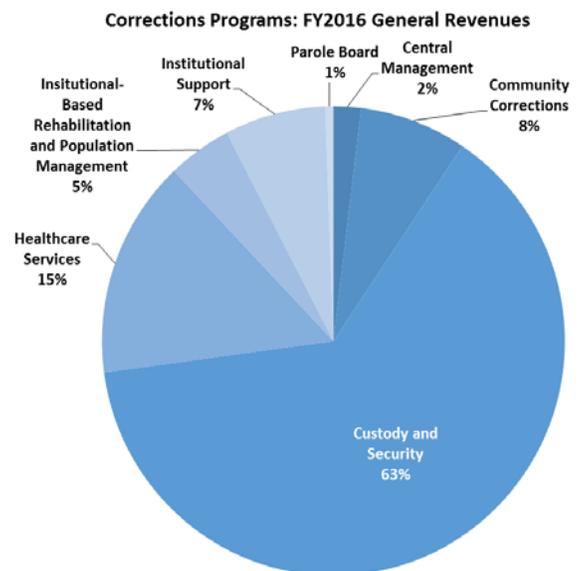
The Rhode Island Department of Corrections (DOC) provides appropriate, safe, secure, and humane control of offenders, while actively assisting and encouraging offenders to become productive and law-abiding members of the community. Additionally, the Rhode Island State Parole Board is budgeted as a unit of the Department, but has independent programmatic decision-making authority. Collectively known as the Adult Correctional Institutions (ACI), there are seven separate occupied facilities, which have a total current capacity of 3,774 beds. Through March 2015, the Department has averaged 3,186 inmates (79.9 percent of capacity) housed at the ACI for the fiscal year, including 3,049 men, and 137 women. The Department also provides supervision of offenders in the community (home confinement, probation, and parole).

MAJOR ISSUES AND TRENDS FOR FY2016

The Budget includes \$211.0 million in total expenditures for FY2016; including \$200.2 million in general revenue, an increase of \$12.3 million over the FY2015 enacted level, primarily due to \$5.2 million for the estimated 2.0 percent cost-of-living adjustment that all members of the Rhode Island Brotherhood of Correctional Officers (RIBCO) will receive once a contract has been finalized.

The Budget includes \$809,602 in general revenue to fund a correctional officer training class in FY2016, despite an ongoing U.S. Department of Justice lawsuit over bias in testing materials used by DOC. The normally annual training class is not funded in FY2015 as a result of the lawsuit; however, \$104,000 is included to fund recruitment outreach for the FY2016 class.

The FY2016 Budget for the Department of Corrections is based on an average daily population of 3,292; an increase of 122 inmates (3.8 percent) from the FY2015 level of 3,170.



CENTRAL MANAGEMENT

The Central Management program houses the administrative functions of the Department, including human resources, management, legal, financial, and physical plant responsibilities. Beginning in FY2013, the program includes Inmate Accounts and Central Distribution Center internal service funds. The Budget includes 75.0 FTE positions in FY2015 and FY2016, consistent with the FY2015 Budget as Enacted.

Central Distribution Center services are provided to all state departments and agencies. The operational cost of the program is shown on a centralized basis for informational purposes (internal service funding), but the actual costs are reflected in the operating budgets of user agencies.

| Central Management | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$9,070,974 |
| <i>Target and Other Adjustments</i> | |
| Correctional Officer Training Class | (436,614) |
| Turnover | 809,602 |
| Capital and Operating Expenses | (350,000) |
| Electronic Medical Records | (135,126) |
| Employee Time Tracker Project | 100,000 |
| FY2016 Enacted | \$8,958,836 |

Correctional Officer Training Class**\$809,602**

The Budget includes \$809,602 in general revenue funding for a training class of approximately 40 Correctional Officers in FY2016. The FY2015 revised budget does not include a training class due to the ongoing U.S. Department of Justice lawsuit over bias in testing materials used by DOC; in preparation of the FY2016 class, recruitment activities (marketing and advertising) will continue in FY2015.

The Department normally conducts training classes on an annual basis due to high turnover rates for Correctional Officers (COs). The average vacancy rate is 3 to 4 COs per month, amounting to 29 to 36 vacancies per year. The Department does not have a target staffing level or minimum roster because needs change on a daily basis based on population and security issues within specific facilities; however, classes are conducted annually to ensure the Department has trained COs available to adapt to changes in staffing requirements. Without a sufficient number of trained COs, current COs must fill shift needs, increasing overtime costs to the Department.

Analyst's Note: On February 10, 2014, the U.S. Department of Justice (DOJ) filed a lawsuit alleging that the Department engages in recruiting practices that adversely affect minority candidates. The DOJ's complaint states that the manner in which the DOC uses the written and video examinations as part of the hiring process for entry level Correctional Officers violates Title VII of the Civil Rights Act of 1964 (Title VII) because such use is not "job related or consistent with business necessity," as the law requires, and does not validly enable the employer to identify those applicants who are qualified for entry-level CO positions at RIDOC.

The lawsuit seeks damages that include job offers, back pay and retroactive seniority. The Department has sought the help of six private consultant firms, selected by the Attorney General's office, to review and analyze testing procedures and documents for the written and oral testing phases of the Department's Training Academy procedures and to provide methodology relating to such procedures. The Department is in the early stages of litigation and there is no timeline for closure of the issue. According to the Department, it is unlikely the FY2016 class will be held if the case is still pending.

Turnover**(\$350,000)**

The Budget reduces general revenue by \$350,000 for personnel savings in the Central Management program.

Capital and Operating Expenses **(\$135,126)**

The Budget reduces expenses for office supplies and computer maintenance in the Central Management program by \$135,126 based on FY2014 actual expenditures.

Electronic Medical Records **\$100,000**

The Budget includes \$100,000 for required system upgrades, and software maintenance and licensing agreements for the electronic medical records (EMR) system. In FY2009, the Department implemented a program to establish an EMR project that would allow simpler and quicker billing of inmate medical costs to Medicaid and Medicare.

Employee Time Tracker Project **(\$100,000)**

The Budget reduces funding for development of the time tracker system by \$100,000, leaving \$250,000 in general revenue. The original cost of \$350,000 was based on potential vendor estimates; however, the Department is now working with the Office of Digital Excellence (ODE) to develop a request for proposals (RFP). ODE has not provided a status update on the RFP, a timeline for completion of the project, and no funds have been spent to date.

The time tracker will replace the current Oracle-based time-keeping system for 1,500 employees, instead providing a time card entry system in up to 25 locations based on a biometric (fingerprint) system that eliminates data entry. The system would track all hours including overtime, leave hours, and exception hours.

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 130.0 FTE positions in FY2015 and FY2016 for the program, and increase of 1.0 FTE from the FY2015 Budget as Enacted.

| Community Corrections | General Revenue |
|--|------------------------|
| FY2015 Enacted | \$15,035,529 |
| <i>Target and Other Adjustments</i> | <i>(90,913)</i> |
| Personnel | 926,155 |
| Assistant Probation and Parole Administrator | 87,066 |
| Community Corrections Population | Informational |
| Probation Office Space | Informational |
| FY2016 Enacted | \$15,957,837 |

Personnel **\$926,155**

The Budget includes an increase of \$926,155 in general revenue funding for estimated cost-of-living adjustments for the anticipated salary and benefits increase that all members of the Rhode Island Brotherhood of Correctional Officers will receive once a contract has been finalized. The increase includes \$460,433 in FY2015, which also includes back pay for FY2014, and \$157,938 in FY2016 and is consistent with the cost-of-living adjustments other state employees recently received; benefits total

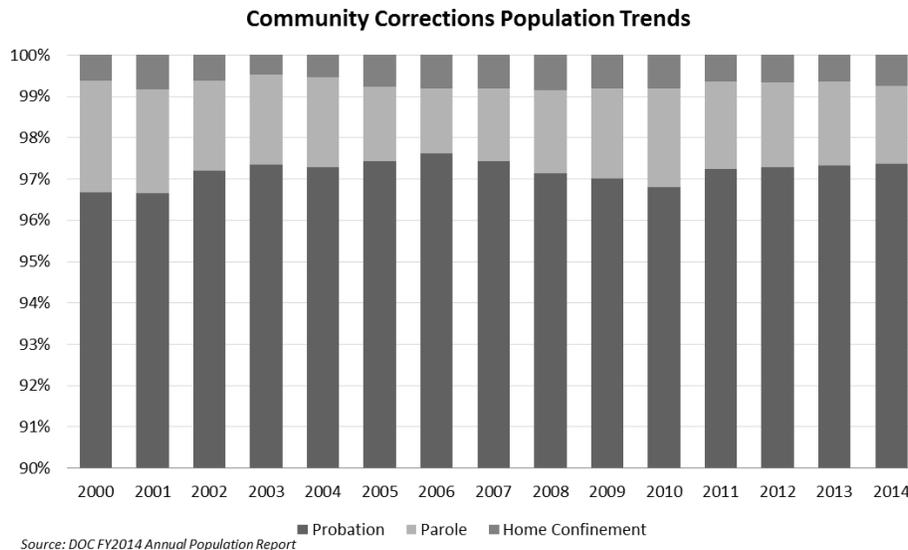
\$307,784. These costs will not accrue back prior to FY2016. RIBCO is currently in contract negotiations with the State.

Assistant Probation and Parole Administrator \$87,066

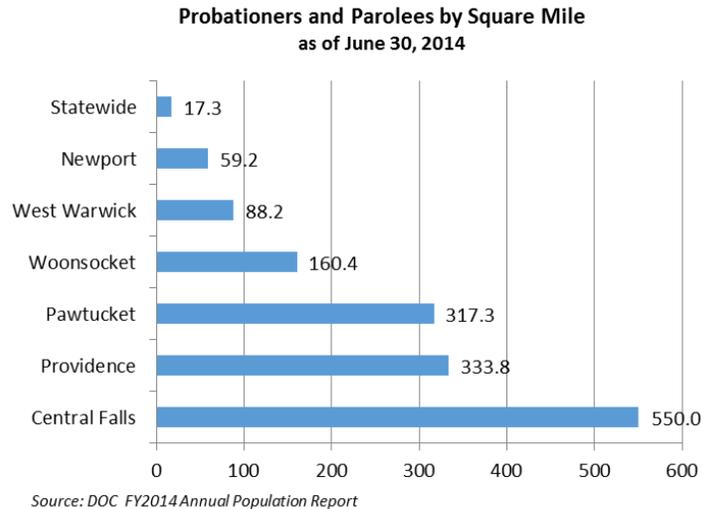
The Budget includes \$87,066 for 1.0 Assistant Probation and Parole Administrator position. This position is responsible for planning, coordinating, and directing the statewide probation and parole services. Additionally, this position has special responsibility for the direction of the State Family Court probation and parole services in case of the absence of the Administrator.

Community Corrections Population Informational

While representing only 7.5 percent of the Department’s general revenue budget for FY2016, Community Corrections serves the largest number of individuals. In FY2014, the program served 24,174 cases, representing a 4.9 percent increase from FY2000. Based on Department of Corrections’ statistics, 1 out of every 46 adult residents in the State is on probation or parole. This equates to 1 of every 22 men and 1 of every 141 women.



The number of cases in the State’s urban areas is substantially higher than the statewide average. The Department reports that 43.0 percent of the population under the supervision of the Community Corrections program lives in Providence or Pawtucket. Statewide there are an average of 17.3 probationers and parolees per square mile. This increases to as high as 550.0 probationers and parolees per square mile in the City of Central Falls.



Probation Office Space

Informational

During FY2014, the Probation and Parole Office was housed at the Urban League, at 246 Prairie Avenue, Providence, owned by the Urban League. After the lease expired, the DOC issued an RFP for a new space as the Urban League building was deemed inadequate due to building conditions. At the time, DOC was paying for janitorial staff to maintain work conditions and deducting these expenses from the rent owed until a suitable space was found in the Pinel Building. The Probation and Parole Office currently occupies space at the State-owned Pinel Building on the Pastore campus in Cranston. The DOC has expressed concern about these offices not being in a more centralized, urban location; however, there are no plans to move as of the date of this publication. No funding for new leased space is included in the Budget.

CUSTODY AND SECURITY

The Custody and Security program is responsible for the secure custody and control of the State's inmate population to ensure the safety of staff, inmates, and the general public. The program represents the core of what currently falls under the Institutional Corrections program. The program manages six correctional institutions and one jail complex, all located in Cranston at the Pastore Center. Men's facilities include High Security, Maximum Security, the John J. Moran and Donald Price Medium Security (currently closed) facilities, Minimum Security, and the Intake Center. Women are housed in the Gloria McDonald and Bernadette Guay facilities. The Budget provides a staffing level of 990.0 FTE positions in FY2015 and FY2016 for the program, consistent with the FY2015 Budget as Enacted.

| Custody and Security | General Revenue |
|--|------------------------|
| FY2015 Enacted | \$118,747,911 |
| <i>Target and Other Adjustments</i> | <i>843,369</i> |
| Personnel | 5,185,726 |
| Overtime - Correctional Officers | 2,462,540 |
| Overtime - Capital Project Supervisors | (406,789) |
| SCAAP Adjustment | 238,727 |
| Inmate Population | Informational |
| FY2016 Enacted | \$127,071,484 |

Personnel

\$5.2 million

The Budget includes an increase of \$5.2 million in general revenue funding for estimated cost-of-living adjustments for the anticipated salary increase that all members of the Rhode Island Brotherhood of Correctional Officers will receive once a contract has been finalized. The assumed increase includes \$3.5

million for COLA increases (which also includes back pay for FY2014) and \$1.7 million for benefits. The salary increase is consistent with the cost of living adjustments other state employees recently received. RIBCO is currently in contract negotiations with the State.

Overtime – Correctional Officers

\$2.5 million

The Budget includes \$2.5 million in additional general revenue for costs associated with Correctional Officer (CO) overtime. Overtime hours continue to exceed the budgeted cap of 16,097 hours per pay period, by 2,963 hours or 19,060 hours per pay period. This is in part due to the reopening of housing modules, attrition of 23.0 vacant CO positions, supervision of inmate construction crews on various capital projects, and the delay in the Correctional Officer training class to FY2016. According to the National Institute of Corrections, the current filled FTE level is inadequate to cover authorized posts, which increases the Department's reliance on overtime staff.

Overtime – Capital Project Supervisors

(\$406,789)

The Budget reduces general revenue by \$406,789 for Correctional Officer overtime funding, with the intent that overtime costs associated with supervising inmate work crews and outside contractors be transferred to Rhode Island Capital Plan (RICAP) financing. Personnel and capital costs directly related to project construction at secure facilities are considered a capital expenditure by the Department and RICAP funds may be used. These costs are already included in the RFP process for new DOC capital projects.

SCAAP Adjustment

\$238,727

The State receives funding from the federal Department of Justice to help offset costs associated with housing undocumented aliens who have committed crimes in the State. Funding for State Criminal Alien Assistance Program (SCAAP), which was created in 1990, offsets general revenue personnel costs for providing services while detainees are incarcerated. The Department reports the number of inmates who meet federal eligibility standards under SCAAP. These include “undocumented criminal aliens who have at least one felony or two misdemeanor convictions for violations of state or local law, and who are incarcerated for at least 4 consecutive days during the reporting period.” The final award to the State is based on actual inmate levels as compared to other states during a determined reporting period.

The 2014 application contained identifying information for 679 individuals. The federal government then determines the number of inmates eligible for reimbursement and issues funding to the State. Of note, the State is never notified of the number of inmates qualifying under SCAAP. The Department of Justice calculates and issues payments to states based on the amount of federal funding available.

The Budget includes \$810,713 in FY2015 and \$571,986 in FY2016 in federal funds to finance personnel, adult inmate education, and other counseling and reentry services for undocumented immigrants. The FY2016 Budget includes a \$238,727 increase in general revenue costs (\$810,713 all funds) to offset the reduction in federal funding.

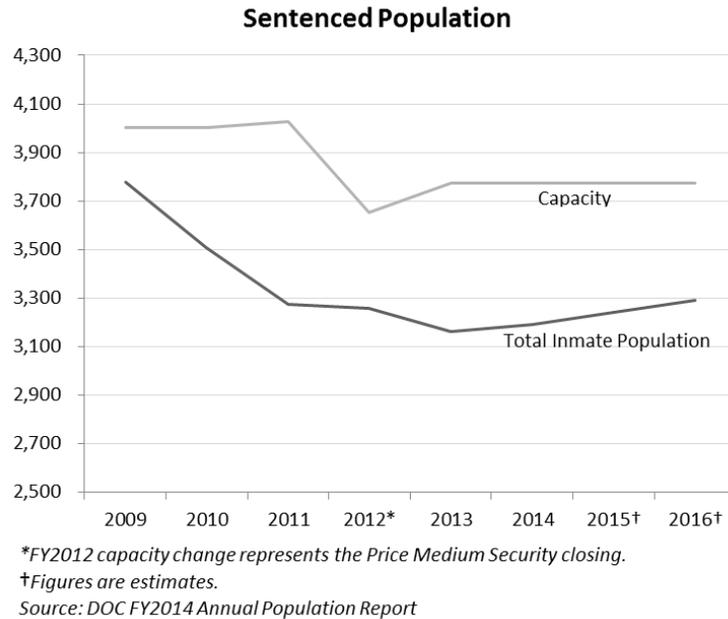
Inmate Population

Informational

The Department's budget is largely influenced by the number of inmates in its custody at any given time. As the Department does not control the number of inmates entering or leaving its care, its budget is in large part a reflection of overall judicial and prosecutorial policies in the State. Factors may include legislative mandates requiring minimum sentences, variances in sentencing policies based on the judges, and/or prosecution or defense counsel involved in cases.

The Department of Corrections' budget was based on an average daily population of 3,192 for the FY2015 revised budget, an increase of 69 inmates (2.2 percent) from the FY2015 enacted level of 3,170. For FY2016, the Department estimates a population of 3,292, an increase of 122 inmates (3.8 percent) from the FY2015 Budget as Enacted.

Population Reduction Initiatives: The average monthly census for incarcerated individuals has decreased by 18.4 percent since September 2007, when the monthly average population reached a high point of 3,937. In FY2014, the continuous decline experienced since 2007 ended as totals increased by 53 inmates over the eleven month period from July to May. The Department projects an inmate population of 3,239 in FY2015, an increase of 69, or 2.2 percent, from the enacted level of 3,170. In FY2016, the estimate is 3,292, an increase of 122, or 3.8 percent, from the enacted level.



Three initiatives implemented in FY2008 aided in the reduction of the inmate population since the peak in September 2007.

- The Public Defender's Defender Advocacy Program increases the use of alternatives to sentencing, including drug and alcohol treatment, counseling, and probation and/or parole, in lieu of prison time. A significant number of violators are in non-compliance with conditions of probation due to myriad social issues, for example: drug addiction, alcoholism, mental illness, homelessness, and unemployment (poverty). Addressing these issues eases the transition of re-entry, increases the likelihood of compliance, and reduces recidivism. The Defender Advocacy Program social worker attempts to address these issues on an individual case by case basis. In FY2015, some but not all of the tracked interventions include the following: new social worker referrals (312); in court social work contacts (emergency triage assistance without a referral) (675); diversions from custody (108); and warrant cancellation (33). According to the Office of the Public Defender, increasing the number of arraignments without incarceration contributes to the decline in awaiting trial population and the inmate commitment census.
- The General Assembly also enacted Corrections Options, an earned good time initiative allowing offenders to reduce their prison time based on certain earned criteria. The initiative brought good time award policies for lower security inmates in line with those for inmates under more restrictive supervision. Eligible activities include good behavior, participation in various rehabilitative programs, and other incentives. Inmates sentenced to serve nine months or less are on average serving between 80.0 percent and 90.0 percent of their sentences, as opposed to 90.0 percent to 98.0 percent prior to the passage of the Corrections Options legislation. The effect of this legislation particularly impacted the average monthly sentenced population with a small decrease in the awaiting trial population;

however, that trend has been reversing as there has been an increase in the number of awaiting trial commitments.

- As part of the FY2012 Budget as Enacted, the General Assembly allowed medical parole for inmates who have a chronic and incurable mental or physical illness, and for whom the medical costs are deemed to be exorbitant by the Department of Corrections. The Department's Medical Director verifies all medical opinions and has the ability to deny the petition for medical parole prior to submission of an application to the Parole Board. Medical parolees are required to wear electronic monitoring equipment unless the medical facility to which the parolee is admitted cannot accommodate such equipment. All prisoners, except those serving sentences of life without parole, are potentially eligible for medical parole. Of the 6 inmates who filed for medical parole in FY2013, 2 were denied due to the nature of the crimes committed; 3 inmates were granted medical parole, however, these inmates are still residing at the DOC due to difficulty finding nursing home placement due to nature of their crimes. In FY2014, 2 inmates applied for medical parole; however, one inmate was not eligible under the statute, and the other was eventually released on straight parole.

Budgeting: The Department primarily bases its budget on the projected number of inmates it will house at the Adult Corrections Institutions (ACI). Two average cost models are used for projections:

- **Personnel and Operating:** One model includes the total of personnel and operating costs (not including administrative and capital costs) divided by the number of inmates. Actual costs in FY2014 were \$56,003. The FY2015 revised budget assumes \$56,580, up \$1,445 from the enacted level of \$56,187; FY2016 costs are expected to be \$56,827, up \$577 from the FY2015 revised budget.
- **Per Diem:** Per diem costs for inmates are associated with the Institutional Support program. For FY2016, this number is estimated to be \$3,960, 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 FY2015 revised budget per diem cost assumes \$3,810 per inmate. The FY2015 Budget is based on an estimated average of 3,239 inmates, or 40 inmates above the FY2015 enacted amount of 3,170 inmates. From FY2009 through FY2014, the Department has averaged 3,361 inmates. Through March 2015, the Department has averaged 3,151 inmates for the fiscal year. The Budget includes \$13.1 million for FY2016 for an estimated inmate population of 3,292, or an increase of \$152 to \$3,964 per inmate.

HEALTHCARE SERVICES

The Healthcare Services program is responsible for medical, dental, and mental health service provision to all inmates. Prior to FY2013, these responsibilities were allocated to the Institutional Corrections program. The Budget includes 84.0 FTE positions for FY2015 and FY2016, consistent with the FY2015 enacted level.

| Healthcare Services | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$18,916,896 |
| <i>Target and Other Adjustments</i> | |
| Per Diem Pharmaceutical Treatment | 297,354 |
| Hepatitis C Treatment | 663,000 |
| Outside Hospital Expenses | 500,000 |
| Inmate Medicaid # | 393,932 |
| FY2016 Enact | Information |
| | \$20,771,182 |

Per Diem Pharmaceutical Treatment **\$663,000**

The Budget includes an increase of \$663,000 in general revenue for per diem (daily) medical supplies and prescription drugs. The increase is due to adjustments for cost increases and population increases. Overall, the cost per inmate for these two items has fallen from \$847 in FY2011 to \$768 in FY2013, but rose to \$905 in FY2014. The FY2015 revised rate is \$908 and the FY2016 rate is \$942. The Department contracts with the URI Pharmacy program to provide oversight and utilization review.

Hepatitis C Treatment **\$500,000**

The Budget includes \$500,000 for Hepatitis C vaccines. A new drug, Sovaldi, has resulted in increased cure rates while decreasing the duration of treatment. The Department requested \$1.3 million, at a cost of \$125,000 per treatment, for 10 inmates; however, the Budget funds this expense on a case-by-case basis and provides funding for one additional inmate as medication must be purchased 3 months in advance of treatment. Currently, 3 inmates are being treated at a cost of \$375,000 (3 X \$125,000). The Budget includes funding for 4 inmates.

DOC estimates approximately 30.0 percent of the prison population (964 inmates, based on FY2014 average population of 3,214 inmates) is in various stages of the disease.

Outside Hospital Expenses **\$393,932**

DOC incurs costs for inmates treated outside of correctional facilities for services not reimbursable by Medicaid. The Budget includes an additional \$393,932 primarily due to a \$244,000 hospital bill. The Department is currently seeking Medicaid reimbursement for this expense; however, the funds are being provided to pay the bill. The Department assumes this expense in FY2016 as that is the fiscal year the payment may be made to the hospital.

Inmate Medicaid # **Informational**

Under the new Affordable Care Act (ACA), more inmates are qualified for Medicaid coverage for in-hospital treatment. The new minimum requirements for coverage expanded the qualifying population to anyone with an income level under 133 percent of the Federal Poverty Level (FPL).

Since 1997, the federal government has allowed matching Medicaid funds to pay for specialized in-patient care, such as hospitals, nursing homes, intermediate care or juvenile psychiatric hospitals. Hospitalization must be longer than 24 hours and the inmate must meet the State's criteria of the State's Medicaid program or have been enrolled in the program prior to incarceration. Daily in-prison health care is not covered by Medicaid. Since 2008, the Department has pursued federal participation for inmates that previously had met Medicaid eligibility standards. The amounts vary year to year, as the amount the Department may capture is based on the number of Medicaid-eligible inmates and hospital days.

| Inmate Medicaid Capture | |
|-------------------------|---------|
| Fiscal Year | Total |
| 2008 | 125,000 |
| 2009 | 4,100 |
| 2010 | 49,000 |
| 2011 | 119,000 |
| 2012 | - |
| 2013 | 400,000 |
| 2014 | 533,000 |

The Department is working with the Executive Office of Health and Human Services (EOHHS) to obtain Medicaid coverage for inmates as they are being discharged, insuring that those being released receive necessary medical and treatment services once they are in the community. In FY2013, seven discharged inmates were enrolled. In FY2014, over 2,000 inmates were enrolled upon release.

INSTITUTIONAL BASED REHABILITATION/POPULATION MANAGEMENT

The Institutional Based Rehabilitation/Population Management program handles educational and vocational training; Correctional Industries; case management services; inmate treatment services, including substance abuse and counseling and other services; and reentry services including discharge planning and reentry assistance.

Correctional Industries provides inmate labor and work crews and certain manufactured items. Correctional Industries services are provided centrally to all state departments and agencies as well as to municipalities. State law requires the State and municipalities to solicit bids from Correctional Industries when soliciting labor and/or supplies offered under the program. The operational cost of the program is shown on a centralized basis for informational purposes (internal service funding), but the actual costs are reflected in the operating budgets of user agencies.

The Budget includes 55.0 FTE positions for the program in FY2015 and FY2016, an increase of 1.0 FTE position from the FY2015 Budget as Enacted.

| Institutional Based Rehab/Pop Mgmt | General Revenue |
|---|------------------------|
| FY2015 Enacted | \$8,972,305 |
| <i>Target and Other Adjustments</i> | 357,292 |
| Waterplace Park Maintenance | 110,000 |
| Adult Counselor FTE | 84,962 |
| FY2016 Enacted | \$9,524,559 |

Waterplace Park Maintenance

\$110,000

The Budget includes \$110,000 to restore landscaping and maintenance services at Waterplace Park. The funds for maintenance at Waterplace Park pay for overtime supervisory costs of correctional officers, inmate pay, landscaping supplies, fertilizers, seed, and trash bags. The FY2015 Budget as Enacted had eliminated these maintenance services at the Statehouse and Waterplace Park; however, the Department did not indicate whether or not another agency could provide these maintenance services. The Department of Administration has taken over grounds maintenance at the State House.

Adult Counselor FTE

\$84,962

The Budget funds \$84,962 in salary and benefits for 1.0 Adult Counselor position. This position will assess and coordinate program and clinical needs of men and women admitted to correctional facilities.

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 59.0 FTE positions for FY2015 and FY2016, a decrease of 2.0 FTE positions from the FY2015 Budget as Enacted.

| Institutional Support | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$15,726,066 |
| <hr/> | |
| <i>Target and Other Adjustments</i> | <i>335,456</i> |
| Per Diem Inmate Costs | 776,196 |
| Capital Consolidation | (242,051) |
| FY2016 Enacted | \$16,595,667 |

***Per Diem Inmate Costs* \$776,196**

Due to the projected increase in population, per diem expenses are expected to increase by \$776,196 in FY2016, with 71.9 percent of this primarily due to increased food expenses, which is the largest component of non-medical operating costs. Increases in inmate population affect the level of various operating expenditures (termed per capita or per diem expenses) that have a per capita basis, for example: food, inmate clothing, inmate linen, program (educational/recreational) supplies, janitorial and kitchen supplies, outpatient and inpatient treatment and testing services, medical supplies, and drugs.

***Capital Consolidation* (\$242,051)**

The Budget shifts \$242,051 in general revenue to the Department of Administration (DOA) for the salary and benefit costs of 2.0 maintenance supervisor positions as part of a larger effort to consolidate capital project coordination within DOA. This consolidation is intended to improve efficiency, prioritization, and timeliness in the allocation of resources for major capital projects. The FTE positions will still reside within DOC and will be funded through DOA's capital 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.

In 2013, the General Assembly passed the "Good Conduct Certificate" legislation, allowing the Parole Board to award of a certificate of good conduct to an individual who has not been convicted of more than one felony (that is not a crime of violence) and who has paid all fines and other penalties imposed by the court. It assigns power to the Parole Board to hear petitions from individuals for issuance of a certificate and to establish a minimum period of good conduct for potential applicants. The Certificate is issued to individuals convicted of crimes that may affect their ability to find employment and who have successfully completed rehabilitation. In some cases, it would relieve the petitioner of collateral consequences resulting from the criminal record. Current staff assists the Parole Board in administering the program. The Budget includes 10.0 FTE positions in FY2015 and FY2016, consistent with the FY2015 Budget as Enacted.

| Parole Board | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$1,275,799 |
| <i>Target and Other Adjustments</i> | <i>(19,638)</i> |
| Unachieved Turnover | 89,524 |
| FY2016 Enacted | \$1,345,685 |

Unachieved Turnover **\$89,524**

The Budget restores general revenue by \$89,524 for unachieved turnover that was included in the FY2015 Enacted Budget.

CAPITAL PROJECTS

The Budget includes a total of \$66.7 million in capital projects from FY2016 through post-FY2020.

Major items in FY2016 include:

- \$3.8 million for asset protection projects at correctional facilities including drainage system improvements, window replacement, painting, and HVAC.
- \$1.5 million from Rhode Island Capital Plan funds for infrastructure improvements at the Medium Security facility. This includes the expansion of available space for dining areas, kitchen, dispensary, and other inmate programs and recreational activities.
- \$1.1 million for renovations to the Minimum Security building. The project expands the kitchen, increasing the current 500-seat capacity of the dining hall, and expands the building for a new intake and support services addition.

Judiciary

| Expenditures by Program | FY2014 | FY2015 | FY2015 | Change from | | FY2016 | Change from | |
|-------------------------------|----------------|----------------|----------------|--------------|-------------|----------------|---------------|--------------|
| | Actual | Enacted | Revised | Enacted | | Enacted | Enacted | |
| Supreme Court | \$12.2 | \$11.8 | \$12.5 | \$0.7 | 5.6% | \$13.0 | \$1.2 | 10.2% |
| Superior Court | 22.4 | 21.0 | 23.4 | 2.4 | 11.5% | 23.9 | 3.0 | 14.2% |
| Family Court | 0.1 | 0.1 | 0.1 | 0.0 | 3.2% | 0.1 | 0.0 | 5.2% |
| District Court | 22.0 | 22.5 | 23.1 | 0.6 | 2.6% | 23.6 | 1.1 | 4.7% |
| Traffic Tribunal | 34.8 | 33.8 | 35.7 | 1.8 | 5.4% | 39.4 | 5.5 | 16.4% |
| Workers' Compensation Court | 8.3 | 8.8 | 8.4 | (0.3) | -3.8% | 8.5 | (0.2) | -2.5% |
| Judicial Tenure & Discipline | 7.2 | 7.7 | 7.6 | (0.1) | -1.3% | 7.8 | 0.1 | 0.7% |
| Total | \$107.1 | \$105.7 | \$110.7 | \$5.1 | 4.8% | \$116.3 | \$10.6 | 10.1% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$91.6 | \$91.6 | \$94.1 | \$2.4 | 2.6% | \$96.0 | \$4.4 | 4.8% |
| Federal Funds | 3.0 | 1.9 | 3.4 | 1.5 | 78.6% | 3.4 | 1.5 | 79.7% |
| Restricted Receipts | 10.4 | 10.8 | 11.8 | 1.0 | 9.7% | 11.3 | 0.6 | 5.2% |
| Other Funds | 2.1 | 1.4 | 1.4 | 0.1 | 6.2% | 5.5 | 4.2 | 307.4% |
| Total | \$107.1 | \$105.7 | \$110.7 | \$5.1 | 4.8% | \$116.3 | \$10.6 | 10.1% |
| Authorized FTE Levels | 723.3 | 723.3 | 723.3 | - | 0.0% | 724.3 | 1.0 | 0.1% |

\$ 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 FY2016

Total general revenue funding is \$4.4 million (4.8 percent) more than the FY2015 Budget as Enacted, primarily due to the cost of living adjustment (COLA) in FY2016. Article 1 caps at \$932,340 the amount the Judiciary may charge five state agencies for public courthouse occupancy costs which are based on a March 2014 study of actual occupied space throughout the Courts, an increase of \$246,000 reimbursed to the Judiciary from these departments. The Courts may not offset building or capital expenses more than this amount to these agencies.

The Budget adds \$234,000 in general revenue to fund personnel costs for 1.0 District Court judge who will preside over the Veteran's Court. As a problem solving court, the mission of the Veterans Treatment Court is "to successfully rehabilitate participants, on a case-by-case basis, by providing the tools and skills necessary to address veterans' unique challenges to reintegrate successfully into society and to maintain a productive and law abiding lifestyle within the community."

The Judiciary has been developing a new Case Management and an E-Filing system. The new system will integrate information throughout the justice system and diminish the requirement for paper storage of case materials as all the information will be stored electronically. To date, \$14.8 million has been spent on this system. The Budget includes an additional \$1.5 million in FY2015 and \$934,221 in FY2016 from the Information Technology Investment Fund to support ongoing system development.

The Budget includes \$1.4 million in FY2015 and \$2.5 million in FY2016 in Rhode Island Capital Plan Fund financing for court-wide HVAC projects and asset protection. The capital plan also includes a total of \$10.0 million for completion of unfinished courtroom space at the Noel Judicial Complex in Warwick and additions to the existing parking structure, with \$3.0 million beginning in FY2016.

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 160.7 FTE positions in FY2015 and FY2016 for the program, consistent with the FY2015 enacted levels.

| Supreme Court | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$29,862,882 |
| <i>Target and Other Adjustments</i> | <i>686,375</i> |
| Law Library Subscriptions | 200,000 |
| One-Time Modeling Grant | (100,000) |
| Case Management System | Informational |
| Court Offsets | Informational |
| Indigent Defense | Informational |
| FY2016 Enacted | \$30,649,257 |

Law Library Subscriptions ***\$200,000***

The Budget includes \$200,000 for Law Library subscriptions. Under RIGL 29-3, the Court is required to provide public access to books and electronic databases such as Westlaw and Lexis for libraries throughout the Court system. The FY2015 Budget as Enacted removed this expense assuming that the expense for law books could be absorbed elsewhere in the Department. According to the Department, the target was not achievable. The Budget restores funding in FY2016, and the amount was also added to the FY2015 revised budget.

One-Time Modeling Grant ***(\$100,000)***

The Budget reduces general revenue by \$100,000 for a one-time Justice Assistance (JA) modeling grant included in the FY2015 enacted budget. The project's intent was to provide fiscal analysis of the Affordable Care Act (ACA) on the prison population and to provide an analysis of community based alternatives that may reduce state incarceration costs and reduce recidivism. The final report did not include a fiscal analysis on ACA impacts; however, the JA program created a supervision model for those in need of treatment in which JA case management staff is to help the participant navigate and understand how to use the health care system.

Case Management System ***Informational***

The Judiciary has been developing a new Case Management System and an E-Filing System. The new system will integrate information throughout the justice system and diminish the requirement for paper storage of case materials as all the information will be stored electronically. The Budget includes \$1.5 million in FY2015 and \$934,221 in FY2016 in restricted receipts from the Information Technology Investment Fund to support ongoing system development.

To date, civil cases in Superior, Family, District, and Workers' Compensation Courts have been converted to the new system. Traffic Tribunal's conversion to the system is scheduled to go live in June

2015. In May 2016 the Supreme Court and criminal cases for Superior and District Courts will be converted and e-filing for those courts will go live.

Court Offsets

Informational

Article 1 caps the total amount the Judiciary may charge five state agencies for public courthouse occupancy costs at \$932,340. State agencies that occupy court space include the Public Defender's Office; Office of the Attorney General; Department of Corrections; Department of Children, Youth, and Families; and Department of Public Safety. Agencies that occupy space in the court buildings around the State incur costs for a share of building related expenses based on the amount of space that is occupied. In total, the agencies occupy 19.7 percent (89,979 square feet) of useable court space based on a March 2014 study. The capped amount was based on actual costs in FY2014 of \$796,536, when it was thought, prior to the study, that these agencies occupied 15.1 percent of the Courts' space. These costs are estimated to be \$890,588 in FY2015 and \$932,340 in FY2016.

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 FY2016, the Budget includes \$2.6 million for indigent defense, consistent with the FY2015 Budget as Enacted level, and an increase of \$69,412 above the final FY2014 amount spent (\$2.5 million).

Indigent Defense Caseload Summary

| Court | FY2013 | FY2014 | FY2015 |
|--------------------|--------------------|--------------------|--------------------|
| District | 574 | 583 | 474 |
| Superior | 909 | 971 | 825 |
| Supreme | 31 | 22 | 22 |
| Family | 6,406 | 9,621 | 7,361 |
| Total Cases | 7,920 | 11,197 | 8,682 |
| Total Costs | \$2,456,676 | \$2,571,680 | \$2,095,172 |

¹FY2015 data is for the period through April 15, 2015.

SUPERIOR COURT

The Superior Court has jurisdiction for all felony cases, misdemeanor cases that have been appealed or waived from the District Court, and civil cases in which the disputed amount exceeds \$10,000, and all probate and zoning appeals. The Court has four locations throughout the state, including Providence, Warwick, Wakefield, and Newport. The Gun Court and Adult Drug Court were established in FY1995 and FY2002, respectively. The Superior Court also has appellate jurisdiction of decisions of local municipal and probate courts. Appeals from various boards and commissions, such as zoning board and Ethics Commission appeals, are heard in Superior Court as well as petitions to review disciplinary action imposed upon a state or local police officer by the chief of that department. In addition to conducting trials, the Superior Court administers the Court-Annexed Arbitration Program which speeds the disposition of certain less complex civil cases in which there is \$100,000 or less at issue. Matters such as contract disputes, personal injury claims, and property damage suits may be certified to this alternative dispute resolution program.

The Budget includes 164.7 FTE positions in FY2015 and FY2016 for the program, consistent with the FY2015 enacted level.

| Superior Court | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$22,144,027 |
| <i>Target and Other Adjustments</i> | |
| | 906,757 |
| Operating Expenses | 159,156 |
| FY2016 Enacted | \$23,209,940 |

Operating Expenses **\$159,156**

The Budget includes an additional \$159,156 for operating costs, which includes insurance expenses (\$84,000), anticipated expenses for temporary administrative staff in the Superior Court (\$37,801), travel reimbursements for jurors (\$29,553) based on the length and number of trials projected during FY2016, and other adjustments based on past expenditure levels.

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 173.7 FTE positions in FY2015 and FY2016, consistent with the FY2015 enacted level.

| Family Court | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$19,245,592 |
| <i>Target and Other Adjustments</i> | |
| | 1,672,963 |
| FY2016 Enacted | \$20,918,555 |

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 96.0 FTE positions in FY2015 and 97.0 positions in FY2016 for the program, an increase of 1.0 FTE from the FY2015 enacted level.

| District Court | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$11,508,535 |
| <i>Target and Other Adjustments</i> | |
| | 847,011 |
| Veteran's Court | 234,000 |
| FY2016 Enacted | \$12,589,546 |

Veteran's Court **\$234,000**

The Budget adds \$234,000 in general revenue to fund personnel costs for 1.0 District Court judge who will preside over the Veteran's Court. As a problem solving court, the mission of the Veterans Treatment Court is "to successfully rehabilitate participants, on a case-by-case basis, by providing the tools and skills necessary to address veterans' unique challenges to reintegrate successfully into society and to maintain a productive and law abiding lifestyle within the community."

Additionally, the Budget includes \$213,416 in federal funds, reflecting the second year of a new Veterans Grant which will be used by the Judiciary to expand outreach to an estimated 250 additional veterans as part of its Veteran's Court activities. The new activities will focus on a jail diversion program and substance abuse issues of veterans appearing before the court.

The first Veterans Court in New England opened its doors for referrals in the District Court in April 2011. The designated calendar, which was initially part of a pilot program funded through a Substance Abuse and Mental Health Services (SAMHSA) grant, was designed to direct veterans diagnosed with trauma related disorders into a court program that integrates support and treatment plans with the judicial process. It is intended to divert the offenders away from incarceration while providing appropriate rehabilitative alternatives.

TRAFFIC TRIBUNAL

The Traffic Tribunal replaced the Administrative Adjudication Court in 1999. The Traffic Tribunal is responsible for hearing most traffic cases, distributing and controlling traffic summonses, and maintaining accurate driver accident and violation records. The Traffic Tribunal hears appeals from the Division of Motor Vehicles and the municipal courts as well as certain violations of the Department of Environmental Management. The Tribunal has authority to enforce its own judgments. The Traffic Tribunal has one location, at the Pastore Center in Cranston. The Budget includes 78.2 FTE positions in FY2015 and FY2016, consistent with the FY2015 enacted level.

| Traffic Tribunal | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$8,760,119 |
| <i>Target and Other Adjustments</i> | |
| | 21,386 |
| Temporary Services | (239,284) |
| FY2016 Enacted | \$8,542,221 |

Temporary Services **(\$239,284)**

The Budget decreases general revenue by \$239,284 for various personnel expenses. Contract expenses for temporary staffing services decrease by \$170,000. The Judiciary no longer contracts for these services through an outside service; instead, the Judiciary will fill these staffing needs on the payroll as seasonal employees. Additionally, the Budget decreases \$69,284 in general revenue for vacant positions in the Traffic Tribunal. The total decrease also reflects statewide adjustments.

WORKERS' COMPENSATION COURT

The Workers' Compensation Court has jurisdiction over all disputes between employers and employees relating to workers' compensation. The court's jurisdiction includes contested cases involving the rehabilitation of injured employees and claims involving disputes between an employer and its workers'

compensation insurer. Since FY1990, the expenses incurred in the operation of the court are paid through the Workers' Compensation Administrative Fund (restricted receipts). The Budget includes 49.0 FTE positions in FY2015 and FY2016, consistent with the FY2015 Budget as Enacted.

| Workers' Compensation Court | Restricted Receipts |
|-------------------------------------|----------------------------|
| FY2015 Enacted | \$7,712,640 |
| <i>Target and Other Adjustments</i> | <i>51,167</i> |
| FY2016 Enacted | \$7,763,807 |

JUDICIAL TENURE AND DISCIPLINE

The Commission on Judicial Tenure and Discipline is the program charged with investigating judges who have been charged with misconduct. The Supreme Court may affirm, modify or reject the recommendations of the Commission. The Budget includes 1.0 FTE position in FY2015 and FY2016 for the program, consistent with the enacted level.

| Judicial Tenure & Discipline | General Revenue |
|---|------------------------|
| FY2015 Enacted | \$115,513 |
| <i>Target and Other Adjustments</i> | <i>6,014</i> |
| FY2016 Enacted | \$121,527 |

CAPITAL PROJECTS

The Budget includes \$23.1 million in RICAP funds for FY2016 through FY2020 for capital projects, including \$5.5 million in FY2016.

- The Budget includes \$10.0 million to expand the capacity of the Noel Judicial Complex by finishing courtroom space in the interior shell and adding parking to accommodate the expansion, including \$3.0 million in RICAP funding beginning in FY2016. The Judiciary expects to complete the project in two phases. The first phase of the project will add two decks to the current parking garage to address the need for additional parking as a result of the proposed expansion. The second phase of the project will build out the shelled courtroom space within the Noel Complex. Noel is centrally located in Warwick and may serve populations in both Washington and Providence counties.
- The Budget includes \$900,000 for ongoing projects to replace, clean and restore HVAC systems in judicial buildings and ongoing asset protection projects.
- The Budget includes \$850,000 in FY2016 for asset protection projects throughout the court system. Projects include security upgrades, courtroom restorations, restroom renovations, interior renovations to public spaces, elevator upgrades, and exterior courthouse refurbishments.
- The Budget includes \$750,000 for restorations to the Licht Judicial Complex, beginning with \$500,000 in FY2017. Funds will be used to repair decaying plaster, replace or renovate courtroom benches, and other upgrades to the courthouse exterior.

Military Staff

| Expenditures by Program | FY2014 | FY2015 | FY2015 | Change from | | FY2016 | Change from | |
|-------------------------------|---------------|---------------|---------------|--------------|-------------|---------------|--------------|-------------|
| | Actual | Enacted | Revised | Enacted | | Enacted | Enacted | |
| National Guard | \$15.9 | \$18.4 | \$18.8 | \$0.4 | 2.2% | \$19.5 | \$1.1 | 6.0% |
| Emergency Management | 18.2 | - | - | - | 0.0% | - | - | 0.0% |
| Total | \$34.1 | \$18.4 | \$18.8 | \$0.4 | 2.2% | \$19.5 | \$1.1 | 6.0% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$3.5 | \$1.8 | \$2.1 | \$0.3 | 16.7% | \$2.1 | \$0.3 | 16.7% |
| Federal Funds | 28.7 | 14.8 | 14.5 | (0.3) | -2.0% | 15.4 | 0.6 | 4.1% |
| Restricted Receipts | 0.3 | 0.4 | 0.4 | - | 0.0% | 0.3 | (0.1) | -25.0% |
| Other Funds | 1.6 | 1.4 | 1.8 | 0.4 | 28.6% | 1.7 | 0.3 | 21.4% |
| Total | \$34.1 | \$18.4 | \$18.8 | \$0.4 | 2.2% | \$19.5 | \$1.1 | 6.0% |
| Authorized FTE Levels | 112.0 | 85.0 | 85.0 | - | 0.0% | 92.0 | 7.0 | 8.2% |

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

FY2014 amounts include RIEMA.

The mission of the Military Staff (Rhode Island National Guard) is to prepare for immediate mobilization in the event of war or national emergency; to maintain peace, order, and public safety in the state in time of man-made or natural disaster or when otherwise directed by the Governor; and, to participate in the development and establishment of local, regional, and nationwide initiatives and programs.

MAJOR ISSUES AND TRENDS FOR FY2016

The 2015 General Assembly separated the Rhode Island Emergency Management Agency (RIEMA) from the Rhode Island National Guard (Guard), effectively reassigning the executive control of RIEMA from the State Adjutant General to the Executive Director of RIEMA. The Budget maintains 85.0 FTE positions in FY2015 and includes 92.0 FTE positions in FY2016 reflecting an increase 7.0 FTE positions for building maintenance. These new positions are 100.0 percent federally-funded.

According to the FY2016 Budget performance measures the percentage of the State's armories and readiness centers that meet or exceed the United States Army building code compliance standards is 11.0 percent, a decrease from the 12.0 percent reported last year.

NATIONAL GUARD

The National Guard program is composed of reserve units of the United States Army and Air Force, the Rhode Island National Guard, and the State Historic Militia. The Guard is authorized to have 3,249 members (2,130 Army National Guard and 1,179 Air Guard). The Guard has numerous facilities throughout the state, including 14 armories, 3 air bases, 2 training sites, and 10 maintenance and support buildings, housing equipment valued at \$500.0 million. The Guard is largely financed through federal funds, including drill and training pay for Army and Air Guard personnel, supplies, equipment, facility maintenance and capital projects. State funds are provided as a match on some projects and primarily pay employee salary and benefit costs, training, travel, and maintenance.

| National Guard | General Revenue |
|--|------------------------|
| FY2015 Enacted | \$1,842,096 |
| <i>Target and Other Adjustments</i> | 39,653 |
| Fire Protection | 192,000 |
| Inaugural Expenses | (75,000) |
| Operating, Purchased Services, and Assistance and Grants | 66,685 |
| FY2016 Enacted | \$2,065,434 |

| National Guard | Other Fund Changes |
|-----------------------|---------------------------|
| Maintenance Positions | \$525,551 |

Fire Protection **\$192,000**

The Budget increases general revenue funded personnel costs by \$192,000. The increase reflects additional costs for firefighters at Quonset Air Base. The firefighters were financed with 100.0 percent federal funds under the Master Cooperative Agreement Appendix 24 Firefighter program. The federal government has recently capped the federal contribution at 2012 levels for any new hires, and existing employees who were hired after 2012. Employees hired before this time are grandfathered under the federal agreement at 2012 rates through September 30, 2014. Subsequently, any change to salary and benefits that exceed the 2012 cap rates require a state contribution. Staffing levels must remain the same as per the federal agreement, so federal turnover cannot be utilized to replace the new state share. For the 30.0 FTE positions assigned to the program, this new state contribution is estimated to be \$144,000 in FY2015 and \$192,000 in FY2016.

Inaugural Expenses **(\$75,000)**

The Budget removes \$75,000 in general revenue for one-time expenses related to the inauguration of general officers held on January 6, 2015. Funding is not required in FY2016.

Operating, Assistance and Grants, and Purchased Services **(\$66,685)**

The Budget includes \$1.0 million in general revenue (\$5.8 million in all funds) in FY2016 for operating, purchased services, and assistance and grants, reflecting an increase of \$66,685 from the FY2015 Budget as Enacted.

| Category of Expenditure | FY2015 Enacted | FY2016 Enacted | Change |
|--------------------------------|-----------------------|-----------------------|-----------------|
| Operating | \$796,365 | \$841,518 | \$45,153 |
| Assistance and Grants | 91,000 | 96,000 | 5,000 |
| Purchased Services | 65,265 | 81,797 | 16,532 |
| Total | \$952,630 | \$1,019,315 | \$66,685 |

Operating: The Budget includes \$841,518 in general revenue (\$4.2 million in all funds) in FY2016 for operating expenses, an increase of \$45,153. The largest adjustment is the net increase of \$41,354 in general revenue for utility and fuel expenses.

| Operating | FY2015 Enacted | FY2016 Enacted | Change |
|---------------------------------|-----------------------|-----------------------|-----------------|
| Building Maintenance & Repairs | \$119,461 | \$90,061 | (\$29,400) |
| Utility Expenses | 515,505 | 556,859 | 41,354 |
| All Other Operating Adjustments | 161,399 | 194,598 | 33,199 |
| Total | \$796,365 | \$841,518 | \$45,153 |

Assistance and Grants: The Budget includes \$96,000 in general revenue in FY2016 for honor guards and buglers for funeral honors to military personnel and veterans. This reflects a net increase of \$5,000 in general revenue from the FY2015 Budget as Enacted. In 2012, the federal National Guard Bureau notified

the Rhode Island National Guard that the federal government would no longer support military honors for funerals of Navy, Marine, and Coast Guard personnel, requiring full state contribution for these honors. Federal support for Army and Air Force burials has also eroded as a result of this action. RIGL 30-25-1 and 30-25-2, require the State to fund military funeral honors for honorably discharged military personnel at their funerals as a tribute to their service to the United States. Payments are stipends to (usually) retired military personnel for services performed. Each military honors event includes three rifles for the squad and one bugler, with each stipend totaling \$60.

| | FY2015 Enacted | FY2016 Enacted | Change |
|-----------------------|-----------------------|-----------------------|---------------|
| Assistance and Grants | \$91,000 | \$96,000 | \$5,000 |

Purchased Services: The Budget includes \$81,797 in general revenue (\$1.4 million in all funds) in FY2016 for purchased services, a net increase of \$16,532 in general revenue from the FY2015 Budget as Enacted. Purchased services for the National Guard include IT system support, janitorial and security services at National Guard sites, fire protection services, and medical testing services for guard employees.

In FY2016, janitorial services increase by \$12,130 with the balance of the increase spread amongst several services. Janitorial services were previously provided by prison inmates raising significant security issues at National Guard sites containing weapons, training materials, and other sensitive equipment associated with anti-terrorism efforts. The National Guard has recently engaged a cleaning firm to provide routine, monthly and semi-annual services. Janitorial services are split roughly 70:30 federal to state financing, reflecting different state contribution requirements depending on building and land ownership, and nature of the use of buildings.

| Purchased Services | FY2015 Enacted | FY2016 Enacted | Change |
|---------------------------|-----------------------|-----------------------|-----------------|
| Architectural Services | \$0 | \$30 | \$30 |
| Doctors/Dentists | 352 | 680 | 328 |
| Environmental Services | 1,161 | 83 | (1,078) |
| Extermination Services | 947 | 1,242 | 295 |
| Fire Protection Services | 4,981 | 10,008 | 5,027 |
| Janitorial Services | 57,624 | 69,754 | 12,130 |
| Laboratory Testing | 200 | - | (200) |
| Total | \$65,265 | \$81,797 | \$16,532 |

Maintenance Positions (federal funds)

\$525,551

The Budget adds \$525,551 in federal funds for 7.0 FTE maintenance positions. The Military Staff requested the new positions to cover the maintenance on the numerous facilities owned by the Rhode Island National Guard, including 14 armories, 3 air bases, 2 training sites, and 10 maintenance and support buildings. Currently, there are 13.0 FTE positions whose duties relate to building maintenance. This item increases the number of building maintenance personnel to 20.0 FTE positions. These new positions are 100.0 percent federally-funded.

CAPITAL PROJECTS

The Budget includes \$4.3 million (\$1.8 million in RICAP funds) in capital projects for FY2015 and \$4.1 million in FY2016 (\$1.7 million in RICAP funds), including:

- \$2.5 million in federal funds in FY2015 and FY2016 and \$600,000 in RICAP funds in FY2016 for new Joint Force Headquarters Building project. The funding provided in FY2015 and FY2016 is applied to site surveys and to extend the utility connections to the site at Camp Fogarty in East Greenwich. Construction is scheduled to begin in FY2017.

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- \$787,260 in RICAP funds in FY2015 for the Benefit Street Arsenal Rehabilitation. The Budget adds funding for the building rehabilitation project to preserve and maintain the historic structure.
- \$700,000 in RICAP funds in FY2015 and FY2016 for various asset protection projects.
- \$357,500 in RICAP funds in FY2015 and \$250,000 in FY2016 for the Armory of Mounted Commands Rehabilitation roof project.

Rhode Island Emergency Management Agency

| | FY2014 | FY2015 | FY2015 | Change from | | FY2016 | Change from | |
|--------------------------------------|---------------|---------------|---------------|--------------|--------------|---------------|----------------|---------------|
| Expenditures by Program ¹ | Actual | Enacted | Revised | Enacted | | Enacted | Enacted | |
| Central Management | \$18.2 | \$20.6 | \$23.8 | \$3.2 | 15.5% | \$18.5 | (\$2.1) | -10.2% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$1.8 | \$1.9 | \$1.9 | \$0.0 | 0.0% | \$1.7 | (\$0.2) | -10.5% |
| Federal Funds | 16.3 | 18.3 | 21.4 | 3.1 | 16.9% | 16.6 | (1.7) | -9.3% |
| Restricted Receipts | 0.1 | 0.2 | 0.2 | - | 0.0% | 0.2 | - | 0.0% |
| Other Funds | - | 0.2 | 0.3 | 0.1 | 0.0% | - | (0.2) | 0.0% |
| Total | \$18.2 | \$20.6 | \$23.8 | \$3.2 | 15.5% | \$18.5 | (\$2.1) | -10.2% |
| Authorized FTE Levels | 32.0 | 32.0 | 32.0 | - | 0.0% | 32.0 | - | 0.0% |

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

¹ FY2014 amounts reported under Military Staff budget.

The Rhode Island Emergency Management Agency (RIEMA) became a stand-alone agency in FY2015, and is the coordinating agency for multi-jurisdiction and multi-agency response in the state for all emergencies including natural and technological hazards such as fires, floods, tornadoes, hurricanes, winter storms, chemical releases, weapons of mass destruction and terrorism incidents. RIEMA is the official coordinating agency of the State for the federal Department of Homeland Security and the federal Emergency Management Agency in times of state, national, multi-jurisdiction and multi-agency emergencies and disasters. RIEMA operates and maintains the State Emergency Operations Center, as well as the statewide 800 MHz radio system and network.

MAJOR ISSUES AND TRENDS FOR FY2016

The Rhode Island Emergency Management Agency (RIEMA) separated from the Rhode Island National Guard (Guard) in FY2015, effectively reassigning the executive control of RIEMA from the State Adjutant General to the Executive Director of RIEMA. The separation shifted 32.0 FTE positions from the Military Staff to RIEMA. While RIEMA had historically been a standalone agency, between 2000 and 2015 it operated as a program within Military Staff. The separation from Military Staff was done to allow RIEMA to more efficiently respond to emergencies such as natural disasters without an additional structural layer that would otherwise have to authorize its actions.

The Budget includes funding for two capital projects: the Hurricane Sandy 2012 repairs and the enhancement and further development of the Rhode Island Statewide Communications System Network (RISCON).

CENTRAL MANAGEMENT

The Central Management program is the sole program at RIEMA, and is responsible for supervising, coordinating, and monitoring all departmental functions. The Central Management program provides leadership, management, strategic planning, and control of departmental activities. The Budget maintains 32.0 FTE positions in FY2015 and in FY2016, consistent with the enacted level.

| Central Management | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$1,959,858 |
| <i>Target and Other Adjustments</i> | <i>(21,370)</i> |
| Personnel Changes | (172,486) |
| Blizzard of 2015 | Informational |
| FY2016 Enacted | \$1,766,002 |

| Central Management | Other Fund Changes |
|--|---------------------------|
| Disaster and Emergency Preparedness Grants | (3,627,244) |
| Personnel Changes | 220,353 |

Personnel Changes **(\$172,486)**

The Budget reduces general revenue expenses for personnel by \$172,486, reflecting the reorganization of the agency's staff. The previous director changed job titles and descriptions for numerous positions thereby allowing the agency to shift personnel costs from general revenue to federal funds and restricted receipts. There is a corresponding increase in other fund changes for this reorganization.

Blizzard of 2015 **Informational**

On April 3, 2015, President Obama approved the State's request for a disaster declaration connected to the January 26 blizzard that left nearly two feet of snow in parts of the state and brought high winds that crippled travel requiring the Governor to order a travel ban. The Joint Preliminary Damage Assessment on the storm's cost is \$4.7 million in costs to the State and municipalities.

The disaster approval means that state agencies, local governments, tribal communities and certain nonprofit groups in all five of the state's counties will be eligible for funding through the Federal Emergency Management Agency (FEMA) to recoup costs for preparing for and responding to the January 26 storm. Officials from FEMA have received and are processing claims. Actual payments from FEMA will take time as the review and auditing process takes place. The State and municipalities could be reimbursed 75.0 percent of the costs to remove the snow and repair damages from that storm, but federal reimbursement funds could be expected at the earliest in the fall of 2015.

Disaster and Emergency Preparedness Grants (federal funds) **(\$3.6 million)**

The Budget includes \$10.6 million in federal funds for various federal grants and reimbursements received for storm and natural disaster events, and for preparedness efforts for terrorist threats, active shooters, hazardous material containment, and other emergency events intended to improve and enhance the ability to prevent, deter, respond to, and recover from threats and incidents. The Budget includes a net decrease of \$3.6 million in federal funds for FY2016. The decrease of funding reflects a trend in federal reward patterns that base awards on risk, and as states become better prepared, they become less risky and receive less federal funding. The following table highlights the more significant changes in FY2016.

| RIEMA Federal Grants | FY2015 Enacted | FY2016 Enacted | Change |
|--|---------------------------|---------------------------|----------------------|
| Emergency Management Preparedness Grant 2013 | \$0 | \$2,049,224 | \$2,049,224 |
| FEMA Flood Reimbursement - Federal Match | 2,300,000 | 30,000 | (2,270,000) |
| Hurricane Sandy October 2012 | 2,550,000 | 1,076,297 | (1,473,703) |
| Emergency Management Preparedness Grant 2014 | - | 1,328,701 | 1,328,701 |
| Emergency Management Performance Grant 2012 | 1,200,000 | 84,262 | (1,115,738) |
| State Homeland Security Grant Program 2012 | 1,000,000 | - | (1,000,000) |
| All Other Grants (25) | 7,181,758 | 6,036,030 | (1,145,728) |
| Total | \$14,231,758 | \$10,604,514 | (\$3,627,244) |

Personnel Changes (federal funds and restricted receipts)**\$220,353**

The Budget includes \$2.8 million in federal and restricted receipt funds for personnel costs, reflecting an increase of \$221,707 in federal funds offset by a decrease of \$1,843 in restricted receipts, for a net increase of \$220,353 from the FY2015 Budget as Enacted. This shifts more salaries and benefits to federal funds after RIEMA completed a program and grant guidance analysis. RIEMA realigned job duties to maximize personnel expenditures through federal funding and restricted receipts.

CAPITAL PROJECTS

The Budget includes funding for two capital projects. The projects include:

- \$1.3 million in general revenue to support the Rhode Island Statewide Communications System Network (RISCON). The project enhances and further develops RISCON, the main communications platform used by all public safety agencies in the state for the daily operations.
- \$1.2 million in federal funds for residual disbursements related to the Hurricane Sandy repairs. Over the last three years, through the RI Emergency Management Agency, the State received and spent \$8.8 million (\$8.5 million in federal funds and \$254,943 in RICAP funds) to reimburse State entities for expenses incurred during the cleanup and repair of structures damaged by Hurricane Sandy on October 29, 2012. Federal funding was provided from the Federal Emergency Management Agency (FEMA) Public Assistance Program. FY2015 was the last year with RICAP funding related to Hurricane Sandy.

Department of Public Safety

| Expenditures by Program | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | | FY2016 Enacted | Change from Enacted | |
|--------------------------------|--------------------------|---------------------------|---------------------------|--------------------------------|--------------|---------------------------|--------------------------------|--------------|
| Central Management | \$5.2 | \$5.3 | \$5.3 | (\$0.0) | -0.4% | \$5.1 | (\$0.2) | -3.7% |
| E-911 | 5.4 | 5.4 | 5.3 | (0.1) | -2.6% | 5.4 | (0.1) | -0.9% |
| Fire Marshal | 3.2 | 5.3 | 5.1 | (0.2) | -4.6% | 5.9 | 0.6 | 10.6% |
| Municipal Police Training | 0.5 | 0.6 | 0.5 | (0.1) | -22.4% | 0.4 | (0.2) | -34.6% |
| Security Services | 20.8 | 21.8 | 21.7 | (0.0) | 0.0% | 22.7 | 0.9 | 4.3% |
| State Police | 76.5 | 88.1 | 85.6 | (2.5) | -2.8% | 84.3 | (3.9) | -4.4% |
| Total | \$111.6 | \$126.6 | \$123.5 | (\$3.0) | -2.4% | \$123.7 | (\$2.8) | -2.2% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$96.0 | \$95.3 | \$98.3 | \$3.0 | 3.1% | \$97.1 | \$1.8 | 1.9% |
| Federal Funds | 6.6 | 6.9 | 8.3 | 1.4 | 20.0% | 6.8 | (0.1) | -1.9% |
| Restricted Receipts | 4.1 | 12.9 | 9.2 | (3.6) | -28.4% | 11.2 | (1.7) | -13.1% |
| Other Funds | 4.9 | 11.5 | 7.7 | (3.8) | -32.8% | 8.7 | (2.8) | -24.2% |
| Total | \$111.6 | \$126.6 | \$123.5 | (\$3.0) | -2.4% | \$123.7 | (\$2.8) | -2.2% |
| Authorized FTE Levels | 634.2 | 633.2 | 633.2 | - | 0.0% | 633.2 | - | 0.0% |

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

The Department of Public Safety (DPS) is the principal agency of the Executive branch charged with law enforcement functions. It includes six program areas, including, the State Police, Central Management, E-911, Fire Marshal, Municipal Police Training Academy, and Security Services. The Department was created in the FY2009 Budget, and is headed by the Superintendent of the State Police.

MAJOR ISSUES AND TRENDS FOR FY2016

While the State Police division is approximately level funded compared to the FY2015 enacted level, there are several notable expenditure changes: The Budget includes \$1.1 million for an anticipated cost of living adjustment (COLA) for the assumed salary increase that all sworn members of the Rhode Island State Police will be awarded once the Rhode Island Trooper Association contract has been finalized. Additionally, the Budget funds a class of 40.0 State Troopers for the 56th State Police Training Academy; however, the start of the class is delayed until February 2016. By delaying the start date, all trainee troopers will start full-time employment in FY2017, generating turnover savings from vacancies created by members eligible or mandated to retire in FY2016 and whose FTE positions will remain vacant until FY2017. Article 12 creates a pension trust fund for State Police troopers hired prior to 1987 to replace the current pay-as-you-go (pay-go) system. The Budget uses one-time funding (\$15.0 million) from the Google settlement to seed the fund.

The Budget includes an additional \$791,686 in personnel costs for the Sheriffs Division, which, aside from COLA costs, includes filling a vacancy and several promotions, fully funding the 180.0 authorized Sheriff FTE positions. Fully funding all FTE positions in the Sheriffs division is intended to provide the judicial courtrooms with an adequate number of Sheriffs available for duty on a daily basis. The Budget also increases personnel costs by \$165,107 for the Sheriffs in the supplemental budget to fully fund this Division in FY2015.

The Budget shifts \$304,374 in restricted receipt-funded personnel expenses to general revenue. Previously, these expenses were paid with Fire Academy Training Fees; however, the Department indicated this restricted receipt account would not have sufficient resources to pay the expenses.

The E-911 Division is implementing Next Generation 911 (NG-911), which will allow the current E-911 Call Center in North Scituate to receive emergency text messages. The Department has not indicated a go-live date.

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 15.6 FTE positions in FY2015 and 16.6 FTE positions in FY2016 for the Central Management program, an increase of 1.0 FTE from the FY2015 Budget as Enacted.

| Central Management | General Revenue |
|---|------------------------|
| FY2015 Enacted | \$1,176,284 |
| <i>Target and Other Adjustments</i> | |
| Assistant Administrator of Financial Management | 86,180 |
| | 62,822 |
| FY2016 Enacted | \$1,325,286 |

Assistant Administrator of Financial Management **\$62,822**

The Budget increases general revenue by \$62,822 for 1.0 FTE position, an Assistant Administrator of Financial Management, in the Central Management division scheduled to begin January 2016. The position will assist the Director of Finance in support of budget development and expenditure forecasting while providing additional supervision within the division. Though the Department of Public Safety has grown in size, in both personnel and budget, since being established, the administration staffing levels have not. The Budget includes funding for 6 months' salary for the position. As to not add to the overall Department of Public Safety's FTE cap, the Budget shifts the Administrative Officer FTE position from the State Police program in FY2016, which is vacant and not funded in the Budget.

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 FY2015 and FY2016 for the program, consistent with the FY2015 Budget as Enacted.

| E-911 | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$5,428,479 |
| <i>Target and Other Adjustments</i> | |
| Software Maintenance Agreements | 30,903 |
| | (81,968) |
| Next Generation 911 | Informational |
| Surcharge Revenues | Informational |
| FY2016 Enacted | \$5,377,414 |

Software Maintenance Agreements **(\$81,968)**

The Budget decreases general revenue by \$81,968 as the E-911 program transitions from a traditional 911 call center system for to a new Next Generation 911 (NG-911) system. The Budget decreases contracts for software maintenance by \$272,991 primarily for two hardware components: the selective router

annual maintenance (\$29,000) and the micro-data annual maintenance (\$126,208). The contracts are no longer needed as this hardware has become obsolete with the pending implementation of NG-911. These savings are offset primarily due to maintenance of the telecommunication systems and to cover a battery back-up replacement (\$153,865). The balance of \$37,158 is an increase above the FY2015 enacted level based on past expenditures in operating costs.

Next Generation 911

Informational

The E-911 Division is undergoing a technology upgrade that will allow the program to implement Next Generation 911 (NG-911). This upgrade will allow the current E-911 Call Center in North Scituate to receive emergency text messages. The system will use a Voice over Internet Protocol (VoIP) based network solution that allows a text message to be delivered to a 911 call center. As of May 15, 2014, the four largest wireless telecommunications carriers in the United States, T-Mobile, Verizon, Sprint and AT&T, which jointly have well in excess of 90.0 percent of the wireless business, are now capable of transmitting NG-911 text messaging to any public safety answering point (PSAP) which has the technology to receive the messages.

E-911 expects to complete the necessary technology purchases and installation in FY2016 and subsequently implement the NG-911 system. Once the NG-911 network update is complete and the equipment has been installed, the Division expects to be able to receive and transfer NG-911 calls. Implementation will require testing the equipment and the training of telecommunicators as the process for receiving and transferring an NG-911 originated message differs significantly from a traditional phone call. The go-live date has been delayed due to the vendor's concerns relative to FCC requirements on transmission of 911 voice calls. This has been resolved and the vendor is continuing the network updates; however the Division has not been able to provide a timeline as to when the system will be fully implemented.

Surcharge Revenues

Informational

The State levies an E-911 surcharge on both wireline and wireless phone lines, as do most states, to fund the program. The wireline surcharge amounts to \$1.00 per line, per month, while the wireless surcharge amounts to \$1.26 per line, per month. The additional \$0.26 levied on wireless lines was enacted in 2004 to fund the costs of a GIS database development and maintenance, and to fund primary and secondary answering point improvements. All E-911 surcharge collections are deposited as general revenues. Following is a snapshot of surcharge collections, and general revenue expenditures for E-911. Beginning in FY2016, 10.0 percent of revenue collected through E-911 surcharges will be deposited into the Information Technology Investment Fund (ITIF) established in RIGL 42-11-2.5. The ITIF is used to acquire information technology hardware, software, consulting services, and ongoing maintenance contracts for state departments and agencies.

E-911 Revenues vs. Expenditures

| Fiscal Year | Revenue | Expenditures | Net Amount to General Fund | Net Amount to ITIF |
|--------------------|----------------|---------------------|---------------------------------------|-------------------------------|
| 2010 | \$17,898,223 | \$4,635,901 | \$13,262,322 | - |
| 2011 | 17,248,460 | 4,829,770 | 12,418,690 | - |
| 2012 | 17,255,771 | 4,766,586 | 12,489,185 | - |
| 2013 | 17,507,117 | 5,103,735 | 12,403,382 | - |
| 2014 | 15,242,925 | 5,444,296 | 9,798,629 | - |
| 2015* | 15,620,745 | 5,288,026 | 10,332,719 | - |
| 2016* | 15,412,020 | 5,377,414 | 8,493,404 | 1,541,202 |

**FY2015 and FY2016 revenue estimates were provided by the Office of Revenue Analysis; expenditures reflect the FY2015 Supplemental and FY2016 Enacted budgets. The general revenue reduction in FY2016 reflects the transfer of 10.0 percent (\$1.5 million) of the surcharge revenue to the Information Technology Investment Fund (ITIF).*

FIRE MARSHAL

The State Fire Marshal is responsible for enforcing the Fire Safety Code and other laws and regulations relating to fires, fire prevention, protection, inspection and investigation. The agency includes a Bomb Disposal Unit, Enforcement Unit, Fire Education and Training Unit, Inspection Unit, Investigation Unit, and the Plan Review Unit.

The Bomb Disposal Unit assists local emergency responders in the proper handling and disposal of hazardous materials suspected to be explosive. The Enforcement Unit is responsible for the criminal prosecution of any person in violation of laws related to fires, fire prevention, fire inspection, and fire investigations. The Fire Education and Training Unit is responsible for operating the Fire Academy, by providing education and training to all fire departments in the state, both public and private. The Inspection Unit is responsible for conducting fire safety inspections of all buildings regulated by the Fire Safety Code. The Investigation Unit investigates suspicious or attempted fires to determine the cause, origin and circumstances where property has been damaged or destroyed. It also investigates fires where a fatality has occurred in so far as it is possible to determine the cause. The Plan Review Unit is responsible for reviewing architectural drawings of proposed construction plans for compliance with the Fire Safety Code.

The Budget includes 36.0 FTE positions in FY2015 and FY2016 for the program, consistent with the FY2015 Budget as Enacted.

| Fire Marshal | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$2,746,455 |
| <i>Target and Other Adjustments</i> | <i>127,905</i> |
| Personnel Expenses | 304,374 |
| Fire Safety Inspector | 71,809 |
| Fire Marshal Office Space | Informational |
| FY2016 Enacted | \$3,250,543 |

Personnel Expenses **\$304,374**

The Budget restores \$304,374 in personnel costs to general revenue which were transferred to restricted receipts (Fire Academy Training Fees) in the FY2015 Budget as Enacted to finance the Director of Fire Training, a Fire Safety Training Officer, a Clerk Secretary and 20.0 percent of the cost of the Fire Marshal position. The Budget restores the funding as there would not be enough revenue in the account to finance all costs of the Fire Training Academy beginning in FY2016.

Fire Safety Inspector **\$71,809**

With the establishment of the I-195 Redevelopment District Commission, the Fire Marshal's Office was given the responsibility of overseeing the plan review and construction phase of the redevelopment of the land made vacant by the redirection of I-195. Based on the assumed increase in workload, the Budget includes general revenue funding of \$71,809 to fill one of three vacant Fire Safety Inspector positions in FY2016, expected to help the division with the additional plan review support for the beginning stages of developing the I-195 land. The Fire Marshal has requested an overall FTE increase in the number of Fire Safety Inspectors that would be dedicated to the I-195 project in past years, including this year, however in those years, the commission was only receiving requests for proposals and no concrete projects existed. As such FTE increases were not provided in prior years.

Fire Marshal Office Relocation **Informational**

In September 2014, the State Fire Marshal Offices were relocated from the Cranston Street Armory based upon the condition of the Armory. The Investigative Unit of the Division was relocated to the E-911 back-up site at 1951 Smith Street and the remaining members were relocated to office space located at One Capitol Hill within the Department of Administration (DOA) building. Additionally, a very small

number of staff moved to the Fire Training Academy building located in Exeter. The Department requested \$587,425 to seek out new office space; however, the Budget does not include general revenue financing for the costs of leasing a building in either year as there is currently a preliminary plan in place to construct a new office at the current Fire Academy Building in Exeter; part of the enacted Capital Improvement Plan which includes \$900,000 in Rhode Island Capital Plan Funds for Architectural and Engineering Services in FY2016 to add new space at the existing training facility.

MUNICIPAL POLICE TRAINING ACADEMY

The Rhode Island Municipal Police Training Academy was established in 1969, and assigned to train and certify municipal law enforcement officers for all municipalities except for the City of Providence. Municipalities do not pay to send recruits to the Academy, but they do provide in-kind services including officer time to teach courses, and meeting and firing range space. Recruits are paid by municipalities for their time spent at the Academy. Since the first training class in 1970, the Academy has graduated 114 classes. The Academy runs two to three classes and 80 to 100 professional development workshops annually. Since 1981, the Academy has been located at the Community College of Rhode Island, Flanagan Campus, in the Town of Lincoln.

The Budget includes 2.0 FTE positions in FY2015 and FY2016 for the program, consistent with the FY2015 Budget as Enacted.

| Municipal Police Training | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$245,379 |
| <i>Target and Other Adjustments</i> | <i>9,288</i> |
| FY2016 Enacted | \$254,667 |

SECURITY SERVICES

The Security Services program consists of the Capitol Police, and, beginning in FY2012, the Division of Sheriffs. The Capitol Police have arrest powers and provide security at 13 state buildings, including the State House, the courthouses, and numerous Executive branch facilities. The Sheriffs are responsible for statewide activities assigned by law which relate to the duties and functions of the sheriffs of the several counties. The division is responsible for courtroom security, judicial security, cellblock, transportation of individuals charged with crimes, interstate prisoner extraditions and service of process.

The Budget includes 220.0 FTE positions in FY2015 and FY2016 for the program, consistent with the FY2015 Budget as Enacted.

| Security Services | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$21,751,650 |
| <i>Target and Other Adjustments</i> | <i>87,324</i> |
| Sheriffs Division - Personnel | 841,330 |
| FY2016 Enacted | \$22,680,304 |

Sheriffs Division – Personnel

\$841,330

The Budget includes an additional \$841,330 in personnel costs, including \$550,613 for estimated cost of living adjustments and \$128,487 to fill the Deputy Sheriff Major position that had previously been vacant and includes \$112,586 to promote 4.0 FTE positions from the rank of Deputy Sheriff to the rank of Deputy Sheriff-Sergeant through internal promotions and \$49,644 to promote 12.0 Deputy Sheriff positions from 35 to 37.5 hour work weeks. In 2005, a settlement was reached between the Department of Administration and the Division of Sheriffs, increasing work week hours in the Division from 35 to 40 hours. The Sheriff's union has indicated that the State has not fulfilled the requirements of the consent order by not transferring all Sheriff's to the 40 hour work week. However, the State believes the

obligation has been filled, transferring the agreed upon number (48.0 positions) to 40 hours work weeks. The FY2015 Enacted Budget included a plan to transfer 6.0 Sheriff positions from 35 to 40 hour work weeks each fiscal year until all employees are on a 40-hour workweek. In the latest agreed upon labor “mini-contract” (2014), the Sheriffs labor contract stipulated that 12.0 Sheriff positions would be shifted from 35 to 37.5 hour work weeks as opposed to 6.0 Sheriff positions moving from 35 to 40 hour work weeks. Thus, the current contract recognizes three sets of Deputy-Sheriffs: 85.0 Sheriff positions working 35 hour weeks, 12.0 Sheriff positions working 37.5 hour weeks, and 61.0 Sheriff positions working 40 hour weeks. The Governor’s budget noted that this amount of funding is intended to provide the judicial courtrooms with an “adequate” number of Sheriffs available for duty on a daily basis. The Division’s FTE cap is 180.0 FTEs and the Budget attempts to finance up to the cap with the assumption that this will be an adequate number of Sheriffs to staff the courtrooms.

STATE POLICE

The Rhode Island State Police are a uniformed and investigative law enforcement agency having statewide jurisdiction. The agency is organized into three bureaus: the Administrative Bureau, Uniform Bureau, and Detective Bureau. The Administrative Bureau consists of sworn command staff, as well as civilian personnel, and it provides overall management and support. The Uniform Bureau is responsible for crime prevention and investigates criminal and noncriminal activities. The Uniform Bureau also establishes highway safety through enforcement of motor vehicle laws with emphasis on hazardous moving violations, i.e. drunk driving and speeding. The Detective Bureau is the primary investigative unit, and provides assistance to the Attorney General’s Office and other agencies in investigating organized crime and white collar crime, and provides support to police agencies throughout the state.

The Budget includes 298.0 FTE positions in FY2015 and 297.0 FTE positions in FY2016, a decrease of 1.0 position from the budget as enacted. This position was transferred to the Central Management program within the Department.

| State Police | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$63,945,787 |
| <hr/> | |
| <i>Target and Other Adjustments</i> | <i>(576,477)</i> |
| Assumed COLA Increase | 1,103,781 |
| Pension Trust Fund | (1,000,000) |
| 56th State Police Training Academy | 1,207,271 |
| Vehicle Overhead Expenses | (405,000) |
| Delayed Promotions - Detective Unit | (103,083) |
| State Police Vehicles | Informational |
| Google Forfeiture Funds | Informational |
| FY2016 Enacted | \$64,172,279 |

Assumed COLA Increase

\$1.1 million

The Budget includes an increase of \$1.1 million in general revenue funding for estimated cost of living adjustments (COLA) for the anticipated salary increase to be awarded once the Rhode Island Trooper Association contract has been finalized. The State Police are currently in contract negotiations with the State. The assumed salary increase is consistent with the COLA (2.0 percent) other state employees recently received.

Pension Trust Fund

(\$1.0 million)

Article 12 creates a pension trust fund for State Police troopers hired prior to 1987 who are currently receiving benefits through a pay-as-you-go (pay-go) system. Members’ benefits will remain unchanged; but the proposal transitions the current system to a more traditional retirement fund whereby contributions are amortized, in this case, over 18 years. One-time funding from the Google settlement awarded to the

State Police will be used to seed the fund. Leveraging this investment at a 7.5 percent rate of return will achieve \$157.2 million in general revenue savings over the 77-year life of the plan.

Analyst Note: The State Police must seek approval for use of Google forfeiture funds by the U.S. Department of Justice (DOJ) Asset Forfeiture Program. The State Police, being the law enforcement entity, sent a letter in June 2015 to DOJ requesting the use of the funds. The letter will include the legal authority in statute that allows the State to create a pension trust, what the benefit is to the State Police by using Google funds towards this trust, and to be clear as to how this affects the State Police Budget.

The actuarial firm which provided the analysis recommended an initial deposit in FY2016 of \$31.7 million, including \$15.0 million in Google forfeiture funds and \$16.5 million in general revenue. The State has traditionally relied solely on general revenues to pay for the benefits of roughly \$17.6 million per year. As compared to the FY2015 enacted budget, this proposal will save approximately \$1.0 million in FY2016. This was going to be part of a budget amendment in 2013; legislation was drafted, however, the governor did not move forward on this for unknown reasons.

The schedule continues with an appropriation of \$16.5 million in general revenue per year from FY2016 through FY2033, at which point the trust will be fully funded. The State will realize general revenue savings in each of the first five years, and is anticipated to save \$157.2 million in general revenue overall based on rate of return assumptions. The table below shows the savings to the State for the first five years of this investment, and the fiscal year (2021) when the annual allocation outweighs the State's contribution.

Fiscal Impact of Pension Trust Deposit Schedule

| Fiscal Year | Estimated Payments to | Proposed State Contributions | General Revenue Balance/(Savings) |
|-------------|--------------------------|---------------------------------|--------------------------------------|
| 2016 | \$17,872,862 | \$31,743,504 | (\$1,129,358) |
| 2017 | 17,642,128 | 16,496,804 | (1,145,324) |
| 2018 | 17,401,106 | 16,496,804 | (904,302) |
| 2019 | 17,149,895 | 16,496,804 | (653,091) |
| 2020 | 16,888,212 | 16,496,804 | (391,408) |
| 2021 | 16,642,566 | 16,496,804 | (145,762) |
| 2022 | 16,415,701 | 16,496,804 | 81,103 |
| 2023 | 16,148,070 | 16,496,804 | 348,734 |
| 2024 | 15,836,146 | 16,496,804 | 660,658 |

Note: Savings will decline over the first five years of the establishment of the trust. After that point, general revenue payments into the trust will exceed the projected pay-go payments through year 18, at which point the trust

56th State Police Training Academy

\$1.2 million

The Budget includes a general revenue increase of \$1.2 million for financing of the 56th State Police Training Academy, scheduled to begin February 2016. The 22-week long program in FY2016 provides a stipend of \$14,300 for each recruit along with additional state payments for certain personnel benefits at a general revenue cost of \$750,965 for 40.0 recruits. The Budget also includes \$493,040 (\$12,326 per recruit) to purchase uniforms and for overhead costs. Additionally, the Budget authorizes the use of Google Forfeiture Funds in the amount of \$390,835 to finance equipment and additional services provided to the 40.0 recruits during the academy.

The 40.0 new recruits are not included as part of the Department of Public Safety's FTE authorization in FY2016 as the trainee troopers are not considered full-time equivalent (FTE) state employees until after they graduate which will occur at the very end of FY2016. After graduating from the State Police Training Academy, the new Trooper is then placed on the State's official payroll system receiving all benefits offered to sworn members of the State Police: including healthcare, holiday pay, accreditation

bonuses, and overtime. Based on the schedule of the training academy, these Troopers will become FTEs in FY2017 and fill anticipated vacancies in the program.

FY2016 State Police Academy Costs

| Item | General Revenue |
|---|------------------------|
| Personnel Costs (During Academy - 22 Weeks) | \$750,965 |
| Clothing, Boots, Accessories | 285,409 |
| Catering/Meals | 147,466 |
| Training Injuries | 55,000 |
| Beverages for Training Classes | 5,150 |
| Subtotal | \$1,243,990 |
| | Google Funds |
| CF-31 Panasonic Laptops | \$184,370 |
| Motorola Portable Radios | 113,300 |
| Police/Safety Supplies | 83,753 |
| Laundry Services | 6,940 |
| Bus Transportation Services | 2,472 |
| Subtotal | \$390,835 |
| Total | \$1,634,825 |

Vehicle Overhead Expenses (\$405,000)

The Budget includes general revenue savings of \$405,000 for state fleet vehicle overhead costs. 154 new vehicles were purchased in FY2013 with both Google funding and State Fleet Revolving Loan funds and it is expected that a newer fleet will result in lower vehicle maintenance costs overall.

Delayed Promotions – Detective Unit (\$103,083)

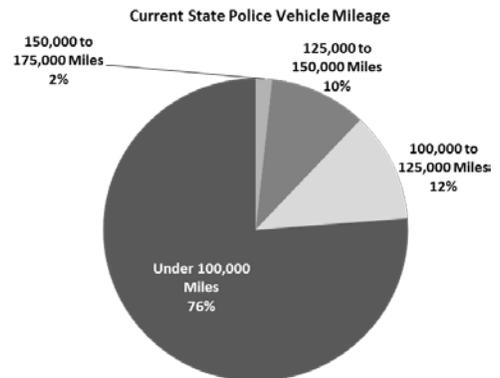
The Budget includes savings of \$103,083 in general revenue by delaying five internal promotions from the level of Senior Trooper to Detective Trooper. The Budget includes a total of 51.0 Detective positions within the State Police program. The delay does not impact the overall FTE cap within the State Police program.

Analyst Note: The Detective Unit has grown over the last few years and the position of Detective, unlike uniformed sworn members, receives additional contractual bonuses and tends to cost more than uniformed troopers. The Budget seeks to moderate growth through this delay.

State Police Vehicles Informational

The Department currently has 290 vehicles in the State Police vehicle fleet. While more than half of the vehicles are under 100,000 miles, 24.0 percent (70 vehicles) are over 100,000 miles. The Department has been allotted \$700,000 from the State Revolving Loan Fund for vehicle purchases in FY2015 to replace 35-40 vehicles and is working with the Division of Purchasing to have a Master Price Agreement put in place to purchase an additional 100 new vehicles over 3 years. Purchasing new vehicles would likely decrease vehicle maintenance costs. In FY2013, the Department purchased 154 new vehicles using Google forfeiture funds. The average useful life of these vehicles is 6.5 years.

The Budget increases \$1,120 from Road Construction Reimbursements from the Department of Transportation for road details performed by the State Police, which help to pay for maintenance costs, for an all funds total of \$2.1 million for the program in FY2016, consistent with past expenditure levels.



Google Forfeiture Funds**Informational**

On August 24, 2011, Google, Inc. reached a settlement agreement with the United States Department of Justice (DOJ) to forfeit \$500.0 million for allowing online Canadian pharmacies to place advertisements through its AdWords program, targeting U.S. consumers. Rhode Island received a \$230.0 million share of this award for State and local law enforcement agencies that helped investigate Google's role in placing the online ads for illegal pharmacies. Of the total award, the State directly received \$110.0 million, of which \$60.0 million was allocated to the Attorney General's Office, \$45.0 million was allocated to the State Police, and \$5.0 million was allocated to the Rhode Island National Guard. The City of East Providence and Town of North Providence each received \$60.0 million.

The State Police received a total of \$45.0 million from the settlement. The Budget includes \$7.7 million in FY2015 and \$10.9 million in FY2016 from the balance of its award, mostly for capital projects. Approximately \$11.7 million has been spent to date, primarily to upgrade its existing vehicle fleet in FY2013 (\$5.4 million) and the commencement of capital construction projects in FY2015 (\$4.1 million). Of the balance, \$15.0 million will be used to seed a trust fund for the State Police pay-go pension while the remaining funds are scheduled to be used for capital construction projects referenced in the following section.

CAPITAL PROJECTS

The Budget includes a total of \$26.1 million in capital projects from FY2016 through FY2020, including \$11.5 million in restricted receipts from Google Forfeiture funds.

- The Consolidated Training Academy project will combine the current training facilities of RI State Police, Providence Police, and Municipal Police departments at the site of the former Ladd School in Exeter. Total project costs are estimated at \$19.5 million, including \$9.8 million of Rhode Island Capital Plan (RICAP) funds (\$1.3 million in FY2016) and \$9.8 million of Google funds (\$5.4 million in FY2016). Google funds previously approved by U.S. Department of Justice were used in FY2015 (\$300,000) to conduct a feasibility study.
- The Lincoln Woods State Police barrack is undergoing various upgrades to bring it up to date to meet Americans with Disabilities Act (ADA) requirements, upgrade security features, and to accommodate female troopers. The Budget includes RICAP funding of \$1.0 million in FY2015 along with \$1.5 million in Google forfeiture funds. In FY2016, the Budget includes an additional \$1.5 million in Google forfeiture funds. It is expected that the project will be completed in FY2017 as the Budget includes \$500,000 in Google funds to complete the project.
- The Budget also includes RICAP funding of \$2.0 million in FY2016 for "Phase 2" construction of the Fire Academy Building, which will incorporate classrooms and administrative offices in the existing portion of the Exeter facilities. "Phase 1" of this project was funded by general obligation bonds to construct a new four-acre burn pad, paved parking, outdoor burn props, and other "hands-on" portions of the training academy. \$900,000 for a feasibility study has also been added to this project for "Phase 3" planned construction for architectural and engineering services to add new office space for the Fire Marshal Office to be moved to after recently being relocated out of the Cranston Street Armory building due to inadequate working conditions.

Office of the Public Defender

| Expenditures by Program | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | | FY2016 Enacted | Change from Enacted | |
|--------------------------------|--------------------------|---------------------------|---------------------------|--------------------------------|--------------|---------------------------|--------------------------------|-------------|
| Public Defender | \$10.9 | \$11.4 | \$11.1 | (\$0.3) | -2.4% | \$11.7 | \$0.3 | 2.8% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$10.7 | \$11.1 | \$10.9 | (\$0.2) | -1.6% | \$11.6 | \$0.5 | 4.4% |
| Federal Funds | 0.2 | 0.2 | 0.2 | (0.1) | -38.3% | 0.1 | (0.2) | -68.5% |
| Total | \$10.9 | \$11.4 | \$11.1 | (\$0.3) | -2.4% | \$11.7 | \$0.3 | 2.8% |
| Authorized FTE Levels | 93.0 | 93.0 | 93.0 | - | 0.0% | 93.0 | - | 0.0% |

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

The Office of the Public Defender represents indigent adults and juveniles who are charged with criminal offenses or who are in jeopardy of losing custody of their children to the State. Referrals come from the Supreme, Superior, District and Family Courts. All who are financially eligible are assigned to a staff attorney for representation in the appropriate court. The main office and two branch locations are in Providence. Three additional offices are located in the southern half of the state. The metropolitan areas of Providence and Newport account for the bulk of the cases. The Office includes four basic divisions of attorneys: appellate, criminal trial (including separate felony and misdemeanor units), juvenile, and parental rights. The Public Defender is appointed by the Governor to a six-year term, with the advice and consent of the Senate.

MAJOR ISSUES AND TRENDS FOR FY2016

The agency's budget is funded almost entirely by general revenues (99.3 percent). The Budget reflects salary and benefit requirements of the existing staff, as well as statewide cost-of-living adjustments (COLA). Funding is also included for contract services for expert witness services and intake eligibility technicians. The Budget includes an increase of approximately \$60,000 in FY2016 for clerical services and other temporary assistance for trial related services and contractor surcharges, which is partially offset by a decrease of \$35,000 for stenographic services.

The Budget includes 93.0 FTE positions for the program in FY2015 and FY2016, consistent with the FY2015 Budget as Enacted.

| Central Management | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$11,130,816 |
| <i>Target and Other Adjustments</i> | 35,550 |
| Personnel | 429,311 |
| Contracted Services | 26,300 |
| FY2016 Enacted | \$11,621,977 |

Personnel **\$429,311**

An increase in personnel costs comprises the bulk of the general revenue increase in FY2016, primarily due to the 2.0 percent for cost of living increases for existing staff.

Contracted Services **\$26,300**

The Budget increases general revenue by a net \$26,300 for trial related services and general contract expenses, including temporary personnel services, computer technician services, security guard services, and employment services. Expenditures are based on past levels. Clerical services expenditures increase \$30,000 based on clients' rights to trials and transcript services. Temporary service contracts increase \$30,329 for costs of trial-related expenses, such as medical expert witnesses. These increases are offset by \$35,000 decrease in stenographic services based on the Office's FY2016 anticipated needs.

Department of Environmental Management

| Expenditures by Program | FY2014 | FY2015 | FY2015 | Change from | | FY2016 | Change from | |
|------------------------------------|---------------|----------------|----------------|--------------|-------------|---------------|----------------|--------------|
| | Actual | Enacted | Revised | Enacted | % | Enacted | Enacted | % |
| Office of the Director | \$7.4 | \$8.1 | \$8.7 | \$0.7 | 8.0% | \$8.4 | \$0.3 | 4.0% |
| Bureau of Natural Resources | 44.4 | 65.0 | 66.9 | 1.8 | 2.8% | 60.1 | (5.0) | -7.7% |
| Bureau of Environmental Protection | 27.7 | 30.7 | 31.1 | 0.4 | 1.2% | 30.8 | 0.2 | 0.5% |
| Total | \$79.5 | \$103.8 | \$106.7 | \$2.8 | 2.7% | \$99.3 | (\$4.5) | -4.3% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$34.5 | \$35.5 | \$36.1 | \$0.6 | 1.6% | \$37.6 | \$2.0 | 5.8% |
| Federal Funds | 22.2 | 31.9 | 34.0 | 2.2 | 6.8% | 29.3 | (2.6) | -8.0% |
| Restricted Receipts | 13.4 | 15.9 | 16.5 | 0.5 | 3.4% | 18.4 | 2.4 | 15.2% |
| Other Funds | 9.3 | 20.5 | 20.0 | (0.4) | -2.2% | 14.1 | (6.4) | -31.4% |
| Total | \$79.5 | \$103.8 | \$106.7 | \$2.8 | 2.7% | \$99.3 | (\$4.5) | -4.3% |
| Authorized FTE Levels | 399.0 | 399.0 | 399.0 | - | 0.0% | 399.0 | - | 0.0% |

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

The Department of Environmental Management (DEM) is responsible for protecting, managing, and restoring the natural resources of the State. The Department is organized into three divisions: the Office of the Director, the Bureau of Natural Resources, and the Bureau of Environmental Protection.

The Department is charged with supervising and controlling the protection, development, planning, and utilization of the natural resources of the state; the promotion of agriculture and animal husbandry; and, providing for the maintenance of waterways and boating facilities.

MAJOR ISSUES AND TRENDS FOR FY2016

The FY2016 Budget includes an all funds decrease of \$4.5 million, or 4.3 percent from the FY2015 Budget as Enacted, primarily due to funding changes in capital projects. The Budget includes a \$2.0 million (5.8 percent) increase in general revenue expenditures compared to the FY2015 Budget as Enacted. The decrease in other funds (\$6.4 million) is due primarily to project completions and changes to work schedules as programed in the enacted capital plan.

Through Article 16, the Budget eliminates the Bay, Rivers, and Watersheds Coordination Team and creates the Bays, Rivers and Watersheds Fund, a restricted receipt account within DEM. DEM is empowered to use the funds to further the purposes of the Comprehensive Watershed and Marine Monitoring Act of 2004, Water Pollution, and the Resilient Rhode Island Act of 2014 – Climate Change Coordination Council, subject to appropriation by the General Assembly. The article further expands the Comprehensive Watershed and Marine Monitoring Act of 2004 to include freshwater habitats and environmental problems that may arise from climate change.

OFFICE OF THE DIRECTOR

The Office of the Director includes the Office of Management Services, Legal Services, Administrative Adjudication, and the two central service offices of Human Resources and Information Technology. The Office is responsible for developing and implementing programs to protect the State's environment, protect citizens from public health threats resulting from pollution, and provide facilities that support outdoor recreational activities. The Budget includes 34.0 FTE positions in FY2015, consistent with the FY2015 Budget as Enacted, and 32.0 FTE positions in FY2016 to reflect the elimination of the positions associated with the Bays, Rivers, and Watersheds Coordination Team eliminated in Article 16 of the budget.

| Office of the Director | General Revenue |
|-------------------------------------|------------------------|
| FY2015 Enacted | \$5,053,567 |
| <i>Target and Other Adjustments</i> | 159,203 |
| Community Service Grants | (50,000) |
| FY2016 Enacted | \$5,162,770 |

Community Service Grants **(\$50,000)**

The Budget decreases community service grants by a total of \$50,000, relative to the FY2015 Budget as Enacted. The decrease eliminates one-time grants including \$250,000 for repairs to dams in Johnston and \$250,000 for improvements to an athletic field in Woonsocket. The decrease is partially offset by increases totaling \$450,000 to provide \$250,000 for improvements to the athletic field in Woonsocket and \$200,000 for North Providence drainage remediation. The Woonsocket grant was provided in FY2015 but was excluded from the recommended budget on the assumption that it was a one-time grant.

BUREAU OF NATURAL RESOURCES

The Bureau of Natural Resources is comprised of six divisions which manage the State's marine, freshwater, and upland resources. The Bureau administers the State's agriculture programs, state land acquisitions, and local matching grant programs for outdoor recreation. The Bureau is also responsible for enforcing state laws and regulations governing hunting and fishing, public safety in state parks, and recreational boating; and for administering, maintaining and operating eight state parks, five campgrounds, seven state beaches, a golf course, the East Bay and Blackstone Bike Paths, and 40,000 acres of state-owned forests. Furthermore, the Bureau is responsible for oversight of all land leases and capital assets of port facilities and commercial fishing piers in Narragansett and Newport.

The Budget provides 186.0 FTE positions in FY2015 and FY2016 for the program. Within the cap, the Budget provides a new Chief of Marine Resources Management position, and eliminates a Supervising Biologist positions in Marine Fisheries to offset the increase, and adjusts expenditures across programs.

| Bureau of Natural Resources | General Revenue |
|---|------------------------|
| FY2015 Enacted | \$19,244,615 |
| <i>Target and Other Adjustments</i> | 591,087 |
| Operating | 476,424 |
| Seasonal Workers Minimum Wage Increase | 359,597 |
| Local Agriculture & Seafood Grant Program | Informational |
| WWII State Park | Informational |
| Beach Parking Vendor Contract | Informational |
| FY2016 Enacted | \$20,671,723 |

Operating **\$476,424**

The Budget provides additional funding over the FY2015 Budget as Enacted for operating costs shown in the following table, such as building and grounds maintenance, waste disposal, janitorial supplies, water, and fleet repairs. The increase brings budgeted costs closer to historical expenditures. Some of the expenditures can be impacted by unusual expenses in a given year such as building and ground maintenance in FY2013 was impacted by Hurricane Sandy. In FY2014, there was a water leak at Galilee that increased water costs for that year.

Bureau of Natural Resources Operating Supplies and Expenses

| Division | Operating Expense | FY2013 Actual | FY2014 Actual | FY2015 Enacted | FY2016 Enacted | Change from Enacted |
|----------------------|--------------------------------|--------------------|--------------------|--------------------|--------------------|------------------------|
| Parks and Recreation | | | | | | |
| | Building Maintenance & Repairs | \$515,514 | \$339,908 | \$129,949 | \$305,000 | \$175,051 |
| | Grounds Maintenance | 768,476 | 568,933 | 500,000 | 570,000 | 70,000 |
| | Waste Disposal | 118,301 | 120,025 | 100,000 | 120,000 | 20,000 |
| | Janitorial Supplies & Equip | 72,570 | 74,565 | 65,000 | 75,000 | 10,000 |
| | Water | 163,103 | 154,671 | 112,000 | 155,000 | 43,000 |
| | State Fleet: Overhead | 530,303 | 537,730 | 385,000 | 485,000 | 100,000 |
| Forest Environment | | | | | | |
| | State Fleet: Overhead | 124,787 | 132,841 | 107,627 | 120,000 | 12,373 |
| Enforcement | | | | | | |
| | State Fleet: Overhead | 105,342 | 163,564 | 105,000 | 125,000 | 20,000 |
| Coastal Resources | | | | | | |
| | Insurance: Property/Casualty | 13,229 | 16,027 | - | 16,000 | 16,000 |
| | Water | 33,880 | 74,161 | 20,000 | 30,000 | 10,000 |
| Total | | \$2,445,505 | \$2,182,425 | \$1,524,576 | \$2,001,000 | \$476,424 |

Source: Rhode Island Department of Environmental Protection

Seasonal Workers Minimum Wage Increase**\$359,597**

The 2014 General Assembly increased the minimum wage from \$7.75 per hour to \$8.00 per hour, effective January 1, 2014, and again from \$8.00 per hour to \$9.00 per hour, effective January 1, 2015. The increase impacts management area rangers, park rangers, park clerks, and seasonal clerical support. According to the Department, the increase impacts less than 200 workers; however, the budgeted amount provides wage increases to bring workers up to the minimum wage and to workers making above the minimum wage to maintain the relative pay range for different steps. The FY2015 Budget as Enacted included \$89,444 for the 2014 wage increase. The Budget provides \$359,597 in general revenue in FY2016 for seasonal recreation positions due to scheduled minimum wage increases.

Local Agriculture and Seafood Grant**Informational**

The Budget dedicates \$100,000 in general revenue to fund the Local Agriculture and Seafood Grant program, level funded with the FY2015 Budget. The Local Agriculture and Seafood Grant program was established to support the growth, development, and marketing of local food and seafood within Rhode Island. The program was launched in FY2014 and is co-administered by the Division of Agriculture, within the Rhode Island Department of Environmental Management, and the Rhode Island Food Policy Council. Grants are awarded through a competitive process open to farmers, fishermen/women, non-profits, and producer groups based in Rhode Island.

WWII State Park**Informational**

The FY2015 Budget as Enacted included \$250,000 for the first year of a five-year initiative to transfer maintenance and operation of the World War II State Park from the State to Woonsocket following the completion of a project to revitalize the park using Rhode Island Capital Plan (RICAP) funds. The memorandum of understanding also requires \$2.6 million in RICAP funding in FY2015 to revitalize the World War II Memorial State Park in Woonsocket. RICAP funds will be used to replace the existing empty pond with a splash-park. Also included in the project are upgrades to the water, sewer, storm water, and electrical systems; new curbing, walkways, and landscaping; and replacement of the pedestrian bridge, benches, playground, and fencing. The architectural plans are already prepared and the project is expected to be completed in December 2015. Since the park will not be operational in FY2015, the \$250,000 in annual operating funds was delayed until FY2016; consequently, the State will make payments to Woonsocket in FY2016 through FY2020.

Beach Parking Vendor Contract**Informational**

In 2009, the RIDEM contracted with a vendor to operate the state beach parking lots for the following reasons:

- RIDEM needed to replace outdated and unreliable equipment, requiring considerable up-front capital investment;
- Using a vendor transferred the labor intensive revenue collection, cash handling, and overall management of the parking lots from RIDEM staff to the vendor;
- Daily receipt reports, bank deposits, and final reconciliation of the revenue in a timely manner was challenging with limited state staffing; and
- Using a vendor to manage the day-to-day collections allows the RIDEM beach managers to focus on their primary responsibilities of overseeing facilities to make sure they are providing a safe, clean, and comfortable environment for the patrons.

The five-year contract with ProPark, Inc., to collect parking fees expired on September 1, 2014, and the Department did not exercise the option for a five-year extension but instead re-bid the contract. Eight companies participated in the mandatory, pre-bid meetings; however, only two bids were received. Of the bids received, Pro Park America (a.k.a. ProPark, Inc.) from Hartford, Ct, was the lowest responsive and responsible bidder.

Through the contract that expired, the vendor received a \$502,143 annual payment and 20.0 percent of the revenue collected from the sale of season and daily passes that exceeds \$2.4 million. Under the new four-year contract awarded in April 2015, the vendor receives an annual management fee of \$706,845, with a 3.0 percent annual increase. The following table shows the fees paid to the vendor under the previous contract relative to the annual fee that will be paid over the next three years.

| | CY2012 | CY2013 | CY2014 | CY2015 | CY2016 | CY2017 | Total |
|-------------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------------|
| Previous Contract | \$829,796 | \$759,829 | \$775,583 | \$0 | \$0 | \$0 | \$2,365,208 |
| New Contract | - | - | - | 706,845 | 728,050 | 749,892 | 2,184,787 |
| Difference | | | | | | | (\$180,421) |

BUREAU OF ENVIRONMENTAL PROTECTION

The Bureau of Environmental Protection is comprised of six programs which are responsible for regulating and protecting water resources; protecting and improving air resources; regulating the transportation and disposal of solid, medical and hazardous waste, and investigating and remediating unpermitted release of those materials; responding to emergency spills of oil and chemicals that present an immediate danger to public health and environment; and assisting the public by coordinating the review of projects requiring multiple applications and permits and tracking the status of permitting activities throughout the Bureau.

The Budget provides 178.0 FTE positions in FY2015 and FY2016 for the program.

| Bureau of Environmental Protection | General Revenue |
|---|------------------------|
| FY2015 Enacted | \$11,241,923 |
| <i>Target and Other Adjustments</i> | <i>509,969</i> |
| FY2016 Enacted | \$11,751,892 |

CAPITAL PROJECTS

The Budget includes a total of \$16.4 million in capital expenditures from Rhode Island Capital Plan funds in FY2015 and \$11.4 million in FY2016, including:

- \$3.7 million in FY2015 for remediation and renovations at Rocky Point in Warwick and \$200,000 in FY2016 for a feasibility study on the future use and development of Rocky Point in Warwick. The demolition and removal of derelict buildings, the removal of debris piles and cottages is complete and the facility hosted its grand opening in October 2014.
- \$3.4 million in FY2015 and \$1.4 million in FY2016 for sailing upgrades at Fort Adams. Construction of a 240 foot, fixed pier was completed in April 2015. It is anticipated that the tallship Oliver Hazard Perry will be permanently docked at the new pier. The Department anticipates starting construction on the mid-park multi-use building in June 2015. The mid-park building will support sailing activities by providing restrooms, storage, and meeting rooms.
- \$3.2 million in FY2015 and \$5.0 million in FY2016 for infrastructure and facility improvements at state parks and management areas. This project includes the design and construction of a new beach facility at Lincoln Woods State Park in Lincoln; the design and construction of improvements to Fisherman’s Memorial Campground; the construction of a new shower/restroom facility at George Washington Campground in Glocester; and, asset protection projects such as roof replacement, waterline connections, and roadway repair. An additional \$1.0 million was added in FY2016 for waterline updates at Colt State Park that include installing a new waterline from Poppasquash Road to the park headquarters, replacing fire hydrants, adding sprinklers, connecting two restrooms to the new water supply, and replacing water supply piping.
- \$2.5 million in FY2016 for the Natural Resources Offices and Visitors’ Center project. This project involves the construction of a new building to coordinate staff programming by providing office space, laboratories, storage, and workshop areas for mosquito abatement testing, the state veterinarian, and the administrative office, including the Freshwater Fisheries and Wildlife sections of the Division of Fish & Wildlife.
- \$2.4 million in FY2015 and \$400,000 in FY2016 for repairs and upgrades at the Galilee Piers. Current plans include designing and building the south bulkhead, repairing pilings, continued reconstruction of piers, reconstruction and maintenance of the facility/workshop/garage, and various electrical repairs.
- \$1.8 million in FY2015 and \$770,000 in FY2016 for the World War II Memorial State Park in Woonsocket. This project will eliminate the existing, empty pond and replace it with a splash-park. Also included in the project are upgrades to the water, sewer, storm water, and electrical systems; new curbing, walkways and landscaping; and replacement of the pedestrian bridge, benches, playground and fencing.
- \$1.5 million in FY2015 and \$750,000 in FY2016 for repairs to “high-hazard” state-owned dams. The Department has recently completed design of repairs for the two dams within the J.L. Curran Management Area in Cranston. The construction work on the upper dam began in the spring of 2014 and was completed December 2014. The Lower Curran dam is next on the priority list with construction expected to begin in the summer of 2015.

Coastal Resources Management Council

| Expenditures by Program | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | | FY2016 Enacted | Change from Enacted | |
|--------------------------------------|--------------------------|---------------------------|---------------------------|--------------------------------|---------------|---------------------------|--------------------------------|--------------|
| Coastal Resources Management Council | \$4.5 | \$5.0 | \$9.9 | \$5.0 | 100.1% | \$5.7 | \$0.7 | 14.3% |
| Expenditures by Source | | | | | | | | |
| General Revenue | \$2.2 | \$2.2 | \$2.3 | \$0.1 | 5.8% | \$2.4 | \$0.2 | 11.3% |
| Federal Funds | 2.1 | 1.8 | 7.1 | 5.3 | 300.8% | 2.6 | 0.8 | 47.4% |
| Restricted Receipts | 0.2 | 0.3 | 0.3 | - | 0.0% | 0.3 | - | 0.0% |
| Other Funds | - | 0.8 | 0.3 | (0.5) | -66.7% | 0.4 | (0.4) | -50.4% |
| Total | \$4.5 | \$5.0 | \$9.9 | \$5.0 | 100.1% | \$5.7 | \$0.7 | 14.3% |
| Authorized FTE Levels | 29.0 | 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 FOR FY2016

The FY2016 Budget for CRMC includes an all funds increase of \$709,702 (14.3 percent) from the FY2015 Budget as Enacted. This increase includes a general revenue increase of \$247,722, reflecting statewide COLA and target adjustments, a federal funds increase of \$840,205, and a decrease of \$378,225 in other funds. The Budget includes 29.0 FTE positions in FY2015 and FY2016 for CRMC, level with the FY2015 Budget as Enacted.

The increase in federal funds in FY2015 and FY2016 primarily represent new awards to the CRMC, including grants to enhance the salt marsh in Ninigret Pond (\$2.6 million in FY2015 and \$696,141 in FY2016); to restore the Narrow River after the damage incurred from Hurricane Sandy (\$1.5 million in FY2015 and \$370,000 in FY2016); and, to repair damage at Winnapaug Pond from Hurricane Sandy (\$860,227 in FY2015).

The decrease in other funds of \$378,225 in FY2016 primarily reflects the completion of the Rhode Island Capital Plan (RICAP) funded portion of the Beach Erosion Special Area Management Plan (Beach SAMP).

| Coastal Resources Management Council | General Revenue |
|---|------------------------|
| FY2015 Enacted | \$2,185,538 |
| <i>Target and Other Adjustments</i> | 247,722 |
| FY2016 Enacted | \$2,433,260 |

| Coastal Resources Management Council | Other Funds Changes |
|---|----------------------------|
| Federal Funds | Informational |

Federal Funds

Informational

Federal funds increase by \$5.3 million in the FY2015 Revised Budget and \$840,205 in the FY2016 Budget as Enacted due primarily to the following new federal grant awards.

- **Enhanced Salt Marsh in Ninigret Pond:** (\$2.6 million in FY2016 and \$696,141 in FY2016) Funding from the National Fish & Wildlife Service of the United States Department of the Interior will restore 30.0 acres of salt marsh in Ninigret Pond and develop two designs for salt marsh restoration in the

same area. This grant requires a non-federal state match of \$321,775 which is provided in RICAP funds through the South Coast Restoration Project in the Capital Budget.

- **Hurricane Sandy Narrow River Restoration:** (\$1.5 million in FY2015 and \$370,000 in FY2016) Funding from the United States Fish and Wildlife Services will be used to restore the Narrow River estuary and adjacent shoreline through dredging, enhanced salt marsh elevation, and creation of 3.5 acres of salt marsh to protect the area from erosion.
- **Winnapaug Pond Repairs from Hurricane Sandy:** (\$860,227 in FY2015) Funding from the United States Department of Agriculture National Resources Conservation Service, matched by \$269,657 in RICAP funds from the South Coast Restoration Project, will be used to restore habitat and remove about 70,600 cubic yards of sediment that was deposited in the pond by Hurricane Sandy.

CAPITAL PROJECTS

The Budget provides a total of \$814,865 in RICAP funded capital projects, between FY2015 and FY2020, including the following:

- **South Coast Restoration Project:** The Budget provides RICAP funding of \$321,775 in FY2016 in state matching funds for the federal National Fish & Wildlife Service grant for sediment removal and habitat restoration in Ninigret Pond.
- **Shoreline Change Special Area Management Plan:** The Budget includes \$250,000 in RICAP funding in FY2015 and \$50,000 in FY2016 to address issues concerning climate change. The CRMC is developing a new Beach Erosion Special Area Management Plan (Beach SAMP) to provide a comprehensive approach to addressing erosion issues along the Rhode Island shoreline. The 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 RICAP funds are being used to leverage the following federal funding to provide information for the development of the statewide SAMP:
 - **Housing and Urban Development (HUD) Beach SAMP:** (\$200,000 in FY2015 and \$100,000 in FY2016) Funding from the HUD through the Rhode Island Department of Administration, Division of Planning will be used for a cooperative agreement with the University of Rhode Island to develop a Shoreline Change Mapping and Adaptation program, as well as a model demonstrating storm surge and sea level rise for the Washington County area.
 - **Rhode Island Shoreline Change Beach SAMP:** (\$100,000 in FY2015 and \$93,090 in FY2016) Funds from the National Oceanic and Atmospheric Administration (NOAA) will go to the University of Rhode Island to develop a series of coastal hazard overlays for the south shore in order to identify areas of high risk.

Department of Transportation

| Expenditures by Program ¹ | FY2014 | FY2015 | FY2015 | Change from | | FY 2016 | |
|--------------------------------------|----------------|----------------|----------------|-----------------|--------------|---------------------|------------------------|
| | Actual | Enacted | Revised | Enacted | Enacted | Change from Enacted | |
| Central Management | \$8.8 | \$11.0 | \$14.9 | \$3.9 | 35.7% | \$10.7 | (\$0.2) -2.3% |
| Infrastructure-Engineering | 345.3 | 472.5 | 417.8 | (54.7) | -11.6% | 375.5 | (97.0) -20.5% |
| Infrastructure-Maintenance | 46.8 | 39.4 | 53.7 | 14.3 | 36.4% | 73.0 | 33.6 85.4% |
| Management and Budget | 0.5 | 2.2 | 3.0 | 0.8 | 33.9% | 4.5 | 2.3 102.0% |
| Total | \$401.5 | \$525.1 | \$489.5 | (\$35.7) | -6.8% | \$463.8 | (\$61.3) -11.7% |

| Expenditures by Source ¹ | FY2014 | FY2015 | FY2015 | Change from | | FY2016 | |
|-------------------------------------|----------------|----------------|----------------|-----------------|--------------|---------------------|------------------------|
| | Actual | Enacted | Revised | Enacted | Enacted | Change from Enacted | |
| Federal Funds | \$284.5 | \$352.1 | \$309.7 | (\$42.4) | -12.1% | \$263.6 | (\$88.5) -25.1% |
| Restricted Receipts | 7.2 | 12.4 | 2.3 | (10.1) | -81.8% | 1.0 | (11.4) -91.9% |
| Other Funds | 109.8 | 160.7 | 177.5 | 16.9 | 10.5% | 199.2 | 38.5 24.0% |
| Total | \$401.5 | \$525.1 | \$489.5 | (\$35.7) | -6.8% | \$463.8 | (\$61.3) -11.7% |

| | | | | | | | | |
|-----------------------|-------|-------|-------|---|------|-------|---|------|
| Authorized FTE Levels | 752.6 | 752.6 | 752.6 | - | 0.0% | 752.6 | - | 0.0% |
|-----------------------|-------|-------|-------|---|------|-------|---|------|

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

¹ Does not reflect debt service transfer of \$9.3 million in FY2014.

The Rhode Island Department of Transportation (RIDOT) is responsible for over 3,300 “lane miles” (1,100 miles) of highway and 834 bridges in the state. The Department inspects all State and municipal bridges greater than 20 feet (751 bridges). RIDOT provides services ranging from snow removal to pothole repair and from installation and maintenance of traffic signalization to design of highway and bridge construction. The Department also develops projects in the areas of rail, water, bicycle, and pedestrian transportation, coordinates with RIPTA on transit projects, and engages in air quality planning and coordination.

Established in FY1994, the Intermodal Surface Transportation Fund (ISTF) accounts for the collection of the gasoline tax, federal grants, and bond proceeds that are used for the maintenance, upgrading, and construction of the State’s highway system. It also is funded by the proceeds of the Grant Anticipation Revenue Vehicle (GARVEE) and the RI Motor Fuel Tax (RIMFT) revenue bonds, and related expenditures. The Transportation Investment and Debt Reduction Act of 2011 created the Rhode Island Highway Maintenance Account within the ISTF.

Funds are used to finance all RIDOT personnel, and operating, and ongoing repair and renovation expenditures for RIDOT facilities throughout the state, as well as highway debt service, and motor fuel tax proceeds allocated to the Rhode Island Public Transit Authority (RIPTA), the Rhode Island Turnpike and Bridge Authority, and the Department of Human Services.

MAJOR ISSUES AND TRENDS FOR FY2016

The Budget allocates a total of \$463.8 million to RIDOT, a decrease of \$61.3 million from the FY2015 Budget as Enacted (11.7 percent). This decrease includes:

- \$88.5 million reduction in federal Highway Projects funds, based upon revised expenditure projections and scheduling of various highway projects
- \$11.4 million decrease in restricted receipts, reflecting the transfer of the RI Highway Maintenance Account – DMV Fees to the Infrastructure Maintenance Program
- \$38.5 million increase in other funds due primarily to:

- \$13.0 million available for capital projects due to the transfer of 25.0 percent of transportation related fees from the Division of Motor Vehicles to the Highway Maintenance Account
- \$11.1 million increase for winter maintenance and vehicle maintenance
- \$4.9 million available from an increase in the per penny gas tax yield. These funds will be used for department operations as well as transfers to RIPTA and RITBA.
- \$3.7 million for the Drainage Repair, Improvement, and Preservation Program
- \$3.0 million net increase in Rhode Island Capital Plan expenditures
- \$1.5 million for computer upgrades

The Budget includes an FTE authorization of 752.6, which is unchanged from FY2015.

A report issued in January 2014 by the Special Legislative Commission to Study the Funding for East Bay Bridges states that Rhode Island will require more than \$1.0 billion in additional transportation infrastructure improvement funding over the next ten years. To address this problem, the 2014 General Assembly passed Article 21, which makes several changes to transportation funding. These changes are currently estimated to yield more than \$60.0 million annually in additional transportation funding once fully implemented in FY2019. (See Sustainable Transportation Funding below)

The Budget includes funding for a Drainage, Repair, Improvement and Preservation Program, and additional money to partially fund a deficit resulting from winter and vehicle maintenance costs incurred due to a higher than average number of storms.

A major issue facing the Department is inaction by Congress to reauthorize the current federal authorization or adopt a new federal transportation funding authorization bill that maps out federal allocations and priorities for distribution of the Highway Trust Fund dollars. The current extension expires on July 31, 2015.

Reorganization

Article 15 of the FY2016 Budget as Enacted changes the organizational functions of RIDOT by establishing a project management-based program and an asset management system.

The amendment also allows the Director to establish divisions that he/she deems necessary to carry out the responsibilities of the department, including:

- Office of Audit
- Division of Finance
- Division of Planning
- Division of Project Management
- Division of Operations and Maintenance
- Office of Civil Rights
- Office of Safety
- Office of External Affairs
- Office of Legal
- Office of Personnel
- Office of Information Services

Article 15 requires the Director of RIDOT to appoint a chief operating officer, and repeals the requirement that the deputy director of the Department of Transportation be a highway engineer.

RIDOT will now be required to report annually on the status of its 10-year transportation plan to the Speaker of the House, the President of the Senate, and the House and Senate fiscal advisors no later than March 31.

Sustainable Transportation Funding

The FY2015 Budget as Enacted provides a long-term solution to funding of road and bridge maintenance by making several changes to transportation funding. These changes are currently estimated to yield more than \$60.0 million annually in additional transportation funding once fully implemented in FY2019.

- Transfers existing revenue from inspection stickers, motor vehicle title, and car rental surcharges from the general fund to the Rhode Island Highway Maintenance Account (HMA), beginning in FY2015.
- Imposes a surcharge of \$25 on all dismissals based upon a good driving record, in addition to the current \$35 administration fee. The additional funds will be deposited into the HMA, beginning in FY2015.
- Increases the vehicle inspection fee from \$39 to \$55, with the additional revenue directed to the HMA, beginning in FY2015.
- Transfers a percentage of the proceeds annually allocated to the Rhode Island Public Transit Authority for operational support, beginning in FY2016.
- Adjusts the gasoline tax every two years according to the consumer price index to the nearest cent beginning in FY2016; however, the tax cannot go below the current amount of 33 cents per gallon.
- Requires that any funds remaining from previous general obligation bond issues that have not been otherwise allocated shall be transferred from the Intermodal Surface Transportation Fund to the HMA. This is estimated to be \$10.0 million in FY2015 and \$7.0 million in FY2016.
- Removes the authority of the Rhode Island Turnpike and Bridge Authority (RITBA) to toll the Sakonnet River Bridge and transfers 3.5 cents of the gasoline tax to the RITBA for operations and debt service in lieu of tolls on the Sakonnet River Bridge.
- Debt service expenses, which were being shifted to general revenue funds under the Department of Administration (DOA) budget, will be paid from the increased general revenue transferred to RIDOT.
- Allows more flexible use of the HMA, which was established in 2011 to provide the non-bonded match to the State federal program.
- Phases in the transfer of all vehicle license and registration fees, beginning in FY2016, to the HMA. This revenue was previously deposited into the general fund.

Rhode Island Highway Maintenance Account (HMA)

The Transportation Investment and Debt Reduction Act of 2011 created the Rhode Island Highway Maintenance Account within the Intermodal Surface Transportation Fund (ISTF).

State Matching Funds (Federal Program): To eliminate the State's reliance on borrowing for the federal funds match, the FY2012 Budget as Enacted included surcharges on driver's licenses and registrations for all vehicles, phased-in over a 3-year period beginning on July 1, 2013 (FY2014). The surcharges are deposited into the HMA to be used as part of the state match towards the department's federal highway program funds. Two-year registrations and driver's licenses are each increased by \$30 (\$10 per year for three years), while one-year registrations are increased by \$15 (\$5 per year for three years).

Prior to FY2013, the State matched Federal highway fund with general obligation bonds, which were approved by the voters as referenda questions at the November general election every two years. Debt service on the general obligation bond issues was paid with gas tax revenue, and as a result of continued borrowing, less gas tax revenue remained available each year for operations and maintenance expenditures.

| State Matching Funds | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Increase Two-Year Registrations by \$30 | \$7.4 | \$10.9 | \$10.9 | \$10.9 | \$10.9 | \$10.9 |
| Increase One-Year Registrations by \$15 | 1.5 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 |
| Increase License Fees by \$30 | 2.5 | 3.6 | 3.6 | 3.6 | 3.6 | 3.6 |
| Total Additional Revenue | 11.4 | 16.8 | 16.8 | 16.8 | 16.8 | 16.8 |
| 2010 G.O. Bonds - Issued | 7.6 | - | - | - | - | - |
| RICAP | 21.0 | 23.2 | 23.2 | 23.2 | 23.2 | 23.2 |
| Total State Match for Federal Funds | \$40.0 | \$40.0 | \$40.0 | \$40.0 | \$40.0 | \$40.0 |

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

Analyst's Note: In addition to the fee increases, RICAP funding and funds from previously issued General Obligation bonds are used to supplement the revenue generated by the new fees so that bond borrowing to match federal highway funding is eliminated.

Additional HMA Resources: The FY2015 Budget as Enacted provides additional funding for transportation projects through increased deposits into the HMA, including:

- A surcharge of \$25 on all dismissals based upon a good driving record, in addition to the current \$35 administration fee, beginning in FY2015.
- An increase in the vehicle inspection fee from \$39 to \$55, with the additional revenue directed to the HMA, beginning in FY2015.
- Transfers existing revenue from inspection stickers (\$16.00 per inspection), motor vehicle title (\$50.00 per title), and car rental surcharges (8.0 percent of gross receipts per rental vehicle for the first thirty days) from the general fund to the Rhode Island Highway Maintenance Account (HMA), beginning in FY2015.
- Phases in the transfer of all vehicle license and registration fees, beginning in FY2016, to the HMA. This revenue was previously deposited into the general fund.

Rhode Island Highway Maintenance Account

| New Fees and Surcharges | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Motor Vehicle Registration and License | \$11.4 | \$16.8 | \$16.8 | \$16.8 | \$16.8 | \$16.8 |
| Inspection Sticker Increase | 4.8 | 5.9 | 6.0 | 6.1 | 6.2 | 6.2 |
| Good Driving Surcharge (Increase of \$25) | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Total New Fees Charges | \$16.6 | \$23.1 | \$23.2 | \$23.3 | \$23.4 | \$23.5 |
| Existing General Revenue being Transferred to the Highway Maintenance Account | | | | | | |
| Motor Vehicle Registration and License | \$0.0 | \$13.0 | \$38.8 | \$49.6 | \$48.8 | \$48.3 |
| Motor Vehicle Title | 9.2 | 9.3 | 8.8 | 8.4 | 8.3 | 8.4 |
| Inspection Sticker Increase | 4.8 | 5.9 | 6.0 | 6.1 | 6.2 | 6.2 |
| Rental Car Surcharge | 2.9 | 2.9 | 3.0 | 3.0 | 3.0 | 3.1 |
| Total Revenue Transferred from General Fund | \$17.0 | \$31.2 | \$56.6 | \$67.0 | \$66.3 | \$66.1 |
| Total Revenue to Highway Maintenance Account | \$33.6 | \$54.3 | \$79.9 | \$90.3 | \$89.7 | \$89.5 |

\$ in millions.

Source: Office of Revenue Analysis and State Budget Office

Despite these improvements, a shortfall still exists between the funding necessary to meet transportation needs and funding available. A report issued in 2008 by the Governor's Blue Ribbon Panel estimated the State would need to spend \$640.0 million annually to maintain its transportation infrastructure in a state

of good repair, representing a \$285.0 million gap annually between needs and the funds received from federal, state, and other sources. A report completed in 2011 by the Senate Commission on Sustainable Transportation Funding reached a similar conclusion.

Motor Fuel Tax Funding

A portion of the Intermodal Surface Transportation Fund (ISTF) is currently provided by 32.5 cents of the State's 33.0 cent per gallon gasoline tax. In FY2014, RIDOT received 21.75 cents of this tax, with RIPTA/DHS receiving 10.75 cents. Beginning in FY2015, 3.5 cents of the gasoline tax is transferred to the Rhode Island Turnpike and Bridge Authority to be used for maintenance operations, capital expenditures and debt service on any of its projects in lieu of a toll on the Sakonnet River Bridge. This reduced RIDOT's share of the gasoline tax to 18.25 cents per gallon.

Beginning in FY2016, the tax will be adjusted by the percentage of increase in the Consumer Price Index for all Urban Consumers (CPI-U), adjusted to the nearest 1.0 cent increment (1.0 cent increase in FY2016). In FY2015 and FY2016, the motor fuel tax is expected to generate \$4.4 million per penny in revenue, with RIDOT receiving 19.25 cents per gallon of gasoline sold (\$85.2 million in FY2016).

The following table shows the distribution of motor fuel tax proceeds in cents per gallon.

| Motor Fuel Tax Distribution: Cents per Gallon | | | | | | |
|---|-----------------|---------------|-----------------|-------------------------------------|---|----------|
| | General Revenue | DOT / Highway | RIPTA / Transit | RI Turnpike and Bridge Authority | Underground Storage Tank (UST) Fund | Total |
| FY2009 | \$0.0100 | \$0.2075 | \$0.0875 | \$0.0000 | \$0.0050 | \$0.3100 |
| FY2010 | - | 0.2175 | 0.1075 | - | 0.0050 | 0.3300 |
| FY2011 | - | 0.2175 | 0.1075 | - | 0.0050 | 0.3300 |
| FY2012 | - | 0.2175 | 0.1075 | - | 0.0050 | 0.3300 |
| FY2013 | - | 0.2175 | 0.1075 | - | 0.0050 | 0.3300 |
| FY2014 | - | 0.2175 | 0.1075 | - | 0.0050 | 0.3300 |
| FY2015 | - | 0.1825 | 0.1075 | 0.0350 | 0.0050 | 0.3300 |
| FY2016 | - | 0.1925 | 0.1075 | 0.0350 | 0.0050 | 0.3400 |

The following table shows the use of motor fuel tax revenue in FY2015:

| Motor Fuel Tax Use (FY2015) | Revenue | Percent of total revenue |
|--------------------------------------|----------------|-----------------------------|
| Transit Operations (RIPTA/DHS) | \$46.2 | 31.7% |
| G.O. Bond Debt Service (DOT) | 46.2 | 31.6% |
| Operating (DOT) | 25.0 | 17.1% |
| GARVEE Debt Service (DOT) | 8.6 | 5.9% |
| Other Operations (DOT) | 2.8 | 1.9% |
| Turnpike and Bridge | 15.0 | 10.3% |
| UST Fund | 2.1 | 1.5% |
| Total - Estimated¹ | \$146.0 | 100.0% |

¹Includes \$3.9 million Carry Forward Balance
\$ in millions.

Federal Funding – MAP 21

The largest source of the RIDOT's infrastructure funding is through the Federal Highway Administration's Highway Trust Fund (HTF). These funds are primarily used to build the State's

infrastructure and require a 20.0 percent state match. Although the Highway Trust Fund was intended to be self-sustaining through a federal gasoline tax of 18.4 cents per gallon and a diesel tax of 24.4 cents per gallon, approximately \$64.0 billion in supplemental general revenue has been paid into the Federal Highway Trust Fund since 2008. The taxes have not been raised since 1993, and inflation has eroded their value.

Originally set to expire at the end of federal fiscal year (FFY) 2009, Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) was a multi-year federal transportation funding authorization bill that mapped out the federal allocations and priorities for the distribution of Highway Trust Fund dollars. According to the Government Accounting Office (GAO), since FY2005, Rhode Island received the third highest amount of Federal Highway funding for each dollar in federal fuel tax collected (\$2.96), behind only Washington D.C. and Alaska.

Ten extensions of SAFETEA-LU were enacted, ranging from three to six months at a time, and in June 2012, Congress approved a new two-year transportation authorization called “Moving Ahead for Progress in the 21st Century (MAP-21).” The limited time of the authorization is an improvement over the short-term extensions of SAFETEA-LU for planning purposes, but a two-year authorization still requires the state to make assumptions when projecting the availability of future federal resources.

An impending shortfall of the fund was expected to occur in September 2014, however the United States Congress and ultimately the President approved a nearly \$11.0 billion short-term fix to address the looming shortfall and extend surface transportation programs through May 31, 2015. Congress approved an additional 2-month extension, extended the program through July 31, 2015. Because of the multi-year nature of the Highway Improvement Program, the Rhode Island Department of Transportation continues to work on plans to cope with a lack of a long-term funding solution at the federal level. Based on the uncertainty at the federal level, the Department of Transportation’s federal highway financing budget, as compared to the enacted budget, reflects a conservative approach to expected funds along with various changes to statewide project construction schedules and the completion of projects.

The Budget assumes that a reauthorization of the current federal authorization bill (MAP-21), a continuation resolution, or some other means of funding will be implemented by Congress before the current authorization expires on July 31, 2015. In the event that Congress fails to act by that date, RIDOT will begin to wind down the federally-funded highway program. RIDOT would manage the completion of all ongoing construction work, but no new construction work would be started. There is also a potential for a delay in going out to bid for future projects.

The federal Department of Transportation estimates that Rhode Island will receive approximately \$213.1 million in FFY2016 in federal funds authorized under MAP-21.

Analyst’s Note: On February 18, 2014, Moody’s downgraded Rhode Island’s transportation GARVEE bonds one notch, from Aa3 to A1. The downgrade is due to the federal delay in passing a transportation funding bill, and Rhode Island is a state that has not identified other revenue sources to pay the bonds should federal funding be delayed significantly. According to Moody’s “the downgrades reflect change in federal liquidity management which increases the risk of interruption of timely payments of federal transportation aid to the states and transit entities. These include the government’s recurring episodes of threatened debt ceiling expirations, government shutdowns, and the threat of depletion of the highway trust fund balance later this year due to the fund’s persistent structural imbalance.”

CENTRAL MANAGEMENT

The Central Management Program includes Customer Service, Legal Services, the Real Estate section, and the Director’s Office. The primary role of the Customer Service section is to provide clear, concise and timely information in response to public inquiries and in support of other offices within RIDOT. The

Legal Services office works closely with the Office of the Attorney General in legal proceedings involving RIDOT and also provides support within RIDOT for program development, property management and acquisition, contracts, litigation, arbitration, and contracted outside legal services. The Real Estate section deals with acquisition, appraisal, negotiation, and relocation for property purchases (including easements and larger parcels) and property sales. The Director's Office includes the Legislative Liaison, Deputy Director, and other staff responsible for interacting with the public and making policy decisions.

| Central Management | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | | FY2016 Enacted | Change from Enacted | |
|---------------------------|--------------------------|---------------------------|---------------------------|--------------------------------|--------------|---------------------------|--------------------------------|--------------|
| Federal Funds | \$7.6 | \$9.2 | \$12.7 | \$3.5 | 38.0% | \$8.5 | (\$0.7) | -7.2% |
| Other Funds | 1.2 | 1.8 | 2.2 | 0.4 | 23.5% | 2.2 | 0.4 | 23.2% |
| Total | \$8.8 | \$11.0 | \$14.9 | \$3.9 | 35.7% | \$10.7 | (\$0.2) | -2.3% |
| Authorized FTE Levels | 50.6 | 50.6 | 48.6 | (2.0) | -4.0% | 48.6 | (2.0) | -4.0% |

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

Other funds increase by \$411,495 due primarily to COLA adjustments and the cost of a Civil Rights position previously finance through the Federal Highway Administration.

Federal funds within Central Management decrease by a net of \$659,987 in FY2016, reflecting changes in several federal grants.

| Federal Grant | FY2015 Enacted | FY2016 Enacted | Change |
|---|-----------------------|-----------------------|--------------------|
| NHTSA ¹ - State and Community Highway Safety Program | \$3,000,000 | \$2,500,000 | (\$500,000) |
| NHTSA - Alcohol Impaired Driving Countermeasures | 600,000 | 100,000 | (500,000) |
| NHTSA - Occupant Protection Incentive Grant | 200,000 | - | (200,000) |
| NHTSA - Fatality Report/Seatbelt Use/Repeat DUI | 25,000 | - | (25,000) |
| Primary Seatbelt Law | 300,000 | 100,000 | (200,000) |
| NHTSA - Grant to Prohibit Racial Profiling | 200,000 | - | (200,000) |
| NHTSA - Motorcyclist Safety Grant | 100,000 | 50,000 | (50,000) |
| Fatality Analysis Reporting System | 24,987 | 40,000 | 15,013 |
| NHTSA - Map 21 - 405 Funds | 1,000,000 | 2,000,000 | 1,000,000 |
| Total | \$5,449,987 | \$4,790,000 | (\$659,987) |

¹NHTSA - National Highway Traffic Safety Administration

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 | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | | FY2016 Enacted | Change from Enacted | |
|-------------------------------------|--------------------------|---------------------------|---------------------------|--------------------------------|---------------|---------------------------|--------------------------------|---------------|
| Federal Funds | \$276.9 | \$342.9 | \$297.0 | (\$45.9) | -13.4% | \$255.1 | (\$87.8) | -25.6% |
| Restricted Receipts | 7.2 | 12.4 | 2.3 | (10.1) | -81.8% | 1.0 | (11.4) | -91.9% |
| Other Funds | 61.2 | 117.2 | 118.6 | 1.4 | 1.2% | 119.5 | 2.2 | 1.9% |
| Total | \$345.3 | \$472.5 | \$417.8 | (\$54.7) | -11.6% | \$375.5 | (\$97.0) | -20.5% |
| Authorized FTE Levels | 425.0 | 425.0 | 432.0 | 7.0 | 1.6% | 432.0 | 7.0 | 1.6% |

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

Federal funding for the Infrastructure Engineering program for FY2016 decreases by \$97.0 million from the FY2015 Budget as Enacted, primarily attributable to a decrease of \$99.3 million in Federal Highway Administration Funds based upon revised expenditure projections and scheduling of various highway projects. Other federal fund decreases include a \$2.6 million decrease federal funds for the Kingston Track Capacity Platform Improvement Rail Project and for the Providence Station Improvement Project, offset by an increase in federal Transit Congestion Mitigation and Air Quality Improvement (CMAQ) Program funds and an increase in GARVEE payments. Restricted receipts decrease by \$11.4 million, reflecting the transfer of the RI Highway Maintenance Account – DMV Fees to the Infrastructure Maintenance Program. Other funds increase by \$2.2 million primarily due to an increase of \$7.0 million in RICAP funds for the Highway Improvement Program and an increase in gas tax transfers due to a \$4.7 increase in gas tax revenue, offset by a decrease of \$10.5 million due primarily to a decrease in revenue available from the sale of land associated with the relocation of I-195.

Materials Testing Facility

In January 2013, RIDOT acquired the former United Printing property at 55 Colorado Avenue in Warwick, adjacent to the Warwick Maintenance Headquarters. This facility is being converted to approximately 35,000 square feet of space for materials testing and associated functions. Final plans have been approved by the State Building Code Commissioner, and the Department of Administration/Purchasing will solicit a Request for Qualifications to prequalify general contractors. Estimated costs range from \$10.0 million to \$13.0 million. These functions are currently housed on the ground floor of Two Capitol Hill in Providence where lack of ventilation, age of facilities and equipment, and lack of space limit the ability of staff to perform their responsibilities. The renovation of the building will be financed using Federal Highway Administration funds.

Land Sales – I-195

In the spring of 2010, RIDOT and the Rhode Island Economic Development Corporation (RIEDC) came to the General Assembly seeking \$40.0 million in general obligation bonds to allow RIEDC to purchase the land made available by the relocation of the I-Way (I-195). In total, approximately 28.7 acres are available for development. RIDOT originally allocated \$40.0 million from land sales as part of the federally-required project financing plan for the I-Way relocation. RIDOT noted that the land must be sold to meet project finance obligations and Federal Highway Administration (FHWA) requirements, but with the downturn in the economy, sale prices would be significantly lower than initial estimates. Therefore, sale of the land to RIEDC would solve the project-based cash flow problem, reduce or remove the need to act immediately in selling the parcels (without full appraisals or marketing studies) and eliminate FHWA red-tape.

The 2011 General Assembly authorized RIEDC to borrow up to \$42.0 million towards the purchase of this land, with an additional \$2.0 million for costs of issuance and other capital expenses. Although the bonds were sold in FY2013, the project being paid for with bond proceeds will continue through FY2017, based on the Department's projected expenditures. For FY2015 the Budget includes \$16.2

million in proceeds from the sale of land made available from the relocation of I-195. The Budget includes \$9.3 million in expenditures from bond proceeds in FY2016.

Highway Improvement Program

The Highway Improvement Program (HIP) includes those highway and intermodal projects which use federal funds administered by the Federal Highway Administration (FHWA). The federal funds typically require a 20.0 percent state match, which in previous years was funded by general obligation bond proceeds, and due to recent changes in law, will be funded through vehicle registration fees and RICAP funds. Other funding sources for the HIP include gas tax proceeds for debt service on motor fuel revenue bonds (which were used as the state match for GARVEE bonds), residual earnings from GARVEE bonds, and revenue from land sales.

The HIP helps to implement RIDOT's Capital Program as identified in the State's Transportation Improvement Program (TIP), a program monitored and adopted by the State Planning Council. The TIP establishes priorities for planning, design, and project implementation. Federal regulations require states and metropolitan areas to undertake an extensive public planning process, resulting in an eligible project list, the TIP, as a prerequisite for receipt of federal highway funds. No highway project can utilize federal funds unless it appears in an approved TIP. The State Planning Council approved a four-year TIP in July 2012. Priorities emphasized in the TIP include completion of major projects, bridge rehabilitation, preventative maintenance, safety, and congestion relief and environmental quality.

An impending shortfall of federal funds was expected to occur in September 2014, however the United State Congress and ultimately the President approved a nearly \$11.0 billion short-term fix to address the looming shortfall and extend surface transportation programs through July 31, 2015. Because of the multi-year nature of the Highway Improvement Program, the Rhode Island Department of Transportation continues to work on plans to cope with a lack of a long-term funding solution at the federal level. Based on the uncertainty at the federal level, the Department of Transportation's federal highway financing budget, as compared to the enacted budget reflects a conservative approach to expected funds along with various changes to statewide project construction schedules and the completion of projects.

The Budget assumes that a reauthorization of the current federal authorization bill (MAP-21), a continuation resolution, or some other means of funding will be implemented by Congress before the current authorization expires on July 31, 2015. In the event that Congress fails to act by that date, RIDOT will begin to wind down the federally-funded highway program. RIDOT would manage the completion of all ongoing construction work, but no new construction work would be started. There is also a potential for a delay in going out to bid for future projects.

Highway Improvement Program - Major Projects

Providence Viaduct: RIDOT successfully secured a \$10.0 million Transportation Discretionary Grant through ARRA, a Transportation Investment Generating Economic Recovery (TIGER) grant. This grant was used to begin the Providence Viaduct Project, the elevated structure that carries Route 95 through downtown Providence, across the railroad tracks, and alongside the Providence Place Mall. The I-95 Viaduct is deteriorating at a faster rate than originally anticipated and now requires bi-monthly inspections as a condition of remaining open to traffic. The project consists of replacing the current structure, which was built in 1964. Total project cost will be approximately \$177.0 million. Design costs for this project are included in the TIP in 2013, with \$20.0 million programmed per year for construction beginning in FY2013 until project is completed. Phase I (Southbound) of the project is tentatively scheduled to be completed in FY2017, with final completion of the project tentatively scheduled for FY2022.

GARVEE Funded Projects: Within the Major Projects Category, there are five projects that are funded through a federally-endorsed financing mechanism known as GARVEE (Grant Anticipation Revenue Vehicle). In 2003, RIDOT obtained permission to use a GARVEE, which allows the state to borrow against future federal funds in order to construct major projects quickly to avoid increased costs and further deterioration. The debt service on GARVEE bonds is paid through the Federal Highway Administration (FHWA) allocation; this amount is \$48.4 million in FY2015 and \$52.6 in FY2016. In Article 36 of the FY2004 Budget as Enacted, the General Assembly passed a Public Corporation Debt Management Joint Resolution authorizing the issuance of Motor Vehicle Tax Revenue bonds to complete the following five (5) major transportation infrastructure projects.

| Project | GARVEE Funding | Other Funding | Total Cost |
|---|----------------|----------------|------------------|
| Route 195 Relocation (the I-Way) | \$303.2 | \$309.6 | \$612.8 |
| Phase II, Route 403 | 92.2 | 109.5 | 201.7 |
| New Sakonnet River Bridge | 113.9 | 129.2 | 243.1 |
| New Washington Bridge | 79.1 | 7.4 | 86.5 |
| Freight Rail Improvement Project (FRIP) | 31.7 | 203.5 | 235.2 |
| Total | \$620.1 | \$759.2 | \$1,379.3 |

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

Two of the GARVEE-funded projects have been completed (Freight Rail Improvement Program and Phase II, Route 403). The I-195 Relocation will reach substantial completion in FY2016, requiring finish work and landscaping. The total estimated cost to complete this project is \$38.0 million, with \$5.0 million from GARVEE proceeds and \$33.0 million from land sales. The Washington Bridge project will be completed in FY2016. The total estimate to complete this project is \$27.4 million funded with GARVEE proceeds. GARVEE proceeds of \$9.6 million are available for the demolition of the old Sakonnet River Bridge, with an additional \$2.3 million for finish work on the new Sakonnet River Bridge.

Analyst's Note: These projects are substantially completed, however, debt service on the GARVEE Bonds, which are paid through the FHWA allocation, will continue through FY2021. Debt Service on the motor vehicle tax revenue bonds, which are financed through a two-cent dedication of RIDOT's gasoline tax allocation, will continue through FY2027.

INFRASTRUCTURE - MAINTENANCE

The Maintenance program provides routine maintenance for all state roads and bridges. It oversees and administers a heavy equipment fleet for road repairs, winter maintenance, bridge inspections, and other activities. The program also resolves drainage problems, provides permits for work within state right-of-ways, coordinates and schedules paving and crack-sealing, works with local communities to advance joint projects, and maintains all highway lighting and signage.

| Infrastructure - Maintenance | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | | FY2016 Enacted | Change from Enacted | |
|------------------------------|------------------|-------------------|-------------------|------------------------|-------|-------------------|------------------------|-------|
| Other Funds | \$46.8 | \$39.4 | \$53.7 | \$14.3 | 36.4% | \$73.0 | \$33.6 | 85.4% |
| Authorized FTE Levels | 222.0 | 222.0 | 220.0 | (2.0) | -0.9% | 220.0 | (2.0) | -0.9% |

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

For FY2016, the Budget includes an increase of \$33.6 million in other funds, including an increase of \$13.8 million for winter maintenance and vehicle maintenance costs, \$3.7 million for the Drainage Repair, Improvement, and Preservation program, \$13.0 million for roads, bridges and parking lots made available from the transfer of transportation related fees to the Highway Maintenance Account, and \$2.1 million to be transferred to the Rhode Island Public Transit Authority as a result of legislation passed in 2014.

Drainage Repair, Improvement, and Preservation

The Budget includes \$500,000 in FY2015 and \$3.7 million in FY2016 from the Highway Maintenance Account to establish a Drainage Repair, Improvement, and Preservation program. The State has approximately 25,000 catch basins, and federal law mandates that they be inspected on an annual basis and cleaned as needed. Currently, approximately 1,000 of these basins are inspected and cleaned annually. As catch basins fill with sand and other sediments, they become ineffective and cause pooling at low points on roadways. Additionally, when storm water is not appropriately handled by the catch basins, runoff can cause additional pollution when reaching bodies of water, including groundwater, wetlands and rivers. The Department estimates that an initial investment of \$500,000 per year would increase the number of catch basins serviced annually by 300, depending on the condition of the basin.

Winter Maintenance

The Department incurred winter maintenance costs of \$24.8 million in FY2015, approximately 48.0 percent more than its actual costs of \$16.7 million for FY2014, due to a higher than average number of storms.

During the FY2015 winter season, approximately 76 inches of snow fell. Thirty-one storms were recorded, and 673 hours were spent treating and clearing the roads. This is in comparison to 437 hours and twenty-two storm events during the FY2014 winter season.

DOT - Winter Maintenance Costs - FY2006 - FY2015

| | Costs | Hours | Avg. Cost per Hour | 5 Yr. Avg. |
|--------|--------------|--------------|-------------------------------|-------------------|
| 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 | 13,711,876 | 392 | 34,979 | 13,064,832 |
| FY2014 | 16,689,191 | 437 | 38,190 | 13,537,930 |
| FY2015 | 24,823,407 | 673 | 36,885 | 16,122,612 |

The Budget includes \$19.1 million for winter maintenance costs in the FY2015 Revised Budget, which is \$5.7 million less than the projected expenses of \$24.8 million. For FY2016, the Budget includes \$17.1 million for winter maintenance costs.

Analyst's Note: On April 3, 2015, the President approved Rhode Island's request for a Major Disaster Declaration for the State of Rhode Island stemming from a blizzard that took place on January 26, 2015. The Declaration makes federal funding available in the form of the Federal Emergency Management Agency's (FEMA) Public Assistance (PA) Program to all five Rhode Island counties that incurred preparedness and recovery costs associated with the blizzard. The Department has determined that there were approximately \$3.6 million in costs for this storm and will be seeking federal reimbursement. RIDOT is estimating a reimbursement of approximately \$2.5 million based on FEMA's disallowance of certain costs and its 75.0 percent reimbursement rate.

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 97 state vehicles dedicated to winter

maintenance. All vehicles are available for usage; however, 38 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. The Budget has recommended RICAP funding of \$2.5 million in both FY2017 and FY2018, with the intent of examining potential locations for a new Cooperative Maintenance Facility.

Vendor Cost

Private contractors are hired to keep up with the treatment of 1,100 miles of state road. While the State has the ability to call up to 300 vendors, a typical storm event will result in a call to approximately 250 vendors. There is no set rate for all vendors: sample rates include \$95/hour for small trucks; \$150/hour for the largest trucks; \$125/hour for front end loaders, with additional fees paid based on accessories, plow side and types of material spreaders. Unlike in past year, there were no adjustments applied to these rates to cover fuel costs. Since FY2012, the Department has offering a 20.0 percent Green Equipment Incentive for trucks with a gross vehicle weight greater than 16,000 pounds equipped with an operating closed loop spreader control system. This would allow the vendor to make more efficient use of salt and sand to reduce overall winter operating costs of the Department.

Analyst Note: To date, no vendors have taken advantage of the Department's Green Equipment Incentive.

Material Cost

Salt and sand costs are dependent on contract and market prices. The current average cost for salt is \$58.00 per ton, including delivery. Sand is very inexpensive, by comparison, costing approximately \$18.00 per ton. In FY2012, RIDOT began using a new technology to produce a solution of brine, which is water mixed with salt. This solution is used to pre-treat the roads prior to storms, so long as pavement temperatures stay above 25 degrees Fahrenheit. The brine solution costs \$0.25 per gallon, and when roads are pre-treated with this brine solution, it results in a more efficient use of salt.

MANAGEMENT AND BUDGET

The Management and Budget program is made up of three divisions: Administrative Services, Financial Management, and Transportation Support Division. The Administrative Services division provides contract administration, education, minority advancement, conformance review for federal laws and regulations, and programming, administration, and coordination with the University of Rhode Island's Transportation Center. The Financial Management division oversees the Department's budget, including federal, state, capital and other funds. The Fleet Operations division maintains the Department's communications systems and vehicles in the RIDOT fleet, from passenger vehicles to heavy equipment.

| Management and Budget | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | | FY2016 Enacted | Change from Enacted | |
|------------------------------|--------------------------|---------------------------|---------------------------|--------------------------------|-------|---------------------------|--------------------------------|--------|
| Other Funds | \$0.5 | \$2.2 | \$3.0 | \$0.8 | 33.9% | \$4.5 | \$2.3 | 102.0% |
| Authorized FTE Levels | 55.0 | 55.0 | 52.0 | (3.0) | -5.5% | 52.0 | (3.0) | -5.5% |

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

The Management and Budget program is funded through motor fuel tax proceeds, without federal funding. The increase of \$2.3 million is due primarily to increased personnel costs of \$587,098, of which \$123,254 is for unbudgeted COLA, and \$1.6 million for upgrades to the RIDOT Project Management

Portal System and Financial Management System. These upgrades do not qualify for funding from the Investment Technology Information Fund as they do not benefit multiple agencies.

CAPITAL PROJECTS

Capital projects are an integral part of the RIDOT budget. In addition to the projects included in the Transportation Improvement Program (TIP), the following projects are also part of the RIDOT capital program.

Maintenance Facility Improvements: The Budget includes Rhode Island Capital Plan (RICAP) funding of \$400,000 in FY2015 and \$100,000 in FY2016 to repair and renovate existing state highway maintenance facilities. Funds will be used for roof replacements at the Midstate facility and the Anthony garage, conversion of the Belleville maintenance facility's heating system from oil to natural gas, and installation of a backup generator at the Middletown maintenance facility.

Portsmouth Facility: The Budget includes \$2.1 million in general obligation bond funds and \$3.2 million in RICAP funding through FY2017 to replace the Portsmouth facility. The existing building is in poor condition, and there is insufficient space on the lot to store either salt supplies or house the vehicles indoors.

Salt Storage Facilities: The Budget includes \$1.3 million of RICAP funding in FY2015 and \$1.0 million in FY2016 to construct salt storage facilities across the state where salt is currently stored uncovered. Projects are pending for demolition of the old facilities and construction of new salt storage facilities at Dillon's Corner (Narragansett) and the former Lincoln Maintenance Facility. Future projects include salt storage facilities in East Providence, Pawtucket, Newport, and Portsmouth.

Vehicle Equipment Replacement Plan: The Budget includes \$16.5 million in RICAP funds, along with \$11.4 million in motor fuel tax revenue and \$3.5 million from the State Fleet Replacement fund, through FY2020, for the purchase or lease of heavy trucks, sweepers, loaders, backhoes, and tractors to replace aging equipment in the Maintenance Division. This funding will allow RIDOT to follow a structured replacement plan, which has been developed by the Department, to replace its aging fleet. According to the Department, more than 50.0 percent of its fleet and equipment was purchased before 2003.

Train Station Maintenance and Repairs: The Budget includes \$2.0 million in RICAP funds through FY2020 for major capital repairs, including HVAC and roofing repairs, at train stations in Woonsocket, South Kingstown, and Westerly, which RIDOT is responsible for.

Rhode Island Public Transit Authority

| Revenues by Source | FY2014 | FY2015 | FY2015 | Change from | | FY2016 | Change from | |
|---------------------------------|---------------|----------------|---------------|----------------|--------------|--------------------|----------------|-------------|
| | Actual | Enacted | Revised | Enacted | | Board ¹ | FY2015 Revised | |
| Motor Fuel Tax | \$41.6 | \$41.7 | \$43.4 | 1.7 | 4.1% | \$44.2 | \$0.8 | 1.8% |
| Passenger Revenue | 24.9 | 24.8 | 21.4 | (3.4) | -13.7% | 21.6 | 0.2 | 0.8% |
| Special Revenue | 0.9 | 0.9 | 0.9 | (0.0) | -1.9% | 1.1 | 0.2 | 18.8% |
| Other Revenue | 11.3 | 12.1 | 12.1 | - | 0.0% | 11.0 | (1.1) | -8.9% |
| Federal Funds | 19.8 | 20.6 | 20.7 | 0.1 | 0.4% | 22.5 | 1.8 | 8.9% |
| State Highway Fund Revenues | - | - | - | - | 0.0% | 2.7 | 2.7 | 0.0% |
| General Revenue Appropriation | - | - | - | - | 0.0% | 2.0 | 2.0 | 0.0% |
| Total | \$98.5 | \$100.1 | \$98.5 | (\$1.6) | -1.6% | \$105.1 | \$6.6 | 6.7% |
| Expenditures by Category | | | | | | | | |
| Salaries, Wages, and Benefits | \$70.6 | \$70.2 | \$69.9 | (\$0.3) | -0.5% | \$74.2 | \$4.3 | 6.1% |
| Contract Services | 9.3 | 9.9 | 9.8 | (0.1) | -1.4% | 10.5 | 0.7 | 7.1% |
| Operating Costs | 13.0 | 13.1 | 13.1 | - | 0.0% | 13.8 | 0.7 | 5.3% |
| Utilities | 1.8 | 2.1 | 1.9 | (0.2) | -10.6% | 1.8 | (0.1) | -3.9% |
| Insurance and Settlements | 3.8 | 4.1 | 4.1 | - | 0.0% | 4.8 | 0.7 | 16.0% |
| Capital Match | - | 0.3 | 0.3 | - | 0.0% | 0.2 | (0.1) | -32.5% |
| Debt Service | - | - | - | - | - | - | - | 0.0% |
| Revolving Loan Fund | - | 0.5 | 0.5 | (0.0) | -1.1% | 0.5 | (0.0) | -6.2% |
| Self-Insurance Reserve | 0.0 | 0.3 | 0.3 | - | 0.0% | 0.3 | - | 0.0% |
| Other | - | 0.0 | 0.0 | - | 0.0% | 0.0 | 0.0 | 1.4% |
| Total | \$98.5 | \$100.6 | \$99.9 | (\$0.7) | -0.7% | \$106.0 | \$6.1 | 6.1% |
| Surplus/(Deficit) | | (\$0.5) | (\$1.4) | | | (\$1.0) | | |
| Authorized FTE Levels | 826.0 | 817.0 | 817.0 | - | 0.0% | 817.0 | - | 0.0% |

¹ RIPTA's FY2016 Budget was approved by the Board on July 20, 2015, to encompass revenue changes included in the State's FY2016 Budget as Enacted.

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

The Rhode Island Public Transit Authority (RIPTA) was established in 1964 and is currently governed by an eight (8) member Board of Directors. As defined under RIGL 39-18-3, RIPTA is responsible for:

- Providing public transit services to meet the mobility needs of the people of the State
- Increasing access to employment opportunities
- Connecting different modes of public transportation, including rail, air and water services
- Promoting community design that features public transit services
- Facilitating energy conservation and efficient energy use through public transit services
- Mitigating traffic congestion and enhance air quality

RIPTA operates and maintains two facilities in Providence and one in Newport.

MAJOR ISSUES AND TRENDS FOR FY2016

The original FY2016 Budget, approved by the Board, reflected a deficit of \$5.6 million due primarily to nonemergency transportation funding changes instituted by the Office of Health and Human Services' new transportation broker, Logisticare. However, recent changes by the General Assembly, including restoration of the transfer of transportation-related revenue to the Highway Maintenance Account (HMA), a \$2.0 million general revenue allocation for the purpose of deficit reduction, and the authority granted to RIPTA to charge half-fares to riders with incomes below 200.0 percent of the federal poverty level, have decreased the estimated deficit to \$812,327.

Only the pay-go portion of Other Post-Employment Benefits (OPEB) is included in the Budget proposal. The total unfunded OPEB liability as of June 30, 2014, is \$44.0 million. The Budget includes \$1.7 million in both FY2015 and FY2016 to assist RIPTA by transferring debt service payments to general revenue in the Department of Administration.

Decline in non-emergency medical trips: RIPTA is experiencing a major decline in revenues from the Medicaid program. Effective May 1, 2014, all non-emergency medical transportation services for Medicaid beneficiaries and individuals over the age of 60 who do not have access to transportation for critical appointments and services are being coordinated by Logisticare, a transportation broker hired by the Executive Offices of Health and Human Services (EOHHS). The RIdE program, through RIPTA, is now just one of twenty vendors subcontracted by Logisticare to provide transportation services. During the first ten months of the new program, ridership decreased by 33.6 percent, and income has decreased by 29.1 percent.

On December 1, 2014 Logisticare implemented the RItE Care Program change. At that point, LogistiCare began distributing RIPTIKS (single ride passes) to riders instead of Rhody 10 passes.

| | Rhody 10 Passes Sold | Rhody 10 Revenue | Monthly Passes Sold | Monthly Pass Revenue | Rite Care RIPTIKs Sold | Rite Care RIPTIK Revenue | Total Rite Care Program Revenue |
|----------------------|-------------------------|----------------------|------------------------|----------------------------|---------------------------|--------------------------------|---------------------------------------|
| Dec-13 | 16,336 | \$326,720 | 5,088 | \$315,456 | - | \$0 | \$642,176 |
| Jan-14 | 16,430 | 328,600 | 4,931 | 305,722 | - | - | 634,322 |
| Feb-14 | 17,306 | 346,120 | 4,804 | 297,848 | - | - | 643,968 |
| Mar-14 | 17,866 | 357,320 | 4,499 | 278,938 | - | - | 636,258 |
| 4-month Total | 67,938 | \$1,358,760 | 19,322 | \$1,197,964 | - | \$0 | \$2,556,724 |
| Dec-14 | 100 | \$2,000 | 2,383 | \$147,746 | 500 | \$10,000 | \$149,746 |
| Jan-15 | 91 | 1,820 | 2,351 | 145,762 | 700 | 14,000 | 147,582 |
| Feb-15 | 59 | 1,180 | 2,409 | 149,358 | - | - | 150,538 |
| Mar-15 | 103 | 2,060 | 2,368 | 146,816 | - | - | 148,876 |
| 4-month Total | 353 | \$7,060 | 9,511 | \$589,682 | 1,200 | \$24,000 | \$596,742 |
| Decrease | (67,585) | (\$1,351,700) | (9,811) | (\$608,282) | 1,200 | \$24,000 | (\$1,959,982) |
| % Change | -99.5% | -99.5% | -50.8% | -50.8% | | | -76.7% |

Rhody 10 passes and monthly passes for RItE Care customers are no longer distributed in grocery stores; instead, RItE Care customers must contact LogistiCare to request passes for medical appointments. Passes for the requested number of trips are mailed to the customer. RIPTA projects a \$2.0 million reduction in revenues for the remainder of FY2015 and a \$3.4 million reduction for FY2016.

Article 21 Funding: The FY2015 Budget as Enacted included a provision that RIPTA would receive 5.0 percent of available proceeds from revenue deposited into the Rhode Island Highway Maintenance Account (HMA) beginning in FY2016. The Governor's FY2016 Budget proposal included the suspension of the transfer of 25.0 percent of motor vehicle related fees (\$13.0 million) into the HMA, resulting in a \$660,000 decrease in RIPTA's projected allocation. The General Assembly restored the transfer into the HMA, and therefore RIPTA will receive the full allocation.

RIPTA half-fare

Article 22 allows the Rhode Island Public Transit Authority (RIPTA) to require elderly and disabled residents who earn below 200.0 percent of the federal poverty level to start paying half-fare to ride RIPTA buses; they currently pay nothing. Elderly and disabled residents with incomes above the federal poverty income level, currently paying half-fare, will be required to pay full-fare during peak hours.

Special service routes, such as the express summer beach bus from Central Falls, Cranston, North Providence, Providence, Pawtucket and Woonsocket, will not be discounted for any rider. This change, which is effective October 1, 2015, will put Rhode Island in line with 48 other states.

- Any person who meets the means test criteria as definitely by the Rhode Island Department of Elderly Affairs and who is either sixty-five (65) years of age, or over, or who is disabled will pay no more than one-half (1/2) of any fare for bus riders at any time, provided; however, that under no circumstances shall fares or charges for special services routes be discounted. These riders previously did not pay any fare.
- Any person who is either sixty-five years of age, or over, who is disabled, who does not satisfy the means test criteria as defined by the Department of Elderly Affairs, will be required to pay one-half (1/2) fare or charge for bus rides during off-peak hours but shall not be eligible for a reduction during peak hours.
- “Peak hours,” “off-peak hours,” and “special service routes” will be determined annually by the Authority. The Authority, in conjunction with the Department of Human Services shall establish an advisory committee comprised of senior/persons with disabilities constituent users of the Authority’s services to assist in implementation of this section.
- The Authority estimates that this change will result in \$2.2 million to \$3.5 million in additional revenue for the Authority.

| | Article 22 Fare Changes | | | |
|------------|-----------------------------|-----------|------------------|-----------|
| | Low-Income Aged or Disabled | | Aged or Disabled | |
| | Peak | Off-Peak | Peak | Off Peak |
| Current | free | free | half-fare | half-fare |
| Article 22 | half-fare | half-fare | full-fare | half-fare |

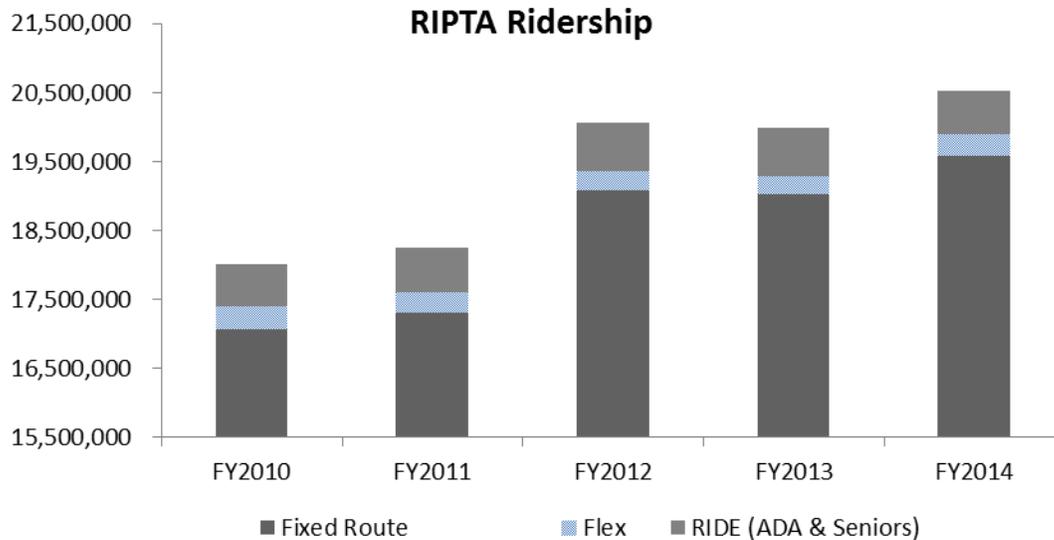
Mass Transit Hub Infrastructure

A \$35.0 million general obligation bond authorization was approved by the voters at the November 2014 general election, which will be used to fund major renovations and enhancements to mass transit hub infrastructure. Funding is included in the Department of Transportation budget and will be used for significant bus service enhancements within downtown Providence, including the Garrahy Courthouse Transit Center and Kennedy Plaza, and for the development of a multi-bay bus terminal adjacent to the Providence Train Station that will accommodate direct bus-to-rail transfers. The goal of this project is to improve transit capacity, improve rail services at Providence Station, establish intermodal connections, and support economic development.

Ridership

RIPTA offers three types of transit service: fixed route service consists primarily of regular bus service on established routes; Flex service provides van transportation within a limited geographic area; and the RIde program, which provides transportation to eligible senior citizens and individuals with disabilities.

In FY2014, RIPTA’s total ridership was 20.5 million passengers, a net increase of 2.7 percent from FY2013. The following graph shows ridership, by category, for RIPTA for FY2010 through FY2014.



Analyst's Note: Ridership increased by 10.2 percent between FY2011 and FY2012. RIPTA attributes this increase to a spike in gasoline prices, resulting in more people using public transportation as opposed to personal vehicles. The U.S. Energy Information Administration reports that New England gas prices rose from an average of \$2.86 per gallon in 2010 to \$3.79 per gallon in 2012, an increase of 32.5 percent.

SELECTED CAPITAL PROJECTS

The Budget includes \$62.2 million in capital expenditures, of which \$894,589 is Rhode Island Capital Plan (RICAP) funded and \$49.0 million is funded by the Federal Transit Administration and other federal funds, between FY2015 and FY2020, including the following:

Bus Purchases: RIPTA has a fixed route fleet of 227 vehicles, including 197 fixed route buses, 10 fixed route trolleys, and 20 flex zone buses (less than 30 feet long). During FY2016, RIPTA will retire 14 buses that were put into service in 2005 and purchase 18 new, fuel-efficient buses, which are equipped with emission control devices to meet EPA guidelines for Clean Air standards; RIPTA will also retire three flex zone buses that were purchased in 2006, which aligns with the Authority's 5-year capital plan. The retired vehicles have outlived their useful lifespan.

In FY2015, RIPTA replaced 11 Flex vehicles, at a cost of \$98,364 per bus. RIPTA used \$216,680 in remaining 2008 and 2010 General Obligation bonds and \$847,723 from the Federal Transit Administration (FTA), for a total cost of \$1.1 million in FY2015. In FY2016, RIPTA will receive 18 40-foot buses at a cost of \$479,047 per bus. The Budget includes \$8.6 million in FY2016, including \$6.9 million of Federal Transit Administration (FTA) funds, \$1.5 million from the State Fleet Replacement Fund, and \$186,331 in remaining 2010 General Obligation bonds. The FTA pays 80.0 percent of each vehicle replacement cost and RIPTA pays a 20.0 percent local match.

Paratransit Vehicles: RIPTA maintains a fleet of 125 vehicles for the paratransit program, also known as RIDE. FTA guidelines specify that Paratransit vehicles should not be used for more than an average life of five years. During the past year, OHHS awarded a contract to LogistiCare to manage its transportation needs, which has reduced the number of rides provided by RIPTA and introduced a high level of uncertainty to the Paratransit program. In spite of the uncertainty, the age of the Paratransit fleet requires the continued replacement of vehicles that are past their useful life. RIPTA ordered 25 vehicles in FY2015 at an expected cost of \$91,700 per vehicle, replacing 25 buses manufactured in 2006. These vehicles are expected to arrive early in FY2016. RIPTA's budget submission had included a plan to

replace 15 Paratransit vehicles in FY2016, at an expected cost of \$96,285 per vehicle, replacing seven buses manufactured in FY2006 and 8 buses manufactured in FY2008. However, the diesel engine in the current paratransit vehicle is no longer being produced due to its failure to comply with EPA standards. As a result, the authority is reviewing the vehicles that are used for Paratransit service. Several vehicles are currently being considered, but a decision has yet to be made.

The FTA pays 80.0 percent of each vehicle replacement cost and RIPTA pays a 20.0 percent local match. In FY2015, the Budget includes \$2.3 million, including FTA funding of \$1.8 million and \$458,500 from RIPTA's internal revolving loan fund. For FY2016, the Budget includes \$1.4 million, including FTA funding of \$1.2 million and \$288,855 from RIPTA's internal revolving loan fund.

Land and Buildings Enhancements: This is a multi-year project to improve passenger facilities as outlined in RIPTA's strategic plan. The project includes a multi-year bus stop and sidewalk program in partnership with the City of Providence, with the goal to create improved bus shelters at high-volume stops, including Kennedy Plaza. RIPTA also plans improvements to transit hubs in Newport, Warwick Mall, the East Side Tunnel, and Pawtucket. This project will also renovate existing Park and Ride lots and construct new Park and Ride lots. Improvements may include repaving, lighting, fencing, security enhancements, and other amenities. Security improvements to RIPTA facilities are also included in this project. These investments are being made to increase transit ridership.

RIPTA has contracted for design and engineering services in Kennedy Plaza, including analysis and design of new traffic circulation patterns, improved traffic light configuration, and pedestrian amenities. Funding will also be used for HVAC units, backup generators, and security improvements at the Newport and the Elmwood Campuses. The Budget includes \$9.2 million for land and building enhancements between FY2015 and FY2020, including \$7.6 million in FTA funds, \$608,000 in local funds, \$894,589 in RICAP funds, and \$14,980 in RIPTA operating funds.



SPECIAL REPORTS

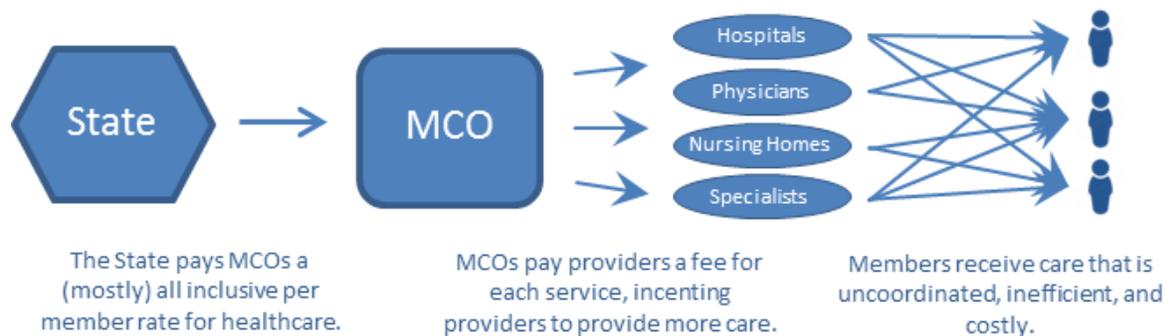
The Working Group to Reinvent Medicaid

The Budget includes over forty initiatives that total \$55.3 million in general revenue savings (\$112.7 million all funds) to the Medicaid program. These initiatives are based on the recommendations of the Working Group to Reinvent Medicaid, a group of twenty-nine stakeholders charged by the Governor with developing a long-range plan for improving care, improving outcomes, and reducing costs of the Medicaid program as well as developing recommendations for \$91.1 million in general revenue reductions for FY2016.

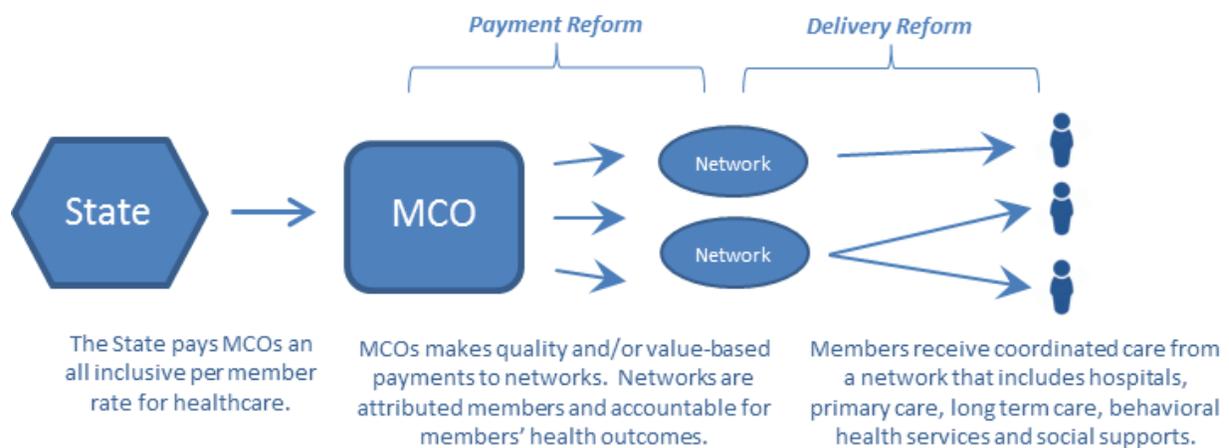
LONG-RANGE TRANSFORMATION PLAN

The Working Group's report recommends a plan for reforming the way that healthcare is *paid for* and the way that healthcare is *delivered* within the State's Medicaid program.

Currently, the State pays managed care organizations (MCOs) a capitated per-member-per-month amount for most of members' care. The MCO's, in turn, predominately pay a negotiated rate or fee to providers for each service they provide. This payment system incents providers to deliver more services because payment is dependent upon the quantity of services they deliver. The current delivery system supplies a wide range of uncoordinated services from multiple providers in siloed health, behavioral health and long-term care delivery systems, as shown below.



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



This shift from MCO’s paying providers for services to MCO’s paying networks for outcomes will require investments in infrastructure, workforce and data capabilities. In order to fund these investments, the Working Group recommends the establishment of a Delivery System Reform Incentive Payment (DSRIP) program. This program provides capacity-building Medicaid matching funds for hospitals and nursing homes to transition from siloed providers to provider networks, and from fee-for-service payments to payments based on the achievement of process and outcome metrics.

The report includes the following goals for the program’s transformation:

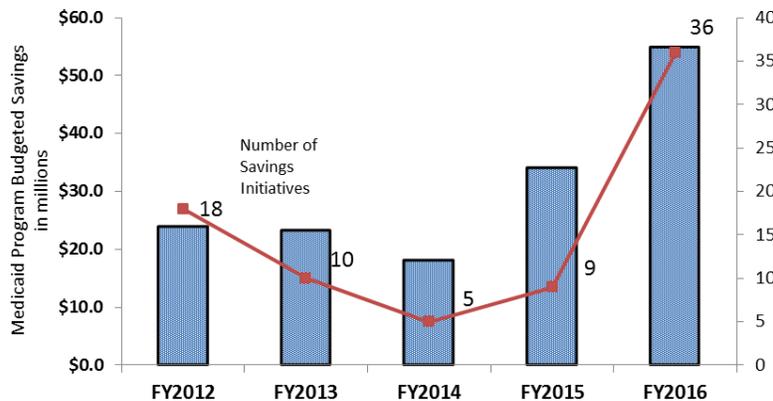
- Tie 80.0 percent of payments to quality rather than to quantity and enroll 25.0 percent of members provider networks by 2018
- Enroll 90.0 percent of long term care beneficiaries in managed care by 2018
- Year-over-year declines in hospital admissions and emergency department utilization
- Determine eligibility for long term supports and services for 80 percent of applicants within 30 days and for 90 percent of applicants within 45 days by 2016.

FY2016 BUDGET AS ENACTED

The Budget begins these long-range system reforms while also meeting FY2016 budget targets.

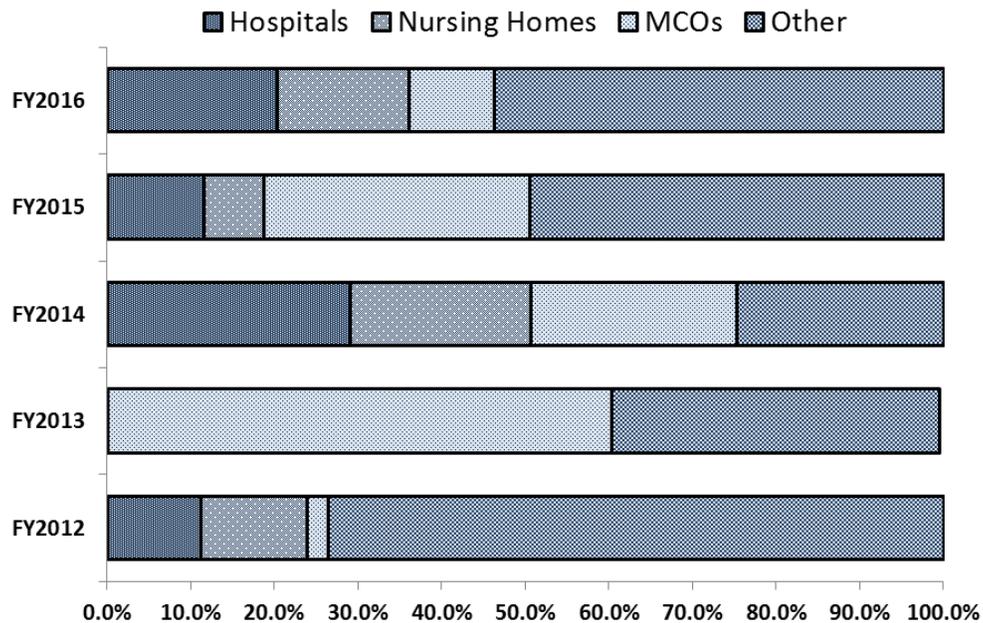
The Working Group recommended \$91.1 million in reductions and revenue enhancements for FY2016. Of these, the Governor included \$78.6 million in initiatives in the proposed budget. The FY2016 Budget as Enacted includes \$71.1 million: \$58.2 million in Medicaid savings and \$13.0 million in revenue enhancements. It excludes the recommended increase in the nursing home provider tax (\$1.7 million net), omits the increase in the insurance mandate for the children’s health account (\$2.7 million), restores the cut and increases the funding for the Graduate Medical Education program (\$1.0 million restoration with funding increased to \$2.0 million), and reduces the cut in nursing home rates from 2.5 percent to 2.0 percent (\$1.0 million).

The bulk of the savings is budgeted within the Executive Office of Health and Human Services (OHHS). Though each recent year’s budget has typically sought to curb Medicaid costs, the efforts represented by the FY2016 Budget as Enacted outsize previous attempts in both the number of savings initiatives planned as well as the amount of general revenue savings budgeted.



**OHHS only; does not include Medicaid spending within DHS and BHDDH.*

Though the FY2016 general revenue savings outscale previous efforts, the savings largely represent familiar initiatives, as the majority of the savings is achieved through rate cuts to Medicaid’s largest provider groups and partners as in past years, as shown in the following chart.



Hospitals will sustain a total of \$11.1 million in direct cuts, or just over 20.0 percent of budgeted savings in FY2016, exclusive of a \$13.1 million increase in the hospital licensing fee. Nursing homes will sustain a total of \$8.7 million in direct cuts, or almost 16.0 percent of budgeted savings. Through three separate initiatives, managed care organizations will absorb \$5.6 million in reductions, or just over 10.0 percent of budgeted savings.

The Medicaid reductions included in the Budget are specified below. The statutory language required for these changes to the Medicaid program is included in Article 5. The revenue enhancements resulting from Reinventing Medicaid are discussed elsewhere in this report.

| Enacted Reinvest Medicaid Initiatives | General Revenue |
|--|------------------------|
| Suspend Hospital Scheduled Rate Increase, Reduce Rates 2.5 percent | (\$11.1) |
| Reduce Nursing Home Rates, Delay Scheduled Increase, Delay Methodology Phase-in | (8.7) |
| Reduce Medicaid Managed Care Contracts | (5.6) |
| Reform Long-term Services and Supports | (3.0) |
| Pilot a Hospital-Based Accountable Care Organization | (3.0) |
| Pilot a SPMI Coordinated Care Management Program | (3.0) |
| Privatize or Reorganize RICLAS Group Homes for the Developmentally Disabled | (2.0) |
| Reduce Neonatal Intensive Care Unit Rates | (1.9) |
| Expand Home and Health Stabilization Pilot | (1.8) |
| Refine Incentive Programs for Federally-Qualified Health Centers | (1.7) |
| Implement Electronic Visit Verification | (1.5) |
| Improve Medicaid Eligibility Processes - Expansion First | (1.5) |
| Reduce Rates for Hospital Laboratory Tests | (1.2) |
| Redesign CEDARR Services | (1.0) |
| Improve Care Coordination for Children with Special Health Care Needs | (1.0) |
| Expand Community Health Teams and Medical Home Pilots | (1.0) |
| Establish Lower-Cost Settings for Eleanor Slater Hospital Residents | (1.0) |
| Uncover Opportunities for Operational Efficiencies and Administrative Simplification | (1.0) |
| Enhance Identification of Medicare Coverage | (1.0) |
| Increase Program Integrity | (1.0) |
| Remove Private Insurance Cap on Early Intervention, Autism Services | (1.0) |
| Implement Predictive Modeling to Reduce Waste Fraud and Abuse | (1.0) |
| STOP Program | (0.5) |
| Redesign Connect Care Choice Community Partners (C4P) Program | (0.5) |
| Increase Pharmacy Rebates through Combined Purchasing | (0.5) |
| Ensure Third-Party Coverage of Veterans | (0.5) |
| Close two Zambarano group homes | (0.4) |
| Strengthen Residency Confirmation Protocols | (0.3) |
| Consolidate Food and Laundry Services at Eleanor Slater Hospital | (0.3) |
| Redesign Payments for Personal Choice Program | (0.2) |
| Secretary of Health and Human Services - New Responsibilities | Informational |
| Hospital and Nursing Home Incentive Pools | Informational |
| Children's Cabinet | Informational |
| Total | (\$58.2) |

Suspend Hospital Scheduled Rate Increase, Reduce Rates ***(\$11.1 million)***

The Budget suspends the scheduled rate increase (COLA) for inpatient and outpatient hospital services in FY2016 in both the fee-for-service and managed care environments resulting in general revenue savings of \$5.3 million (\$14.8 million all funds). Typically, the base price for hospital services is annually adjusted for trends in a nationally recognized price index. For FY2016, however, this adjustment, an anticipated increase of 2.5 percent on inpatient services and 2.1 percent on outpatient services, is suspended as it was in FY2014 and FY2015.

Additionally, the Budget reduces rates paid for hospital services. Through this initiative, hospital rates paid through both the fee-for-service system and through managed care organizations are reduced 2.5 percent for \$5.8 million in general revenue savings (\$16.1 million all funds).

Reduce Nursing Home Rates, Suspend Scheduled Increase, Delay Methodology Phase-in (\$8.7 million)

The Budget reduces nursing home rates, suspends the scheduled increase and delays the last year of the scheduled phase-in of a new reimbursement methodology for total general revenue savings of \$8.7 million (\$17.5 million all funds).

| Nursing Homes | General Revenue | All Funds |
|-------------------------|------------------------|------------------|
| Reduce Rates 2% | \$4.3 | \$8.6 |
| Suspend COLA | 4.0 | 8.1 |
| Delay Methodology Phase | 0.4 | 0.8 |
| Total | \$8.7 | \$17.5 |

\$ in millions.

Reduce Rates. The Budget reduces by 2.0 percent rates paid to skilled nursing facilities and associated hospice organizations that provide services to Medicaid-eligible individuals for general revenue savings of \$4.3 million (\$8.6 million all funds).

Suspend Scheduled COLA Increase. The Budget provides that payments to skilled nursing facilities and associated hospice organizations will not be adjusted by the change in the national nursing home inflation index. This adjustment was to be made on October 1, 2015, but is suspended for FY2016 for \$4.0 million in general revenue savings (\$8.1 million all funds).

The Budget suspends the anticipated 2.6 percent rate increase and reduces rates paid to nursing homes through the traditional fee-for-service (per diem) delivery system and through the managed care delivery system. This rate increase, referred to as the nursing home COLA, was suspended by the FY2012 and FY2014 Budgets as Enacted. The FY2015 Budget as Enacted included a six-month delay in the COLA from October 1, 2014, to April 1, 2015.

Delay Methodology Phase-In. The Budget includes \$420,812 in general revenue savings (\$847,045 all funds) from the delay of the phase-in of a new methodology for nursing home reimbursement.

The FY2013 Budget as Enacted included a policy adjuster to payments to nursing homes to ease the transition from a cost-based payment methodology to a price-based methodology. Under this modification, each nursing home's direct care costs were initially maintained, and the impact of the new methodology on per diem rates was limited to a maximum of \$5.00. The full price-based model was to be phased-in over four years.

FY2016 is scheduled to be the fourth and final year of the phase-in. The Budget suspends the phase-in for FY2016 for both "winners" and "losers" under the new methodology.

Reduce Medicaid Managed Care Contracts (\$5.6 million)

This initiative includes a rate cut to Medicaid managed care capitation rates (\$2.8 million), a reduction in the rates paid for administrative costs (\$1.0 million), and an increase in the risk assumed by the managed care organizations in their agreements with State (\$1.8 million).

These reductions impact Neighborhood Health Plan of RI, which enrolls approximately 65.0 percent of managed care enrollees, and United Healthcare, which enrolls approximately 35.0 percent of enrollees.

Reform Long-term Services and Supports (\$3.0 million)

The Budget reforms the long-term supports and services continuum of care. These reforms will streamline and standardize internal processes, make home and community-based services (HCBS) more accessible as an alternative to nursing home care, and incentivize HCBS and assisted living providers to care for those with more complex needs.

Savings of \$4.4 million from reduced nursing home expenditures are offset by \$1.5 million in additional expenditures for HCBS and SSI state supplement payments for net general revenue savings of \$3.0 million (\$6.2 million all funds).

Eligibility Reforms

- Expedited eligibility processes will allow Medicaid-eligible individuals to access HCBS more quickly. Currently, while awaiting an eligibility determination, individuals are more likely to use nursing home services (where homes can manage the delay in payment from Medicaid) than HCBS (which are typically smaller providers with insufficient cash flow to sustain delays in payments). (\$200,000 general revenue, \$403,000 all funds)
- Tighten clinical eligibility for the level of care that requires institutional care to three activities of daily living (ADLs). This aligns the Rhode Island program with the eligibility criteria used in Massachusetts and Connecticut. (\$500,000 general revenue, \$1.0 million all funds)
- Standardize internal eligibility processes, which are now, because of legacy processes, spread across a number of DHS and OHHS doors to the program. The Unified Health Infrastructure Project (UHIP) will help create a platform for standardization. The long-term plan is also to evaluate the need for and efficiency of multiple eligibility doorways, with perhaps savings from reduced staff. (\$250,000 general revenue, \$503,221 all funds)

Home and Community-Based Services, Housing Accessibility

- A fuller continuum of services is envisioned. Currently there are few Medicaid-funded options except at the ends of the care continuum: home and institution. OHHS plans to create capacity between these two ends with services such as adult supportive housing, which will provide housing plus possibly aid with activities of daily living such as bathing, walking, or feeding. According to currently issued rules and regulations, this option requires licensure as a nursing home but OHHS hopes to work with the Department of Health to create a new licensure for this type of care, where two to five people will live in congregate (but non-custodial) settings. The Budget does not associate any savings with this initiative.

Provider Payments

- OHHS plans to reform payments to providers of adult day services for individuals who require supervised daily care and who often have some level of dementia and multiple chronic conditions. Rather than flat per-diem rates, provider payments will be tiered according to the level of care required by an individual. In this way, OHHS hopes to incentivize providers to build a fuller range of services to meet more complex needs and increase the ability of individuals to remain at home longer. This initiative assumes that the program will divert approximately 50 patients per year into lower-acuity settings (\$500,000 general revenue, \$1.0 million all funds).
- Payments to Medicaid-funded assisted living providers are increased through the SSI-state supplement payment mechanism. As well as increasing these payments that cover assisted living room and board, reforms also included the establishment of acuity-based tiered payments for clinical services for assisted living residents. These tiered payments will be available only to those individuals enrolled in the Rhody Health Options managed care program. Additional payments will also be available to providers to care for those transitioning from a nursing facility, have short term acute care needs, or require stabilization services. Performance standards and associated incentive payments for both health and social outcomes will be established (\$1.8 million general revenue, \$3.3 million all funds).

Pilot a Hospital-Based Accountable Care Organization (ACO) ***(\$3.0 million)***

This initiative engages an established provider network that includes hospitals, physicians, and other providers, to provide care for a defined population for a set, per-person rate for general revenue savings of \$3.0 million (\$6.0 million all funds). This represents six months of savings in FY2016.

In a proposal under consideration, CharterCare and its parent company Prospect Medical Holdings will coordinate the care of 25,000 Medicaid individuals in coordination with Medicaid managed care organizations. CharterCare will receive 95.0 percent of the current capitation rate to care for this population, with the State saving the remaining 5.0 percent. In this full-risk arrangement, CharterCare will be responsible for providing all of the population's healthcare needs, including primary care, physician series, hospital care, behavioral health series and social services and for achieving better patient outcomes, higher patient satisfaction and cost reduction.

CharterCare, whose network includes hospitals Roger Williams Medical Center and Our Lady of Fatima, extended care facility Elmhurst, and CharterCare Home health services, St. Joseph Health Centers, and 18 dental operatories. Thundermist Health Centers have expressed an interest in becoming partners in the core network of this ACO.

Pilot a SPMI Coordinated Care Management Program ***(\$3.0 million)***

The Budget includes \$3.0 million in general revenue savings (\$6.0 million all funds) from a behavioral health-based accountable care organization for those with severe and persistent mental illness (SPMI). Mental health providers, including The Providence Center and partner Care New England, will provide comprehensive, coordinated and integrated behavioral healthcare to between 3,000 and 4,000 adults with SPMI. For a single bundled rate, providers will provide all levels of behavioral health services, including community-based services, outpatient care, partial hospitalization, crisis stabilization, emergency room engagement and diversion and inpatient services.

This initiative seeks to implement new payment mechanisms by January 1, 2016. The initiative assumes 10,500 individuals will be involved in the program and savings of 3.0 percent. CMS approval is required for this initiative.

Privatize or Reorganize RICLAS Group Homes for the Developmentally Disabled ***(\$2.0 million)***

Consistent with the working group recommendation, the Budget includes \$2.0 million in general revenue savings (\$4.0 million all funds) as achieved through the privatization or reorganization of Rhode Island Community Living and Supports (RICLAS) group homes for individuals with developmental disabilities. Established as part of closure of The Ladd School in Exeter, RICLAS currently provides residential services to about 209 individuals in 24 group homes, 4 apartment buildings, and 3 special care facilities.

There are 370.0 FTE positions represented by four labor unions in the RICLAS system. Under this initiative, RICLAS would remain as a provider of services only to those unable to be placed in private group homes. This initiative also presents the option of achieving these savings through a negotiated reorganization of RICLAS homes to lower its cost structure.

Reduce Neonatal Intensive Care Unit Rates ***(\$1.9 million)***

In FY2016, \$1.9 million in general revenue savings (\$4.0 million all funds) will be achieved through a reduction in the rates paid for hospital neonatal intensive care unit (NICU) services.

Going forward, OHHS will develop a bundled payment for maternity services, including pregnancy, birth and post-partum care to achieve equivalent savings while focusing on improved outcomes and quality.

Rather than pay for maternity, childbirth, and post-partum care on a fee-for-service basis, this initiative will develop a bundled payment rate whereby hospitals would receive a single pre-determined rate for all services related to childbirth and be incentivized to provide efficient and quality care whereby if the cost

of care exceeds the bundled rate, the providers would be at risk for the loss. If the cost of care is less than the bundled rate, the providers share in the excess.

Expand Home and Health Stabilization Pilot ***(\$1.8 million)***

The Health Begins with a Home initiative will make an organized set of Medicaid-funded health and home-stabilization services available to members of certain at-risk populations through care teams. This initiative will scale-up a current pilot program which offers a hybrid benefit that incorporates medical care coordination with community treatment. Services can include home stabilization interventions such as locating a home, managing a household, financial counseling, homemaking, with health service supports such as disease and medication management, substance abuse counseling, relapse prevention and self-care.

Target populations include Medicaid-eligible children and youth with behavioral health needs in the custody of DCYF, adults who are homeless or at risk of homelessness, and persons transitioning from institutional care who have a history of homelessness.

The Budget includes \$1.8 million in general revenue savings (\$3.5 million all funds) from this initiative.

Refine Incentive Programs for Federally-Qualified Health Centers ***(\$1.7 million)***

This initiative refines incentives currently offered to FQHC through managed care organizations. It will focus the quality measures used to determine incentive payments more tightly on program outcomes and less on processes or inputs.

Savings will be achieved through a shared savings model whereby the State benefits from reduced utilization by FQHC, or from reductions in the incentive paid to FQHCs. General revenue savings are \$1.7 million; all funds savings total \$3.5 million.

Implement Electronic Visit Verification ***(\$1.5 million)***

The Budget includes \$1.5 million in general revenue savings (\$3.0 million all funds) from increased program integrity through the implementation of an electronic visit verification program that will monitor the delivery of Medicaid home based services such as personal care and homemaker services. The program utilizes technology to verify point-of-care service delivery by the correct caregiver to the correct patient.

The FY2015 Budget as Enacted included \$500,000 in general revenue savings associated with this initiative, but these savings were downwardly revised at the November 2014 Caseload Estimating Conference to \$200,000 and at the May 2015 Caseload Estimating conference to \$0, citing procurement delays.

Improve Medicaid Eligibility Processes - Expansion First ***(\$1.5 million)***

This initiative changes internal processes to ensure that those eligible for Medicaid through Medicaid expansion criteria are enrolled through this channel, where federal support is 100.0 percent, before they are found to be eligible through the aged, blind and disabled categories, where federal support is approximately 50.0 percent. Since this initiative represents a cost-shift to federal funds, there is \$1.5 million in general revenue savings but no all funds savings associated with this initiative.

Reduce Rates for Hospital Laboratory Tests ***(\$1.2 million)***

The average cost per service at a hospital-based lab is approximately 250.0 percent of the average cost at a community based lab, or \$134 as compared to \$54. \$1.2 million in general revenue savings (\$2.5 million all funds) associated with this initiative will result from obtaining more favorable pricing for laboratory services currently being performed at the higher prices.

Redesign CEDARR Services**(\$1.0 million)**

The Budget includes \$1.0 million savings (\$2.0 million all funds) from the redesign of Comprehensive, Evaluation, Diagnosis, Assessment, Referral, Re-evaluation (CEDARR) Family Center services.

Since 2001, CEDARR family centers have worked with children with disabilities and their families to develop care plans and to connect them with services. Once care is established, OHHS currently requires families to continue to access services through CEDARR centers, which help manage appropriate utilization of services.

With the transfer of services for CSHCN from fee-for-service to managed care delivery systems, families will no longer be required to access services through CEDARR centers. Managed care organizations will now be responsible for helping families utilize services in effective and appropriate ways.

The Budget recognizes this redesign and, while continuing to fund the development and establishment of care plans through CEDARR centers, it reduces funding for ongoing services, which are now within the role of managed care organizations.

Analyst's Note: This initiative does not include any loss of direct services for children with special health care needs, though it does reduce administrative revenue to the four CEDARR centers by approximately one-third.

Improve Care Coordination for Children with Special Health Care Needs**(\$1.0 million)**

The Budget includes \$1.0 million in general revenue savings (\$2.0 million all funds) from a thorough review of the currently-covered “out-of-plan” services for children with special health care needs (CSHCN), such as those with autism, developmental disabilities, and Asperger's syndrome.

The Budget includes six months of savings associated with the formalization of a continuum of care for special needs children. These services, currently being paid for on a fee-for-service basis, will be incorporated into the capitated rates paid to managed care organizations, which will then ensure that children are moving through the following service continuum and are receiving the least intensive services required.

- Home-based Therapeutic Services (HBTS) are intensive one-on-one treatments for disabled children that are provided in the child's home and serve to improve communication, behavioral, psychosocial and developmental skills and to enable a child to participate in his or her family and community. Children are generally approved for up to 20 hours of services per week (25 hours per week for the most severe needs) and for no longer than two years.
- Personal Assistance Services and Supports (PASS) are also home-based services in which direct support workers help special needs children with life skills such as activities of daily living, taking the bus, and counting money so that they can live independently in the community.
- Respite care, the short-term accommodation of a special needs child in a facility outside the family's home, provides a temporary reprieve for caregivers and serves as the least intensive service on the continuum.

There are currently approximately 6,000 special needs children who receive medical care through Medicaid managed care programs and as well as specialized out-of-plan services through a fee-for-service program. These children include those who qualify for the federal SSI program, those in DCYF foster care, and adopted children. Another approximately 1,000 children have commercial insurance but receive these Medicaid-funded services through the Katie Beckett program.

Expand Community Health Teams and Medical Home Pilots**(\$1.0 million)**

In order to achieve \$1.0 million in general revenue savings (\$2.0 million all funds), OHHS will scale up the pilot program currently run by the RI Care Transformation Collaborative. This primary care-based

accountable care organization identifies high-risk patients and cares for them using the medical home model for a single bundled rate in which the team is at full-risk for the cost of care.

In a second initiative to achieve these savings, current community health team efforts will be scaled up for savings. Here, inter-disciplinary community health teams of nurses, pharmacists, nutritionists, social workers, and behavioral and mental health providers care for high-risk patients. This model is currently being piloting in South County and Pawtucket; this initiative includes six additional teams, each servicing 500 high-utilizing members.

Establish Lower-Cost Settings for Eleanor Slater Hospital Residents ***(\$1.0 million)***

The Budget includes \$1.0 million in general revenue savings (\$2.0 million all funds) associated with the relocation of potential Eleanor Slater Hospital residents currently residing in acute care hospitals but who do not require acute care services. These individuals would be placed in group homes, where providers will be paid an enhanced rate to service this high-risk population, which includes those with criminal histories, forensic and sex offense backgrounds, and high medical needs.

Savings will result from a reduction in acute care hospital services, where 16 individuals are currently awaiting admission to ESH.

Uncover Opportunities for Operational Efficiencies and Administrative Simplification ***(\$1.0 million)***

The Office will uncover opportunities for increased efficiency within OHHS and across agencies. The Budget includes \$500,000 in general revenue savings in OHHS central management program and \$500,000 in the Department of Human Services resulting from a review of staff assignments and its resultant efficiencies and staff reductions.

Enhance Identification of Medicare Coverage ***(\$1.0 million)***

This initiative seeks to avoid the payment by Medicaid for services, drugs, or products covered by Medicare for \$993,600 in general revenue savings (\$2.0 million all funds). This effort will potentially be modeled after, and perhaps in conjunction with, the University of Massachusetts Medical Center, which, though use of proprietary tools and specialized personnel, would find Medicare coverage on a contingency basis. The University of Massachusetts model also includes a customer service component that helps Medicare-eligible individuals apply for and obtain coverage.

Specifically, this initiative includes:

- Recoupment of Medicaid-paid Medicare co-pays for those claims recovered by CMS through post-payment review
- Identification of drugs or products paid for by Medicaid but are covered by Medicare Part B, which covers medically-necessary services such as lab tests and supplies such as wheelchairs.
- Review current Medicare status of members age 65 and older and those who meet the disability criteria of the Social Security Administration for possible Medicare enrollment that may be unknown to the State due to errors in data transmission between the State and federal data files.

Increase Program Integrity ***(\$1.0 million)***

The Budget funds two additional paralegal positions within the Office of Program Integrity in order to increase program integrity of the Medicaid program utilizing existing laws, rules and regulations. Efforts will focus on the integrity of eligibility processes for long-term supports and services. General revenue savings of \$1.0 million is offset by increased personnel costs of \$46,920.

Remove Private Insurance Cap on Early Intervention and Autism Services ***(\$1.0 million)***

The Budget includes \$1.0 million in general revenue savings (\$2.0 million all funds) associated with the increase in private insurance coverage for services currently covered by Medicaid.

Early Intervention. Commercial insurers currently pay for the first \$5,000 in Early Intervention (EI) services before Medicaid funds these services. The Budget removes this cap and requires insurers to cover all EI services and thus shifting the cost of these services from Medicaid to the privately-insured.

Early intervention services include speech and language therapy, occupational therapy, physical therapy, evaluation, case management, service plan development, and assistive technology services and devices for children birth to age three.

Autism Services. The State also requires insurers to cover a range of services for the treatment of autism spectrum disorder, though it currently limits insurers' coverage to the first \$32,000 in applied behavior analysis (ABA) per person per year. Medicaid currently covers any services in a calendar year above that amount. The Budget removes the current cap on ABA services, thus requiring insurers to cover all of these services and shifts the cost from Medicaid to the privately-insured.

Applied behavior analysis is a form of behavioral modification, whereby skills are taught so that autistic children can achieve the greatest degree of independence and the highest quality of life possible. It typically involves the repetition and reinforcement of small behavior sub-skills until mastery.

Implement Predictive Modeling to Reduce Waste, Fraud, and Abuse ***(\$1.0 million)***

The Budget includes \$1.0 million in general revenue savings (\$2.0 million all funds) from the implementation of predictive modeling and analytics technologies within the State's current Medicaid Management Information System (MMIS). These savings are offset by \$241,476 in general revenue spending within the Central Management program for contracts with Hewlett Packard and BAE Systems.

The goal of this initiative is to improve the Medicaid program's ability to recoup and prevent overpayments to providers due to fraudulent or abusive activity. It will also enable the program to eliminate fraudulent providers from the program. The project timeline has a go-live date in October 2015.

STOP Program ***(\$500,000)***

This initiative achieves \$500,000 in general revenue savings (\$1.0 million all funds) through a current 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.

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 are authorized to transport inebriated individuals to an alternative treatment center where licensed clinical staff and peer specialists are utilized.

Redesign Connect Care Choice Community Partners (C4P) Program ***(\$500,000)***

The Medicaid program currently pays primary care practices a per-member-per-month fee to coordinate care of those enrolled in the fee-for-service long-term care delivery system. This initiative eliminates this fee and instead funds nurse care managers in the practice for members moved into managed care for general revenue savings of \$500,000 (\$1.0 million all funds). For members remaining in the fee-for-service delivery system, nurse care managers and social workers will support members through community health teams and primary care medical homes.

Increase Pharmacy Rebates through Combined Purchasing ***(\$500,000)***

The Medicaid program will achieve \$500,000 in general revenue savings (\$1.0 million all funds) through negotiating for rebates for its entire pharmacy spend, rather than having the State and its managed care organizations each negotiate separately for their own lines of business.

Ensure Third-Party Coverage of Veterans **(\$500,000)**

This initiative will improve program administration to ensure that Medicaid does not cover services that are eligible for coverage by Veterans Administration Health Care for general revenue savings of \$500,000 (\$1.0 million all funds).

Closure of Zambarano Group Home **(\$449,742)**

The Budget includes \$449,742 in general revenue savings from the closure of Rogler group home for the developmentally disabled. This home is part of Zambarano Hospital network and is located in Smithfield.

Rogler is one of four group homes in the network that was formed in the 1980's. As residents of this network have aged, the census of the homes has declined, allowing for the opportunity to consolidate residents and close homes.

| Zambarano Group Homes | Capacity | Current Census |
|----------------------------------|-----------------|---------------------------|
| East Wallum Lake | 6 | 4 |
| Mallory | 6 | 5 |
| Rogler | 6 | 2 |
| Southwick | 4 | Closed |
| Total | 22 | 11 |

The FY2014 Budget as Enacted included \$346,443 in general revenue savings from the closure of the Southwick group home, also part of the Zambarano network, though the home was not closed until the first half of FY2015. Three of the four original homes in the network remain open, including Rogler as shown in the accompanying table.

Strengthen Residency Confirmation Protocols **(\$292,489)**

Through this initiative, the Office will partner with the Department of Human Services and Medicaid managed care organizations (MCOs) to strengthen protocols for confirming the Rhode Island residency of Medicaid enrollees for \$292,489 in general revenue savings. Currently, continued verification of Rhode Island residency does not occur on a regular basis.

Out-of-state prescription drug claims will be identified monthly by MCO's (for managed care claims) and by the State's fiscal agent (for fee-for-service claims) and referred to DHS, who will outreach to members to confirm Rhode Island residency. If DHS cannot confirm Rhode Island residency of a member, upon proper notification and opportunity for a correction of residency, that member will be disenrolled from the Medicaid program and benefits will be terminated.

OHHS reports that there are currently 205 Medicaid members currently seeking pharmacy and/or medical services in another state. Current Medicaid enrollment is approximately 250,000.

Consolidation of Food and Laundry Services at Eleanor Slater Hospital **(\$300,000)**

The Budget includes \$300,000 in general revenue savings (\$600,000 all funds) from the consolidation of Eleanor Slater Hospital services.

Eleanor Slater Hospital food services will be consolidated with that of the Department of Corrections (DOC). DOC currently purchases and warehouses food for its facilities and for the State's school lunch program. Under this initiative, the Hospital will purchase food through DOC's contracts, which are more competitive than the Hospital's, for savings of approximately 20.0 percent. Staffing levels remain unchanged.

BHDDH will also pursue savings through the consolidation of laundry services at Eleanor Slater Hospital with that of DOC, resulting in \$150,000 in general revenue savings (\$300,000 all funds).

Redesign Payments for Personal Choice Program **(\$198,720)**

This initiative changes the payment structure from a flat monthly case rate of \$125 per participant to an hourly rate of \$60 for agencies that help members coordinate their own long-term care. This is expected to result in general revenue savings of \$198,720 (\$400,000 all funds).

The Medicaid program offers a Personal Choice program to those eligible for long-term supports and services. Through this program, elderly and disabled persons are provided a flexible budget and choice from among an array of services that best meet their needs. Participants select from among services such as personal care services and help with activities of daily living, grocery shopping, laundry, or wheelchair transfers. Service advisement agencies are paid a monthly fee for case management, advising members regarding selection and management of services. While this requires several hours upon initial enrollment and the establishment of a care plan, subsequent servicing is typically much lower.

This proposal changes the fee structure from a monthly per person rate to an hourly rate for services. The proposal caps monthly services for new enrollees at four hours per month. For existing enrollees, services are capped at one hour per month.

This initiative also reduces provider payments by patient co-pay amounts, charging providers to collect co-pays in order to receive full reimbursement for services.

Lodging (Hotel) Taxes and Statewide Marketing

Rhode Island levies three types of taxes on hotels, including any facility offering a minimum of one room available for temporary lodging. These taxes are collectively referred to as lodging taxes and are levied separately based on the type of hotels identified in Rhode Island General Law (RIGL) and include:

7.0 percent Sales Tax: The sales and use tax, equivalent to 7.0 percent of the retail sales price of certain goods, is applied to the sale price of a hotel room. Sales taxes are deposited as state general revenue.

5.0 percent Hotel Tax: The State levies a 5.0 percent gross receipts tax, known as the hotel tax, on charges for occupancy of any space furnished in buildings or structures with a minimum of three rooms that are kept, used, maintained, advertised, or held out to the public to be a space where living quarters are supplied for pay for transient use (30 days or less). Proceeds from this tax are distributed according to RIGL 42-63.1-3 among state tourism districts, municipalities, state general revenue, and state and regional economic development, convention, and visitor agencies.

1.0 percent Occupancy Tax: In addition to these taxes, a local “occupancy tax” of 1.0 percent is charged, administered, and collected by the Division of Taxation. Occupancy tax revenue is fully allocated to the city or town in which the lodging rental is located.

The FY2016 Budget makes several changes to the lodging taxes, including adding new types of lodging accommodations to the definition of “hotel,” effectively expanding the number and type of lodging units subject to the tax; reallocates the distribution of the hotel tax revenue; and creates conditions for spending on tourism and marketing. While the lodging tax changes take effect July 1, 2015, the distribution of hotel tax revenue will not change until January 1, 2016. The Budget includes \$3.3 million in additional general revenue for FY2016. The following issue brief outlines the changes in the FY2016 Budget.

BASE EXPANSION OF ACCOMMODATIONS SUBJECT TO LODGING TAXES

Article 11 of the FY2016 Budget as Enacted expands the definition of hotels for purposes of taxation to include houses, condominiums, or other residences regardless of the number of rooms used and/or advertised for rent for occupancy, such as those listed on Airbnb.com. The Budget specifically modifies the definition to include any facility offering a minimum of 1 room to capture bed and breakfasts and unlicensed rentals, both with less than three rooms to rent. Prior to this change, lodging taxes applied only to hotels that have more than three rooms and are rented for 30 days or less. The article also expands the definition to include room resellers. Room resellers have authority from a hotel to arrange accommodations and include sellers of travel packages, such as Expedia, Inc. or Priceline.com.

| | FY2016 Lodging Tax Changes | | | |
|-------------------|----------------------------|---------------|--------------|--------------------|
| | 7% Sales Tax | 5% Hotel Tax | 1% Local Tax | Total |
| General Revenue* | \$7,094,490 | (\$3,776,447) | - | \$3,318,043 |
| CommerceRI* | - | 4,983,438 | - | 4,983,438 |
| Municipalities | - | 298,603 | 1,013,499 | 1,312,102 |
| Tourism Districts | - | 299,269 | - | 299,269 |
| Subtotal | \$7,094,490 | \$1,804,863 | \$1,013,499 | - |
| Total | | | | \$9,912,852 |

**The Budget shifts \$3.8 million in general revenue to the Commerce Corporation which is reflected in this table.*

Analyst Note: The tax changes noted below take effect beginning July 1, 2015. Any contracts signed on or before June 30, 2015, will not be subject to the tax in calendar year 2015 regardless of when the tenant pays for the transaction.

Vacation Rentals: The Budget expands sales and use and occupancy taxes to homes, condominiums, or other resident dwelling if the house, condominium, or resident dwelling is rented in its entirety. The Budget specifically includes this description to differentiate between an unlicensed rental of a single bedroom and the rental of a vacation home or condo. This type of rental is exempt from the 5.0 percent hotel tax. Using VRBO.com (a website listing vacation rentals by owner), the Office of Revenue Analysis (ORA) calculated that 6,205 rooms are available for rent in Rhode Island. Using the median price per rental unit by community, and assuming a 122 day rental season, ORA calculated a revenue increase of \$6.2 million in FY2016.

| FY2016 Hotel Tax Expansion to Vacation Rentals | | |
|---|-----------------|--------------------|
| | 7% Sales | 1% Local |
| General Revenue | \$5,422,316 | - |
| Municipalities | - | 774,617 |
| Subtotal | \$5,422,316 | \$774,617 |
| Total | | \$6,196,933 |

Online Room Resellers and Travel Packages: Room resellers have authority from a hotel to arrange accommodations, including sellers of travel packages, such as Expedia, Inc. or Priceline.com. Article 11 requires room resellers to register annually with the Division of Taxation to obtain a retail business permit and to collect the sales and use taxes and hotel taxes. Resellers currently remit taxes to the hotel based on the wholesale cost of the room, not the actual cost to the end consumer, effectively allowing these resellers to pay less in taxes than a direct seller. The Budget requires lodging taxes to be calculated upon the amount of rental and other fees paid by the occupant to the room reseller, less the amount of any rental or other fees paid by the reseller to the hotel. The hotel will then remit taxes upon the amount of rental and fees paid to the hotel by the reseller or occupant. In the event that a room is bundled with other, separate components of travel such as air or car transportation or amusement services, and only one travel package price is assessed to the customer, the entire amount of the travel package is subject to all hotel taxes. However, if the amount of the rental or other fees for room occupancy is stated separately from other travel items, only the rental and accommodation fees will be subject to the lodging taxes.

| FY2016 Lodging Tax Expansion on Online Room Resellers & Travel Packages | | | |
|--|-----------------|-----------------|--------------------|
| | 7% Sales | 5% Hotel | 1% Local |
| General Revenue | \$820,662 | - | - |
| CommerceRI | - | 140,371 | - |
| Municipalities | - | 146,547 | 117,237 |
| <i>Tourism Districts:</i> | - | 299,269 | - |
| Aquidneck Island | - | 95,160 | - |
| All Other Tourism Districts | - | 59,044 | - |
| Convention Authority of Providence | - | 45,361 | - |
| Warwick Dept. of Economic Development | - | 24,095 | - |
| Prov/Warwick Convention & Visitors Bureau | - | 75,609 | - |
| Subtotal | \$820,662 | \$586,187 | \$117,237 |
| Total | | | \$1,524,086 |

Source: Office of Revenue Analysis

Unlicensed Rentals: The Budget also expands hotel taxes to the short-term rental of unlicensed lodging accommodations, such as those listed on the Airbnb.com website. ORA tracked data available on the Airbnb.com website for one month to determine occupancy rates for a full fiscal year (assuming that if a room at the beginning of the month was no longer listed as available, it was determined to be occupied); however, for summer and holidays, ORA assumed an occupancy rate of 100.0 percent. ORA calculated the availability of unlicensed rentals for weekends, summer, and holidays, and applied the occupancy rates estimated by the aforementioned methodology to the available rental days for each category: 61,

170, and 122 days, respectively. Lodging tax shares were applied to the total revenue of \$1.6 million, which are broken down in the following table. (Note: The table reflects the distribution of revenue in the FY2016 Enacted Budget, which excludes the share of unlicensed rental revenue to tourism districts; instead, this new revenue is shifted to municipalities and Commerce Corporation. This issue is discussed in the Reallocation of 5.0 Percent Hotel Tax Revenue section of this brief.)

FY2016 Hotel Tax Expansion to Unlicensed Rentals

| | 7% Sales | 5% Hotel | 1% Local |
|-------------------|-----------|-----------|--------------------|
| General Revenue | \$851,512 | - | - |
| CommerceRI | - | 456,168 | |
| Municipalities | - | 152,056 | 121,645 |
| Tourism Districts | - | - | - |
| Subtotal | \$851,512 | \$608,224 | \$121,645 |
| Total | | | \$1,581,381 |

Source: Office of Revenue Analysis

Municipal Revenue Impact

The expansion of the hotel tax base will increase net revenue to municipalities by \$1.3 million as follows: \$774,617 from the local 1.0 percent occupancy tax on vacation rentals, \$263,784 from the municipality's share of the state hotel tax and the local occupancy tax on online room resellers and travel packages, and \$273,701 from municipality's share of the state hotel and the local occupancy tax on unlicensed rentals. The following table demonstrates the increase in lodging tax revenue by municipality.

FY2016 Current Tax Collections Summary and Increases from Lodging Tax Base Expansion

| Municipality | Current FY2016 Est.* | Increases from Base Expansion | FY2016 Total | Municipality | Current FY2016 Est.* | Increases from Base Expansion | FY2016 Total |
|-----------------|----------------------|-------------------------------|--------------|------------------|----------------------|-------------------------------|--------------------|
| Barrington | - | \$4,840 | \$4,840 | Newport | 1,996,172 | 233,709 | 2,229,881 |
| Bristol | 38,661 | 17,585 | 56,246 | New Shoreham | 308,496 | 66,217 | 374,713 |
| Burrillville | - | 1,543 | 1,543 | North Kingstown | 80,610 | 24,059 | 104,668 |
| Central Falls | - | 1,029 | 1,029 | North Providence | - | 1,029 | 1,029 |
| Charlestown | 21,589 | 70,672 | 92,261 | North Smithfield | 3,141 | 622 | 3,763 |
| Coventry | 83,386 | 6,467 | 89,852 | Pawtucket | 54,005 | 4,943 | 58,948 |
| Cranston | 9,504 | 6,863 | 16,367 | Portsmouth | 12,020 | 18,329 | 30,349 |
| East Greenwich | 905 | 3,843 | 4,748 | Providence | 2,019,681 | 162,919 | 2,182,600 |
| East Providence | 44,947 | 5,660 | 50,607 | Richmond | 3,577 | 637 | 4,215 |
| Exeter | - | 514 | 514 | Scituate | 5,037 | 173 | 5,210 |
| Foster | 254 | 9 | 263 | Smithfield | 152,721 | 15,023 | 167,744 |
| Glocester | 2,808 | 1,564 | 4,371 | South Kingstown | 143,481 | 73,564 | 217,045 |
| Hopkinton | - | 953 | 953 | Tiverton | - | 9,739 | 9,739 |
| Jamestown | 9,467 | 45,856 | 55,323 | Warren | - | 6,384 | 6,384 |
| Johnston | 7,743 | 781 | 8,523 | Warwick | 1,059,108 | 39,403 | 1,098,511 |
| Lincoln | 106,834 | 4,185 | 111,020 | Westerly | 460,049 | 99,977 | 560,026 |
| Little Compton | 4,489 | 40,217 | 44,706 | West Greenwich | 98,522 | 3,900 | 102,422 |
| Middletown | 709,165 | 58,938 | 768,103 | West Warwick | 102,452 | 3,520 | 105,972 |
| Narragansett | 84,305 | 274,001 | 358,305 | Woonsocket | 53,703 | 1,845 | 55,549 |
| | | | | Total | \$7,676,832 | \$1,311,510 | \$8,988,342 |

*Includes municipal share of 5% state hotel tax and 1% local occupancy tax estimated for FY2016.

Note: Cumberland does not currently receive any revenue from lodging taxes; however, the base expansion to other lodging accommodations may create new revenue to the town.

REALLOCATION OF 5.0 PERCENT HOTEL TAX REVENUE

Currently, most tourism districts receive 47.0 percent of the 5.0 percent state hotel tax generated by hotels in the municipality associated with the district, while other regional tourism districts and convention and visitor bureaus receive between a 23.0 to 31.0 percent share. The State receives 21.0 percent for all lodging rentals in the State (except for a 27.0 percent of the tax share for room rentals at the Omni hotel); 25.0 percent of all lodging rentals is dispersed to municipalities; and the Commerce Corporation does not directly receive any state hotel tax revenue.

Effective January 1, 2016, the Budget reallocates revenue from the 5.0 percent state hotel tax, excluding revenue collected from unlicensed rentals (Airbnb.com). Revenue from unlicensed rentals is distributed as follows: 25.0 percent will be given to the city or town where the residential unit which generated the tax is physically located and 75.0 percent will be transferred to the Commerce Corporation. The table on the following page outlines the current distribution compared to the new distribution in the Budget.

| Reallocation of 5.0% Hotel Tax Revenues | | |
|--|--------------------|---------------------------------------|
| Recipient | Current Law | Enacted Budget¹ |
| Aquidneck Island District | 47% | 42% |
| Statewide District | 47% | - |
| All Other Districts | 47% | 42% |
| Providence Convention Center Authority | 31% | 28% |
| Warwick Department of Economic Development | 31% | 28% |
| Providence/Warwick Convention & Visitors Bureau ² | 23/7/12% | 23/5/12% |
| RI Convention Center Authority | 30% | - |
| Municipalities | 25% | 25% |
| State General Revenue | 21% | - |
| RI Commerce Corporation | 0% | 32% |

¹Distribution effective January 1, 2016.

² Shares of state hotel tax revenue are received as follows: 23.0% is rooms rented in Providence and Warwick, 12.0% is rooms rented at the Omni Providence, and 7.0% (current) or 5.0% (Budget) is room rentals in the rest of the State.

Analyst Note: Reducing the distribution to the RI Convention Center Authority could increase state general revenue expenditures to cover the Authority's operating losses.

The following table demonstrates the FY2016 revenue impacts of the hotel tax reallocation. *Note: Since the reallocation takes place after December 31, 2015, the rates in this table are blended effective rates of the hotel tax shares over the full 2016 fiscal year.*

| Recipient | FY2016 Reallocation of 5.0% Hotel Tax Revenues | | | | |
|---|--|---------------------------------|-----------------------------|---------------------------------|--|
| | Previous Allocation | | Enacted Budget ¹ | | Full Year Allocation Difference from Current Law |
| | State Hotel Tax Share | Amount of State Hotel Tax | State Hotel Tax Share | Amount of State Hotel Tax | |
| Aquidneck Island District | 47% | \$2,893,084 | 45% | \$2,864,581 | (\$28,503) |
| Statewide District | 47% | 130,544 | - | - | (130,544) |
| All Other Districts | 47% | 1,778,772 | 45% | 1,761,430 | (17,342) |
| Providence Convention Center Authority | 31% | 1,391,336 | 30% | 1,263,753 | (127,583) |
| Warwick Department of Economic Development | 31% | 729,608 | 30% | 725,333 | (4,275) |
| Providence/Warwick Convention & Visitors Bureau ² | 23/7/12% | 2,172,656 | 23/6.2/12% | 2,166,154 | (6,502) |
| RI Convention Center Authority ³ | 30% | 316,906 | 15% | 189,928 | (126,978) |
| Municipalities | 25% | 4,000,819 | 25% | 4,299,421 | 298,602 |
| State General Revenue | 21% | 3,645,903 | - | - | (3,645,903) |
| RI Commerce Corporation | 0% | - | 27.9% | 4,983,438 | 4,983,438 |

¹Rates are based on the combined effective rate of the allocation change taking place in the middle of the fiscal year.

²Shares of state hotel tax revenue are received as follows: 23.0% is for rooms rented in Providence and Warwick, 12.0% is rooms rented at the Omni Providence, and 7.0% (current) or 5.0% (Budget) is room rentals in the rest of the State.

³Despite the loss in hotel tax revenue share to 0.0%, the RI Convention Center Authority will still receive funds in FY2016 since the redistribution takes place in the middle of the fiscal year.

Source: Office of Revenue Analysis

STATEWIDE MARKETING

Each fiscal year, the Commerce Corporation is required to spend no less than the hotel tax revenues it receives on the promotion and marketing of Rhode Island as a destination for tourists or businesses.

FY2016 Commerce Corporation Revenue Summary

| Tax | Amount |
|---|--------------|
| Hotel Tax Base Expansion and Redistribution | \$4.4 |
| Online Room Resellers and Travel Packages | 0.1 |
| Unlicensed Rentals | 0.5 |
| Total | \$5.0 |

\$ in millions

The FY2016 Budget directs \$4.0 million in hotel tax proceeds to tourism, and \$1.0 million for business promotion.

Additionally, the Budget requires all regional tourism districts to seek and obtain annual approval of the Executive Office of Commerce regarding the incorporation of common statewide marketing themes, logos, and slogans, among other features, into regional tourism marketing efforts prior to the release of hotel tax funds to the districts each year. This requirement is effective January 1, 2016. The Executive Office of Commerce will issue regulations that clarify what marketing components are subject to review and the approval process.

Revenue

The FY2016 Budget as Enacted includes \$3,543.8 million in general revenue for FY2016 or \$162.3 million more than the November 2014 Revenue Estimating Conference (REC) estimates. After deducting \$169.1 million for the annual hospital license fee, the Budget includes \$6.7 million in net revenue reductions. For the FY2015 Revised Budget, \$59.1 million in additional revenue was included based on adjustments from the May 2015 Revenue Estimating Conference. No new revenue initiatives were included; however, revenue changes are included from settlement and grant changes and hospital licensing fees.

FY2016 GENERAL REVENUE CHANGES

The Budget contains the following revenue initiatives impacting general revenue receipts. Details of the initiatives follow.

| Revenue Item | Total |
|---|----------------|
| Hospital Licensing Fee | \$169.1 |
| May 2015 Revenue Estimating Conference | 36.4 |
| Eliminate Sales Tax on Commercial Energy | (24.4) |
| Income Tax Exemption on Taxable Social Security Benefits | (9.4) |
| Alcohol Tax Restructure | (7.9) |
| Increase Excise Tax on Cigarettes | 7.1 |
| Hotel Tax Changes | 3.3 |
| Increase Allowable Earned Income Tax Credit | (3.1) |
| Delay License Plate Reissuance | (2.6) |
| Eliminate Surcharges on Net Patient Revenues for Imaging Services | (2.3) |
| Reduction from Decreased Medicaid Spending | (1.9) |
| Increased Collections from Tax Compliance Contract | 1.8 |
| Minimum Corporate Tax Reduction | (1.6) |
| New Qualified Jobs Credits | (1.0) |
| Nursing Facility Revenues | (0.9) |
| Lottery Marketing Expenses | (0.8) |
| Controlling Interest Transfer Tax | 0.7 |
| Taxation Self-Audit Program | 0.5 |
| Urban Institute Work Support Strategies Grant Transfer | (0.4) |
| Professional Licensing Requirements | (0.3) |
| Indirect Cost Recoveries on Restricted Receipt Accounts | (0.1) |
| Sunset Enterprise Zone Wage Tax Credits | Informational |
| Total | \$162.3 |

\$ in millions

Hospital Licensing Fee

\$169.1 million

The Budget increases the hospital licensing fee from 5.703 to 5.862 percent upon net patient services revenue of hospitals for the hospital's first fiscal year ending on or after January 1, 2014, except for those hospitals located in Washington County, Rhode Island, where the hospital license fee is discounted by 37.0 percent, lowering the rate paid by Westerly and Newport Hospitals.

| Hospital Licensing Fee Revenue | | |
|---------------------------------------|-------------|----------------|
| Fiscal Year | Rate | Revenue |
| 2007 | 3.560% | \$66.8 |
| 2008 | 3.480% | 73.9 |
| 2009 | 5.473% | 121.5 |
| 2010 | 5.314% | 124.9 |
| 2011 | 5.465% | 135.8 |
| 2012 | 5.430% | 138.0 |
| 2013 | 5.313% | 138.5 |
| 2014 | 5.418% | 145.9 |
| 2015 | 5.703% | 155.3 |
| 2016 | 5.862% | 169.1 |

\$ in millions

This fee increase, included in the recommendations of the Working Group to Reinvent Medicaid, raises an additional \$13.0 million, for total licensing fee revenue of \$169.1 million in FY2016.

The hospital license fee is a provider tax that the State levies on hospitals. In past fiscal years, it has been used as a mechanism to generate state funds that are then matched with federal Medicaid funds and returned to hospitals for their care for the uninsured and indigent through the Disproportionate Share Hospital (DSH) program. The fee is federally-limited to 6.0 percent.

May 2015 Revenue Estimating Conference

\$36.4 million

The May 2015 Revenue Estimating Conference increased net available general revenues for the State for FY2016 by \$36.4 million more than the Governor's proposal. Personal income taxes are expected to increase by \$11.6 million and business corporations taxes are expected to increase \$18.9 million above the November estimate, both the results of higher base growth of FY2015 collections. The increases are partially offset by changes to other revenue sources, including a decrease of \$5.0 million in estimated departmental receipts and a \$2.3 million decrease in lottery revenue. The Budget includes the additional revenues for FY2016.

Eliminate Sales Tax on Commercial Energy

(\$24.4 million)

The Budget expands the current sales tax exemption on electricity, natural gas, and heating fuels used in the manufacturing process to consumption of these utilities by all businesses. Total revenue impact for elimination of sales taxes on utilities is estimated at \$24.4 million in FY2016.

Income Tax Exemption on Taxable Social Security Benefits

(\$9.4 million)

The Budget exempts Social Security benefits from the State's income tax for individuals whose adjusted gross income (AGI) is \$80,000 a year or less, and for joint filers couples whose AGI is \$100,000 a year or less. Rhode Island personal income taxes are based on federal AGI (the basis of income subject to federal income taxes) and any additional modifications the State allows that reduce federal AGI. The standard deduction and personal exemption amounts, which are set annually by the Division of Taxation, are then deducted from the state taxable amount to determine taxable income. This is estimated to reduce revenues by \$9.4 million in FY2016. The Budget also schedules annual increases in the AGI dollar amount to coincide with changes in inflation.

Social Security Exemption: 5-Year Revenue Impact

| | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 |
|--|----------------|-----------------|-----------------|-----------------|-----------------|
| Tax Foregone on Taxable Retirement Income by RI Residents | (\$7.7) | (\$16.2) | (\$16.7) | (\$17.1) | (\$17.4) |
| Tax Foregone on Taxable Retirement Income by Non-Residents | (1.6) | (3.3) | (3.4) | (3.5) | (3.6) |
| Total Revenue Impact | (\$9.4) | (\$19.5) | (\$20.2) | (\$20.7) | (\$20.9) |

\$ in millions

Source: Office of Revenue Analysis

Alcohol Tax Restructure

(\$7.9 million)

The Budget permanently reinstates the current alcohol sales and excise tax rates. The FY2014 Budget as Enacted created a temporary sales tax exemption on purchases of wine and spirits and increased excise taxes on beer, wine, and spirits. Originally part of a pilot program established in the FY2014 Budget as Enacted, the changes were set to sunset on June 30, 2015. The change maintains the current excise tax increases on beer, spirits, and wine. The Budget includes a decrease in sales tax of \$14.3 million, offset by an increase of \$6.4 million in excise tax, a net decrease of \$7.9 million.

| | Alcohol Tax Rates | | | | |
|--|-------------------|-----------------|------------|--------------------------|------------|
| | Per Unit | Prior to FY2014 | | Current/Permanent Change | |
| | | Sales Tax | Excise Tax | Sales Tax | Excise Tax |
| Beer | Barrel | 7.0% | \$3.00 | 7.0% | \$3.30 |
| Still Wines (Entirely RI Grown) | Gallon | 7.0% | 0.30 | - | 0.30 |
| Still Wines | Gallon | 7.0% | 0.60 | - | 1.40 |
| Sparkling Wines | Gallon | 7.0% | 0.75 | - | 0.75 |
| Whiskey, Rum, Gin, Spirits, Cordials, Etc. | Gallon | 7.0% | 3.75 | - | 5.40 |
| Whiskey, Rum, Gin, Etc. (≤ 30 Proof) | Gallon | 7.0% | 1.10 | - | 1.10 |
| Ethyl Alcohol (Beverage Use) | Gallon | 7.0% | 7.50 | 7.0% | 7.50 |
| Ethyl Alcohol (Non-Beverage Use) | Gallon | 7.0% | 0.08 | 7.0% | 0.08 |

Increase Excise Tax on Cigarettes**\$7.1 million**

The Budget includes a \$0.25 per pack increase in the excise tax on cigarettes, which raises the tax from \$3.50 to \$3.75 per pack of twenty, or to the equivalent of \$0.19 per cigarette. Total retail price will increase by \$0.29 (which adds approximately \$0.04 per pack due to minimum markup laws for wholesalers and retailers), from \$8.88 to \$9.17 per individual pack. The additional excise tax and associated sales taxes will generate an additional \$7.1 million in revenue above the projections from the FY2015 enacted level. This amount also includes an increase from floor stock taxes assessed on existing stocks of cigarettes that are in inventory at midnight on July 31, 2015. Cigarettes purchased in Rhode Island would be priced similarly to those in Connecticut, and remain approximately \$0.53 cheaper than those sold in Massachusetts.

Numerous states, including Rhode Island, include some minimum pricing provisions related to the sale of cigarettes. These minimums can impact the end price as much or more than tobacco taxes. Thus, when comparing cigarette taxes between states, the average total price per pack should also be accounted for to capture the impacts of tobacco tax rates, minimum pricing and markup provisions, and applicable sales taxes. The following table compares the current end price of a pack of cigarettes to the new increase, and outlines Rhode Island's markups compared to neighboring states.

Impact of Cigarette Excise Increase and Regional State Comparison

| | Rhode Island | | | Massachusetts | | Connecticut | | |
|-----------------------------------|---------------|---------------|-------------|---------------|-------|---------------|------|------|
| | Prior | Current | Change | | | | | |
| Base Price per Pack in \$ | \$4.12 | \$4.12 | | \$3.61 | | \$4.12 | | |
| Excise Tax in \$ | 3.50 | 3.75 | 0.25 | 3.51 | | 3.40 | | |
| Subtotal base price + Excise | 7.62 | 7.87 | 0.25 | 7.12 | | 7.52 | | |
| Wholesale Markup | 2.0% | 0.15 | 0.16 | 0.01 | 2.0% | 0.14 | 6.5% | 0.49 |
| Wholesale Cartage | 0.75% | 0.06 | 0.06 | 0.00 | 0.75% | 0.05 | 0.0% | 0.00 |
| Retail Markup | 6.0% | 0.47 | 0.49 | 0.02 | 25.0% | 1.83 | 8.0% | 0.64 |
| Total Base Cost | 8.30 | 8.57 | 0.27 | 9.15 | | 8.65 | | |
| Sales Tax | 7.0% | 0.58 | 0.60 | 0.02 | 6.25% | 0.57 | 6.4% | 0.55 |
| Total Price per Pack in \$ | \$8.88 | \$9.17 | 0.29 | \$9.72 | | \$9.20 | | |

Note: The Office of Revenue Analysis calculated base price per pack using available data on states' websites. No base price for CT was available, so it was assumed that CT would have the same base price as RI.

Hotel Tax Changes**\$3.3 million**

Article 11 expands the hotel tax base (increasing revenue from sales, hotel, and local occupancy taxes), redistributes the 5.0 percent hotel tax revenue, and allocates a portion of the hotel tax revenue to fund tourism and marketing programs at the Commerce Corporation. The definition of hotels for purposes of taxation is expanded to include houses, condominiums, or other residences regardless of the number of rooms used and/or advertised for rent for occupancy (such as those listed on Airbnb.com). Prior to this change, rental accommodations with less than three rooms were exempt. It also expands the definition to include room resellers. Room resellers have authority from a hotel to arrange accommodations and include sellers of travel packages, such as Expedia, Inc. or Priceline.com. The Budget includes additional sales tax revenue from the base expansion and reduces hotel tax revenue based on the new distribution formula, a net change of \$3.3 million in general revenue.

FY2016 Lodging Tax Changes

| Source | General Revenue |
|---|--------------------|
| Vacation Home Rentals and B&Bs | \$5,422,316 |
| Online Room Resellers | 820,662 |
| Lodging Rental Revenues (Airbnb) | 851,512 |
| Subtotal | \$7,094,490 |
| Reallocation of General Revenue to Commerce | 3,776,447 |
| Total | \$3,318,043 |

Note: General revenue is generated from sales tax collections; the Budget shifts hotel tax revenue, which previously was allocated to the Statewide tourism district and state general revenue, to the Commerce Corporation.

Tax Base Expansion

Online Room Resellers: Room resellers have authority from a hotel to arrange accommodations, including sellers of travel packages, such as Expedia, Inc. or Priceline.com. Article 11 requires room resellers to register annually with the Division of Taxation to obtain a retail business permit and to collect the sales and use taxes and hotel taxes. Resellers currently remit taxes to the hotel based on the wholesale cost of the room, not the actual cost to the end consumer, effectively allowing these resellers to pay less in taxes than a direct seller. Article 11 requires sales tax to be calculated upon the amount of rental and other fees paid by the occupant to the room reseller, less the amount of any rental or other fees paid by the reseller to the hotel. The hotel will then remit taxes upon the amount of rental and fees paid to the hotel by the reseller or occupant.

Unlicensed Rentals: Article 11 also expands lodging taxes to the short-term rental of unlicensed lodging accommodations, such as those listed on the Airbnb.com website. ORA tracked data available on the Airbnb.com website for one month to determine occupancy rates (assuming that if a room at the beginning of the month was no longer listed as available, it was determined to be occupied); for summer and holidays, ORA assumed an occupancy rate of 100.0 percent. ORA calculated the availability of unlicensed rentals for weekends, summer, and holidays, and applied the occupancy rates to the available rental days for each category: 61, 170, and 122 days, respectively.

Vacation Rentals: A house, condominium, or other resident dwelling is exempt from the 5.0 percent state hotel tax if the house, condominium, or resident dwelling is rented in its entirety. The Budget specifically includes this description to differentiate between an unlicensed rental of a single bedroom and the rental of a vacation home or condo. This type of rental is not exempt from the 7.0 percent sales and 1.0 percent local occupancy taxes.

The expansion of the hotel tax base will increase net revenue to municipalities by \$1.3 million through the 5.0 percent hotel tax share and 1.0 percent local occupancy tax.

Tourism Funding to Commerce Corporation

Each fiscal year, the Commerce Corporation is required to spend no less than the hotel tax revenues it receives on the promotion and marketing of Rhode Island as a destination for tourists or businesses. The Budget redirects \$5.0 million in new and existing hotel tax proceeds to enhance statewide tourism, and to promote Rhode Island as a vacation and leisure destination.

The following table outlines the redistribution of the 5.0 percent hotel tax revenue, including the shift to Commerce Corporation.

| Recipient | FY2016 Reallocation of 5.0% Hotel Tax Revenues | | | | |
|--|--|---------------------------|-----------------------------|---------------------------|-------------|
| | Previous Allocation | | Enacted Budget ¹ | | |
| | State Hotel Tax Share | Amount of State Hotel Tax | State Hotel Tax Share | Amount of State Hotel Tax | |
| Aquidneck Island District | 47% | \$2,893,084 | 45% | \$2,864,581 | (\$28,503) |
| Statewide District | 47% | 130,544 | - | - | (130,544) |
| All Other Districts | 47% | 1,778,772 | 45% | 1,761,430 | (17,342) |
| Providence Convention Center Authority | 31% | 1,391,336 | 30% | 1,263,753 | (127,583) |
| Warwick Department of Economic Development | 31% | 729,608 | 30% | 725,333 | (4,275) |
| Providence/Warwick Convention & Visitors Bureau ² | 23/7/12% | 2,172,656 | 23/6.2/12% | 2,166,154 | (6,502) |
| RI Convention Center Authority ³ | 30% | 316,906 | 15% | 189,928 | (126,978) |
| Municipalities | 25% | 4,000,819 | 25% | 4,299,421 | 298,602 |
| State General Revenue | 21% | 3,645,903 | - | - | (3,645,903) |
| RI Commerce Corporation | 0% | - | 27.9% | 4,983,438 | 4,983,438 |

¹Rates are based on the combined effective rate of the allocation change taking place in the middle of the fiscal year.

²Shares of state hotel tax revenue are received as follows: 23.0% is for rooms rented in Providence and Warwick, 12.0% is rooms rented at the Omni Providence, and 7.0% (current) or 5.0% (Budget) is room rentals in the rest of the State.

³Despite the loss in hotel tax revenue share to 0.0%, the RI Convention Center Authority will still receive funds in FY2016 since the redistribution takes place in the middle of the fiscal year.

Source: Office of Revenue Analysis

More information on the hotel tax changes can be found in the Lodging (Hotel) Tax Changes and Statewide Marketing report in the Special Reports section of this publication.

Increase Allowable Earned Income Tax Credit**(\$3.1 million)**

The Budget modifies the calculation of the earned income tax credit (EITC), authorizing eligible taxpayers to claim 12.5 percent of the allowable federal credit EITC amount beginning TY2016, up from 10.0 percent in TY2015. The changes are expected to reduce revenues by \$3.1 million in FY2016.

| Changes to Earned Income Tax Credit - Sample Taxpayer Impact | | |
|---|---------------|---------------|
| | TY2015 | TY2016 |
| Income* | \$39,131 | \$39,131 |
| Maximum EITC | 3,359 | 3,359 |
| Allowable Federal Credit Amount | 10.0% | 12.5% |
| Deduction Allowable from RI Tax Owed | 336 | 420 |
| Refundable Amount | 100% | 100% |
| Total Refunded to Taxpayer | \$336 | \$420 |

*Single filer, one qualifying child.

Note: TY2016 income amount reflects TY2015 limit as this income level is set annually by the IRS.

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

Delay License Plate Reissuance**(\$2.6 million)**

Article 4 delays the issuance of new reflective license plates from September 2015 until July 2016. The Budget includes a revenue loss of \$2.6 million which would have been generated from a \$6 fee imposed per new set of license plates.

RIGL 31-3-33 was revised in 1995 to require license plate reissuances every 10 years, and in 2009 the General Assembly required a full reissuance in 2011. This requirement has been delayed twice: In the FY2012 Budget as Enacted, the General Assembly changed the first full reissuance requirement from 2011 to 2013, and the FY2014 Budget as Enacted delayed the reissuance until September 2015.

Eliminate Surcharges on Net Patient Revenues for Imaging Services**(\$2.3 million)**

The Budget eliminates the 2.0 percent surcharge on net patient services revenue generated by outpatient healthcare facilities and imaging services providers. The Budget reflects a total reduction of \$2.3 million for this change.

| Surcharge Item | FY2016 |
|-----------------------|----------------|
| Imaging Services | (\$1.5) |
| Outpatient Healthcare | (0.7) |
| Total | (\$2.3) |

\$ in millions

Under current law, Rhode Island imposes a monthly surcharge of 2.0 percent upon the net patient revenue received by every outpatient health care facility and every imaging services provider. Additionally, any outpatient health care facility or imaging services provider which fails to pay the surcharge within the time required is assessed a penalty of 10.0 percent plus interest on any overdue amount.

Increased Collections from Tax Compliance Contract**\$1.8 million**

The Budget includes \$1.8 million for enhanced collection of owed taxes, interest, fines, and penalties. The proposal allows the Division of Taxation to enter into performance-based contracts with third-party vendors to assist in developing new compliance programs. The Division of Taxation lacks resources to expand and enhance compliance programs. Using an outside vendor will allow Taxation to accelerate current compliance programs while creating new compliance initiatives. Examples of potential projects

include using data collected by Taxation to identify fraudulent refund requests and implement a more data-driven audit selection.

Taxation manages four programs which compare RI taxpayer data to data collected by the Internal Revenue Service (IRS). When there is a discrepancy, Taxation sends out a notice billing the taxpayer for owed taxes. Taxation estimated the number of notices which would be sent out by the contracted vendor and applied the most recent collections rate for each program. This initiative is anticipated to increase personal income taxes by \$962,500 and increase collections of fines and penalties by \$787,500.

Reduction from Decreased Medicaid Spending **(\$1.9 million)**

The Budget includes a number of changes to Medicaid expenditures, which have the following impacts on general revenues:

- The Budget reduces revenue estimates from the 5.5 percent health care provider assessment on gross patient revenues in nursing homes. Medicaid payments to nursing homes, which are part of the taxable gross patient revenues, are reduced in the budget, which results in a corresponding decrease in health care provider taxes of \$1.0 million.
- The Budget also includes reductions that will impact the managed care capitation rates beginning July 1, 2015. Medicaid payments represent part of the taxable gross premiums revenue base of affected health plans; thus, because of reduced Medicaid payments, the Budget includes a general revenue reduction of \$871,584 in insurance gross premiums tax receipts.

Minimum Corporate Tax Reduction **(\$1.6 million)**

The Budget reduces the minimum corporate tax from \$500 to \$450. Corporations are required to remit the corporate tax of 7.0 percent (TY2015) on net income or the minimum tax amount, whichever is greater. Rhode Island will no longer have the highest minimum corporate tax in New England. The Budget decreases revenue by \$1.6 million in FY2016 for this change.

| Regional Comparison | |
|---------------------|-------------|
| State | Minimum Tax |
| Massachusetts | \$456 |
| Rhode Island | 450 |
| Connecticut | 250 |
| Vermont | 250 |
| Maine | - |
| New Hampshire | - |

New Qualified Jobs Incentive **(1.0 million)**

The Budget authorizes the creation of the Rhode Island New Qualified Jobs Incentive Act of 2015, an incentive program for businesses to enter into an “incentive agreement” with the Rhode Island Commerce Corporation from 2015 through 2018 to receive a base tax credit of \$2,500 per new full-time job, where a full-time job is one in which an employee works at least 35 hours per week, earns at least the median hourly wage in the state, and has wages earned subject to withholding tax. The number of new jobs to be created by the business is on a graduated scale depending on the number of existing full time employees the business possesses at the date of application of the credit. The program may provide the eligible business a tax credit not to exceed ten years.

In addition to the base credit, if the business is located in a “Hope Community”, or operates in a targeted industry, or is located in a transit oriented development area, or is an out-of-state business that relocates a business unit or creates a “significant number” of new full-time jobs, a credit of up to \$7,500 per new full-time job can be awarded if the business enters into an “incentive agreement” with the Rhode Island Commerce Corporation from 2015 through 2018.

The Budget includes a revenue reduction of \$1.0 million for the program.

Nursing Facility Revenues **(\$882,890)**

The Budget reduces rates paid to skilled nursing facilities and associated hospice organizations that provide services to Medicaid-eligible individuals. This lowers expenditures to the State, reducing nursing

home revenue, and thus, the revenue from the 5.5 percent nursing home provider assessment, a decrease of \$882,890.

Lottery Marketing Expenses ***(\$760,000)***

The Budget amends the State and Newport Grand net terminal income shares for FY2016 and FY2017, adding 1.9 percentage points to the Newport Grand share. The impact is expected to reduce general revenue to the State by \$760,000 in FY2016.

The 2014 Budget as Enacted 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 2.25 percent enhanced share increase to aid in operations of the casino in both FY2014 and again in FY2015. Unlike the last two years, the funds garnered by the 1.9 percent enhanced share must be applied exclusively to the marketing expenditures, as approved by the Lottery. If the funds are not used for Lottery-approved marketing, they must be returned to the State.

Controlling Interest Transfer Tax ***\$695,970***

The Budget includes \$695,970 in additional revenue for the assessment of a conveyance tax on sales of controlling interests in a business that holds real property. Rhode Island assesses a real estate conveyance tax of \$2.30 per \$500 of the price paid on certain sales involving real estate. Previously, the owner of a business could sell the ownership of a business entity that owns a real property such as a building, without paying the transfer tax on the value of the building. The Budget requires that under such sales, the owner must pay the transfer tax based on the value of the property.

Taxation Self-Audit Program ***\$500,000***

The Budget institutes an audit program within the Division of Taxation permitting businesses to perform self-audits. This type of audit would replace the traditional field-audit program, which allows the Division of Taxation to dedicate auditing resources to other Division programs. Businesses enter into an agreement with the Division to perform self-audits and voluntarily declare unreported or underreported sales or use taxes and receive reduced interest and penalties on those underpaid taxes. Pennsylvania recently implemented a similar program. During the first full year, \$10.0 million in new revenue was generated. Based on a ratio of the State's comparable population and revenue data to that of Pennsylvania, the Office of Management and Budget expects the Rhode Island program to generate \$500,000. The Budget reflects the increased revenues.

Professional Licensing Requirements ***(\$273,336)***

Based upon the results of a review conducted by the Office of Regulatory Reform (ORR), Article 20 eliminates licensing requirements for 27 professional licenses issued by Department of Business Regulation (DBR), Department of Health (DOH), Department of Elementary and Secondary Education (RIDE), and the Department of Environmental Management (DEM). This proposal is part of a larger effort undertaken by ORR to repeal unnecessary, duplicative, or burdensome regulatory requirements. ORR worked with these agencies to identify which professional licenses are burdensome, unnecessary due to other requirements that demonstrate professional competence, if there were a small number of license holders, or whether the occupation is licensed in Connecticut and Massachusetts. Eliminating the licensing and associated fees reduces revenues by \$273,336 in FY2016.

Indirect Cost Recoveries on Restricted Receipt Accounts ***(\$58,510)***

The Budget decreases \$58,510 in general revenue associated with several restricted receipt accounts. Article 13 exempts two new and four existing restricted receipt accounts from the 10.0 percent indirect cost recovery provisions under RIGL 35-4-27. The Budget reflects decreases from the following accounts: the "Miscellaneous Donations/Grants from Non-Profits" account and the "State Loan Repayment Match" account in the Department of Health; the "Rhode Island Health Benefits Exchange"

account in the Department of Administration; and, the “Rhode Island Judiciary Technology Surcharge” account in Judiciary.

Sunset Enterprise Zone Wage Tax Credit

Informational

The Budget discontinues the enterprise zone wage tax credit effective July 1, 2015, which provides employment-based tax incentives for businesses located in certain defined areas of the state. Credits are now limited to businesses certified before this date. Foregone revenue based on the number of currently qualified businesses will total \$356,347 in FY2016. Fewer than 10 taxpayers have claimed the credit annually over the past 5 years.

| Enterprise Zone Wage Tax Credits | | |
|---|------------------|---------------|
| Business Corporations | | |
| Fiscal Year | Taxpayers | Amount |
| 2011 | 6 | \$370,000 |
| 2012 | 6 | 320,000 |
| 2013 | 7 | 508,607 |
| 2014* | 3 | 546,328 |
| 2015* | 6 | 548,987 |

**Estimates provided in the 2014 Tax Expenditures Report.*

Source: Office of Revenue Analysis.

Qualified businesses in an enterprise zone are eligible for the Enterprise Zone Wage tax credit equal to 50.0 percent of wages paid to newly-hired workers, capped at \$2,500 per worker (75.0 percent of wages paid capped at \$5,000 if the newly hired worker resides in a designated Enterprise Zone). Enterprise zones are economically distressed areas, or more specifically, United States Bureau of the Census divisions, in need of expansion of business and industry. To be eligible, companies with 20 or more employees must hire at least 5.0 percent more employees than the previous year. For companies with less than 20 employees, they must hire at least 1 new employee. The credits may be carried forward for up to 3 years. A business can get the credit as many times as it meets the criteria to earn it.

FY2015 SUPPLEMENTAL CHANGES

May Revenue Estimating Conference

\$105.5 million

The May 2015 Revenue Estimating Conference increased net available general revenues for the State for FY2015 by \$105.5 million more than the Governor’s proposal. The FY2015 estimate is \$59.1 million above the previous revenue estimate mainly due to higher estimated and final personal income tax payments in FY2015 that are not expected to repeat in FY2016 as they are primarily thought to be related to increased capital gains. The business corporations tax accounts for an increase of \$30.4 million more in FY2015 than estimated in November which is also \$29.0 million (25.4 percent) above FY2014 collections. The Budget includes the additional revenues for FY2015.

Energy Efficiency Rebates

\$1.3 million

The Budget includes a payment of \$1.3 million the State qualified for through the Energy Efficiency Rebate (EER) program administered by National Grid. The EER program is funded through a surcharge on customers’ electric and gas bills to incentivize residential homeowners and businesses to make investments in energy saving equipment. In 2009, the State began to replace obsolete and energy inefficient equipment for structures located at the Pastore Center complex and at the Zambarano Hospital and applied for these rebates through the EER program.

Hospital License Fee Adjustment***\$1.1 million***

The Budget increases from 5.703 percent to 5.745 percent the licensing fee assessed on hospital net patient revenue. This fee will raise \$1.1 million additional revenue as compared to the FY2015 Budget as Enacted.

Urban Institute Work Strategies***(\$364,341)***

The Budget transfers the Urban Institute Work Support Strategies Grant from general revenue to restricted receipts to permit increased monitoring and tracking of expenditures related to the grant. This grant provides personnel, technical assistance and other resources to streamline access to work support benefits such as child care, SNAP, subsidized employment and workforce training within the Department of Human Services.

Verizon/Sprint Settlements***\$275,400***

The Attorney General anticipates approximately \$306,000 from the Sprint settlement (\$131,000) and the Verizon settlement (\$175,000) to be received in June. 90.0 percent of these funds (\$275,400) will be deposited as general revenue, while the remaining 10.0 percent (\$30,600) will be deposited as restricted receipts within the Department of Attorney General (forfeiture funds).

Education Aid

The Education Adequacy Act (2010-S-2770, Substitute A as Amended) provides a new school funding formula that creates a single methodology for distributing state aid to all public schools. The core principle behind the formula is that state funding should follow the student; therefore, the distribution of state funds changes annually based on shifts in enrollment. This formula applies to all public schools, charter schools, the Davies Career and Technical School, and the Metropolitan Career and Technical Center. The Act does not change the funding methodology for the School for the Deaf, since it is an education program that already has a state, federal and local share.

Beginning in FY2012, the formula establishes a per-pupil spending amount and allocates this funding based on student enrollment, adjusting for poverty (as measured by the number of students enrolled in the federal free or reduced price lunch program). The formula also adjusts for local revenue generating capacity and overall poverty level, as well as the concentration of children living in poverty.

The Act includes a multi-year transition plan to ease districts into the new formula, allowing time for school districts and municipal governments to adjust for gains or losses in education aid. The plan provides a transition period of ten years from the formula implementation in FY2012 for those districts projected to receive less school aid than they did in the previous year, and seven years for those districts projected to receive. FY2016 represents the fifth year of the transition period.

HOW THE FORMULA WORKS

Step 1 - Student Enrollment: Student enrollment is based on resident average daily membership (RADM), which refers to the average number of students who are residents of the community and were enrolled in the school district during the prior school year. The FY2016 Budget as Enacted is based on student enrollments as of March 2015, adjusted for projected charter school enrollments for the 2015 to 2016 school year. Since the statute requires the use of enrollment data from the prior school year, the Department of Education updates the distribution every April based on the March enrollments.

Step 2 - Core Instruction Amount: The core instruction amount provides a base level of funding per pupil (\$8,928 in FY2015, a 0.4 percent decrease from the FY2015 Budget as Enacted). It is derived from the average of northeast regional expenditure data from Rhode Island, Massachusetts, Connecticut and New Hampshire, as published by the National Center for Education Statistics (NCES).

Step 3 - High Need Student Weight (40.0 percent): The Act includes a single factor to adjust the core instruction amount to address the effects of poverty and other factors influencing educational need. The student success factor, also referred to as the high need student weight, increases the core instruction amount by 40.0 percent, or \$3,571 based on the FY2016 core instruction amount of \$8,928 ($\$8,928 \times 0.40 = \$3,571$), for each student eligible for free or reduced lunch (FRLP).

Step 4 - Total Foundation Budget: The total foundation budget for each school district is calculated by adding the product of the total core amount and the total student success factor weight.

$$\text{Total Foundation Budget} = (\$8,928 \times \text{RADM}) + (0.40 \times \$8,928 \times \text{FRPL})$$

Step 5 - State Share Ratio: The Education Adequacy Act creates a new share ratio by adding a wealth measure, based on the concentration of children living in poverty, to the single equalized weighted assessed valuation (EWAV) previously used to determine a district's ability to pay for the cost of education. The total foundation budget equals the student enrollment and the high-need student weight of the district multiplied by the core foundation amount. The State's share of the total foundation budget is the state share ratio calculated as follows:

$$\text{State Share Ratio (SSR)} = \sqrt{\frac{EWAV^2 + \%PK - 6Free\ ReducedLunchPlan^2}{2}}$$

By squaring each factor, the formula amplifies the greater of the two variables. Consequently, school districts with less capacity to raise revenue than State as whole and a higher concentration of child poverty looks relatively poorer, while districts with a higher capacity to raise revenue and lower concentrations of poverty look relatively wealthier. Those poorer districts with the higher SSR will receive a greater portion of the calculated education costs as state aid than the wealthier districts.

The EWAV share ratio is based on each community's total assessed property value and median family income, relative to districts across the State. The total community property value includes motor vehicles, personal property and State payments in lieu of taxes. These values are brought to full market value based on market experience and then adjusted by the median family income. The higher the EWAV share ratio, the less capacity the community has relative to the rest of the state for generating locally derived revenue to support schools and the more state aid the community will receive. While similar to the share ratio used in the school construction formula to determine the state's share of debt service obligations, the Education Adequacy Act adjusts the EWAV calculation to increase the State share of total education budget.

The distribution includes an update to the median family income component of the EWAV based on the socio-economic data from the American Community Survey (ACS) provided by the United States Census Bureau. The index used to adjust for MFI is the ratio of the median family income of the municipality relative to the median family income statewide as reported in the American Community Survey (ACS) provided by the United States Census Bureau.

Step 6 - State Share of Foundation Budget: The State's share of the total foundation budget equals the state share ratio, discussed above, times the total foundation budget. Unlike many foundation formulas, the statute neither requires a minimum nor sets a maximum local spending level beyond the limits in the maintenance of effort requirements found in RIGL 16-7-23 and 16-7-23.1. Nonetheless, a municipality is responsible, to some degree, for the difference between the state share and the total foundation amount.

Step 7 – Transition: The Act includes a multi-year transition plan to ease districts into the new formula, allowing time for school districts and municipal governments to adjust for gains or losses in education aid. FY2016 represents the fifth year of the transition period, so for districts gaining aid the change in state funding is divided by 3. For districts losing aid, the change is divided by 6. The change in state funding is the difference between the current state share of the foundation budget and previous year's formula distribution.

TABLE

The table on the following page provides a step-by-step calculation of each district's recommended formula distribution for FY2016.

FY2016 Governor's Education Aid Calculator¹

| Districts | PK-12 RADM (Projected based on March 2015 Data) | | FRPL RADM (Projected based on March 2015 Data) | | Core Instruction Funding (C = \$8,928) | | Student Success Factor Funding (F = 0.4*\$8,928 = \$3,571) | | Total Foundation %FRPL PK6 EWA | | State Share Ratio | State Foundation Budget | FY2015 Enacted (excludes home and categorical) | Change in State Funding | FY2016 (Year 5) formula Change if + is L /3; if - is L/6 |
|-----------------------|---|---------------|--|----------------------|--|-------|--|-------|--------------------------------|----------------------|---------------------|-------------------------|--|-------------------------|--|
| | A | B | A | B | A | B | A | B | D+G+H | I | | | | | |
| Barrington | 3,287 | 164 | \$29,346,336 | \$585,677 | \$29,932,013 | 7.1% | 27.0% | 19.7% | \$5,908,863 | \$4,605,699 | \$1,303,164 | \$434,388 | | | |
| Burrillville | 2,395 | 824 | 21,382,560 | 2,942,669 | 24,325,229 | 37.6% | 66.8% | 54.2% | \$13,185,082 | 12,881,582 | 303,500 | 101,167 | | | |
| Charlestown | 890 | 234 | 7,945,920 | 835,661 | 8,781,581 | 27.3% | 0.0% | 19.3% | \$1,695,198 | 1,708,666 | (13,468) | (2,245) | | | |
| Cohasset | 4,615 | 1,425 | 41,202,720 | 5,088,960 | 46,291,680 | 30.7% | 62.6% | 49.3% | \$22,822,432 | 20,875,838 | 1,946,594 | 648,865 | | | |
| Cranston | 9,879 | 4,274 | 88,199,712 | 15,263,309 | 103,463,021 | 44.8% | 62.9% | 54.6% | \$56,496,162 | 46,449,281 | 10,046,881 | 3,348,960 | | | |
| Cumberland | 4,449 | 1,027 | 39,720,672 | 3,667,622 | 43,388,294 | 24.6% | 54.8% | 42.5% | \$18,429,047 | 15,614,646 | 2,814,401 | 938,134 | | | |
| East Greenwich | 2,365 | 171 | 21,114,720 | 610,675 | 21,725,395 | 9.1% | 20.6% | 15.9% | \$3,459,628 | 2,393,842 | 1,065,786 | 355,262 | | | |
| East Providence | 5,252 | 2,658 | 46,889,856 | 9,492,250 | 56,382,106 | 55.5% | 63.8% | 59.8% | \$33,713,223 | 28,665,701 | 5,047,522 | 1,682,567 | | | |
| Foster | 283 | 67 | 2,526,624 | 239,270 | 2,765,894 | 22.1% | 56.5% | 42.9% | \$1,186,543 | 1,178,487 | 8,056 | 2,685 | | | |
| Glocester | 523 | 92 | 4,669,344 | 328,550 | 4,997,894 | 19.8% | 53.3% | 40.2% | \$2,009,418 | 2,616,917 | (607,499) | (101,250) | | | |
| Hopkinton | 1,123 | 274 | 10,026,144 | 978,509 | 11,004,653 | 27.2% | 57.4% | 44.9% | \$4,942,670 | 5,576,348 | (633,678) | (105,613) | | | |
| James town | 641 | 59 | 5,722,848 | 210,701 | 5,933,549 | 12.3% | 0.0% | 8.7% | \$516,065 | 399,684 | 116,381 | 38,794 | | | |
| Johnston | 3,179 | 1,416 | 28,382,112 | 5,056,819 | 33,438,931 | 46.5% | 48.9% | 47.7% | \$15,955,417 | 12,903,199 | 3,052,218 | 1,017,406 | | | |
| Lincoln | 2,982 | 836 | 26,623,296 | 2,985,523 | 29,608,819 | 30.8% | 44.6% | 38.3% | \$11,347,945 | 9,663,767 | 1,684,178 | 561,393 | | | |
| Little Compton | 371 | 59 | 3,312,288 | 210,701 | 3,522,989 | 15.3% | 0.0% | 10.8% | \$381,143 | 401,928 | (20,785) | (3,464) | | | |
| Middle town | 2,293 | 705 | 20,471,904 | 1,049,933 | 22,989,600 | 32.5% | 33.9% | 33.2% | \$7,634,244 | 8,516,446 | (882,202) | (147,034) | | | |
| Narragansett | 1,323 | 294 | 11,811,744 | 1,049,933 | 12,861,677 | 26.7% | 0.0% | 18.9% | \$2,428,253 | 1,987,115 | 441,138 | 147,046 | | | |
| Newport | 2,044 | 1,269 | 18,248,832 | 4,531,853 | 22,780,685 | 65.0% | 0.0% | 46.0% | \$10,470,445 | 10,368,288 | 102,157 | 34,052 | | | |
| New Shoreham | 116 | 21 | 1,035,648 | 74,995 | 1,110,643 | 11.7% | 0.0% | 8.3% | \$91,885 | 82,308 | 9,577 | 3,192 | | | |
| North Kingstown | 3,849 | 850 | 34,363,872 | 3,035,520 | 37,399,392 | 26.2% | 28.4% | 27.3% | \$10,218,319 | 10,713,692 | (495,373) | (82,562) | | | |
| North Providence | 3,486 | 1,604 | 31,123,008 | 5,728,205 | 36,851,213 | 48.2% | 66.6% | 58.1% | \$21,422,571 | 16,205,220 | 5,217,351 | 1,739,117 | | | |
| North Smithfield | 1,765 | 329 | 15,757,920 | 1,174,925 | 16,932,845 | 21.9% | 46.6% | 36.4% | \$6,165,009 | 5,442,118 | 722,891 | 240,964 | | | |
| Pawtucket | 8,874 | 6,958 | 79,227,072 | 24,848,410 | 104,075,482 | 79.6% | 86.5% | 83.1% | \$86,509,234 | 74,103,107 | 12,406,127 | 4,135,376 | | | |
| Portsmouth | 2,430 | 388 | 21,695,040 | 1,385,626 | 23,080,666 | 17.2% | 15.3% | 16.3% | \$3,757,012 | 4,303,672 | (546,660) | (91,110) | | | |
| Providence | 22,507 | 19,486 | 200,942,496 | 69,588,403 | 270,530,899 | 89.7% | 85.9% | 87.8% | \$237,581,739 | 213,028,339 | 24,553,400 | 8,184,467 | | | |
| Richmond | 1,150 | 202 | 10,267,200 | 721,382 | 10,988,582 | 20.9% | 52.0% | 39.6% | \$4,354,592 | 5,205,437 | (850,845) | (141,807) | | | |
| Scituate | 1,433 | 272 | 12,793,824 | 971,366 | 13,765,190 | 19.1% | 35.1% | 28.3% | \$3,889,513 | 3,913,720 | (24,207) | (4,035) | | | |
| Smithfield | 2,354 | 395 | 21,016,512 | 1,410,624 | 22,427,136 | 19.3% | 30.1% | 25.3% | \$5,670,341 | 4,798,909 | 871,432 | 290,477 | | | |
| South Kingstown | 3,294 | 720 | 29,408,832 | 2,571,264 | 31,980,096 | 21.4% | 16.2% | 19.0% | \$6,069,482 | 7,533,977 | (1,464,495) | (244,083) | | | |
| Tiverton | 1,789 | 543 | 15,972,192 | 1,939,162 | 17,911,354 | 30.6% | 39.2% | 35.2% | \$6,298,331 | 5,800,664 | 497,667 | 165,889 | | | |
| Warwick | 8,965 | 3,234 | 80,039,520 | 11,549,261 | 91,588,781 | 37.2% | 43.3% | 40.4% | \$36,970,172 | 35,657,699 | 1,312,473 | 437,491 | | | |
| Westerly | 3,065 | 1,157 | 27,364,320 | 4,131,878 | 31,496,198 | 43.0% | 0.0% | 30.4% | \$9,576,605 | 7,620,089 | 1,956,516 | 652,172 | | | |
| West Warwick | 3,405 | 1,765 | 30,399,840 | 6,303,168 | 36,703,008 | 56.4% | 71.1% | 64.2% | \$23,553,167 | 20,973,995 | 2,579,172 | 859,724 | | | |
| Woonsocket | 5,890 | 4,450 | 52,585,920 | 15,891,840 | 68,477,760 | 80.8% | 89.1% | 85.1% | \$58,241,231 | 50,568,580 | 7,672,651 | 2,557,550 | | | |
| Bristol-Warren | 3,327 | 1,224 | 29,703,456 | 4,371,149 | 34,074,605 | 40.0% | 30.6% | 35.6% | \$12,134,483 | 15,946,146 | (3,811,663) | (635,277) | | | |
| Exeter-West Greenwich | 1,649 | 257 | 14,722,272 | 917,798 | 15,640,070 | 18.0% | 32.5% | 26.3% | \$4,108,683 | 5,642,766 | (1,534,083) | (255,681) | | | |
| Charlho | - | - | - | - | - | - | - | - | - | 229,922 | (229,922) | (38,320) | | | |
| Foster-Glocester | 1,106 | 230 | 9,874,368 | 821,376 | 10,695,744 | 23.8% | 54.5% | 42.1% | \$4,497,742 | 4,947,131 | (449,389) | (74,898) | | | |
| Central Falls | 2,579 | 2,221 | 23,025,312 | 7,931,635 | 30,956,947 | 89.8% | 97.0% | 93.5% | \$28,935,258 | 37,222,887 | (8,287,629) | (1,381,271) | | | |
| District Total | 130,927 | 62,154 | \$1,168,916,256 | \$221,964,365 | \$1,390,880,621 | | | | \$782,627,144 | \$716,747,812 | \$65,879,332 | \$25,268,427 | | | |
| Charter School Total | 7,385 | 5,227 | 65,933,280 | 18,666,662 | 84,599,942 | | | | 66,693,708 | 59,166,676 | 7,527,032 | 8,346,384 | | | |
| Davies ² | 875 | 594 | 7,812,000 | 2,121,293 | 9,933,293 | | | | 7,848,437 | 12,240,174 | (4,391,737) | (600,021) | | | |
| Met School | 837 | 568 | 7,472,736 | 2,028,442 | 9,501,178 | | | | 6,679,749 | 10,501,360 | (3,821,611) | (636,935) | | | |
| Urban Collaborative | 137 | 129 | 1,223,136 | 460,685 | 1,683,821 | | | | 1,434,736 | 574,513 | 860,223 | 281,690 | | | |
| Total | 140,161 | 68,672 | \$1,251,357,408 | \$245,241,446 | \$1,496,598,854 | | | | \$865,283,773 | \$799,230,555 | \$66,053,238 | \$32,659,545 | | | |

¹ Based on March 2015 enrollment updated for projected charter school growth.

² Reflects \$131,935 adjustment for State share of teacher retirement.

Source: Rhode Island Department of Education

CHARTER SCHOOL FUNDING

Under the formula, the funding mechanism for charter and state schools changed significantly. While previously sending district tuition per-student was based on the per-pupil expenditure of the sending district, without deductions, the formula allowed sending districts to retain 5.0 percent of the per-pupil expenditure as indirect aid. The indirect aid was intended to cover residual costs from the transfer of the student from the district to the charter school. Today, the sending district tuition is calculated by dividing the local appropriation to education from property taxes, net debt service and capital projects, by the district resident average daily membership (RADM), or enrollment: there is no indirect aid retained by the sending district.

$$\text{Tuition} = (\text{local appropriation to education} - \text{debt service} - \text{capital projects}) / \text{District RADM}$$

In FY2011, the State paid the total tuition costs of students attending the Davies and Met Schools, while the local districts provided transportation. Pursuant to the new funding formula, however, the State payment to these state schools is calculated by the same method used to calculate school district and charter school payments. The formula requires local districts to pay state school tuition, but allows the districts to charge the state and charter schools for transportation costs.

The change in local tuition for both charter and state schools is scheduled to phase in over five years, with FY2016 being the last year of the transition. Local payments are made to the charter or state school on a quarterly basis. Failure to make a payment could result in the withholding of state education aid to the district of residence.

In FY2011, prior to the implementation of the current funding formula, charter school funding was based on the per-pupil expenditure of the sending district; however, the State paid 5.0 percent of the per-pupil expenditure as indirect aid to the sending district, and a portion of the remaining 95.0 percent based on the share ratio of the sending district. The expenditure was based on the reference year as defined in RIGL 16-7-16(11) providing a two-year lag. Each quarter, the charter school billed the sending district for the portion of the per-pupil expenditure not paid by the State.

Please see the examples below for further clarification of the charter school formula used in FY2011.

| Calculation | District A | District B |
|-----------------------------------|-------------------------------------|-------------------------------------|
| Per Pupil Expenditure: | \$8,000 | \$8,000 |
| Share Ratio: | 70.0% | 30.0% |
| Indirect Aid to Sending District: | \$400 (5.0% of \$8,000) | \$400 (5.0% of \$8,000) |
| State Share to Charter School: | \$5,320 (70% of (\$8,000 minus 5%)) | \$2,280 (30% of (\$8,000 minus 5%)) |
| District Share to Charter School: | \$2,280 (30% of (\$8,000 minus 5%)) | \$5,320 (70% of (\$8,000 minus 5%)) |

Charter School Growth

The Budget includes \$67.5 million for public charter schools, an increase of \$8.3 million from the FY2015 Budget as Enacted. The Budget funds the following charter school growth:

- **Achievement First:** which is located in Providence and enrolls 440 students from Cranston, North Providence, Providence and Warwick, will add a third grade, another kindergarten, and another first grade (264 new students).
- **Highlander:** which is located in Providence and enrolls 392 students, will add an 11th grade (40 new students).
- **RIMA – Blackstone Valley Prep:** which is located in Cumberland and currently enrolls 1,200 students, will add a fourth and tenth grade (262 new students).
- **Trinity Academy for the Performing Arts:** which is located in Providence and currently enrolls 170 students, will add a twelfth grade (34 new students).

- **Village Green:** a virtual charter high school located in Providence currently enrolls 200 from around the state, will add a twelfth grade (68 new students).

The Budget also includes funding for a new charter school scheduled to open in FY2016.

- **RISE Mayoral Academy:** which will be located in Woonsocket and enroll students from Woonsocket, North Smithfield, and Burrillville, will have grades kindergarten through eight, starting with 81 students in kindergarten in FY2016.

WILLIAM M. DAVIES, JR. CAREER AND TECHNICAL HIGH SCHOOL AND THE METROPOLITAN REGIONAL CAREER AND TECHNICAL CENTER (MET)

In FY2011, the State paid the total tuition costs of students attending the Davies and Met Schools, while the local districts provided transportation. Pursuant to the new funding formula, the state payment to these state schools is calculated by the same method used to calculate school district and charter school payments. However, the formula requires local districts to pay tuition, but allows the district to charge the state schools for transportation costs. The local tuition costs are calculated by dividing the local appropriation to education from property taxes, net debt service and capital projects, by the district RADM (the same as the charter school tuition). Local payments are made to the state school on a quarterly basis. Failure to make a payment could result in the withholding of state education aid to the district of residence. The exclusion of local revenue not collected through property taxes may require municipalities to monitor which revenue streams are appropriated to education.

The tables on the following pages show the estimated local tuition by sending district for charter schools and state schools.

Estimated Local Tuition Payments to Charter Schools¹

| LEA | FY2015 (Year 4) | | | FY2016 (Year 5) | | | Change from FY2015 | | |
|----------------------------|----------------------|-------------------|---------------------|-----------------------------------|--------------------------------|---------------------|----------------------|-------------------|--------------------|
| | Projected Enrollment | Per Pupil Tuition | Total Tuition | Projected Enrollment ³ | Per Pupil Tuition ⁴ | Total Tuition | Projected Enrollment | Per Pupil Tuition | Total Tuition |
| Barrington | 3 | \$11,500 | \$34,500 | 4 | \$12,742 | \$50,968 | 1 | \$1,242 | \$16,468 |
| Burrillville | 19 | 5,725 | 108,775 | 34 | 6,562 | 223,108 | 15 | 837 | 114,333 |
| Charlestown | 79 | 10,698 | 845,142 | 76 | 10,956 | 832,656 | (3) | 258 | (12,486) |
| Coventry | 47 | 7,802 | 366,694 | 53 | 8,842 | 468,626 | 6 | 1,040 | 101,932 |
| Cranston | 197 | 8,065 | 1,588,805 | 237 | 8,815 | 2,089,155 | 40 | 750 | 500,350 |
| Cumberland | 367 | 6,888 | 2,527,896 | 414 | 7,506 | 3,107,484 | 47 | 618 | 579,588 |
| East Greenwich | 6 | 12,387 | 74,322 | 9 | 13,353 | 120,177 | 3 | 966 | 45,855 |
| East Providence | 51 | 7,777 | 396,627 | 59 | 7,824 | 461,616 | 8 | 47 | 64,989 |
| Foster | - | 11,067 | - | - | 10,908 | - | - | (159) | - |
| Glocester | - | 10,995 | - | - | 12,770 | - | - | 1,775 | - |
| Hopkinton | 6 | 10,698 | 64,188 | 8 | 10,956 | 87,648 | 2 | 258 | 23,460 |
| Jamestown | 4 | 15,621 | 62,484 | 3 | 16,763 | 50,289 | (1) | 1,142 | (12,195) |
| Johnston | 42 | 11,138 | 467,796 | 40 | 11,823 | 472,920 | (2) | 685 | 5,124 |
| Lincoln | 168 | 10,913 | 1,833,384 | 205 | 11,604 | 2,378,820 | 37 | 691 | 545,436 |
| Little Compton | - | 13,966 | - | - | 16,061 | - | - | 2,095 | - |
| Middletown | 2 | 9,483 | 18,966 | 2 | 10,366 | 20,732 | - | 883 | 1,766 |
| Narragansett | 21 | 15,489 | 325,269 | 20 | 17,200 | 344,000 | (1) | 1,711 | 18,731 |
| Newport | - | 11,142 | - | - | 11,165 | - | - | 23 | - |
| New Shoreham | - | 35,039 | - | - | 38,370 | - | - | 3,331 | - |
| North Kingstown | 103 | 10,417 | 1,072,951 | 116 | 11,302 | 1,311,032 | 13 | 885 | 238,081 |
| North Providence | 37 | 8,462 | 313,094 | 61 | 8,717 | 531,737 | 24 | 255 | 218,643 |
| North Smithfield | 18 | 8,869 | 159,642 | 31 | 10,200 | 316,200 | 13 | 1,331 | 156,558 |
| Pawtucket | 836 | 2,727 | 2,279,772 | 973 | 2,634 | 2,562,882 | 137 | (93) | 283,110 |
| Portsmouth | - | 11,181 | - | 2 | 12,022 | 24,044 | 2 | 841 | 24,044 |
| Providence | 3,043 | 4,242 | 12,908,406 | 3,419 | 4,390 | 15,009,410 | 376 | 148 | 2,101,004 |
| Richmond | 3 | 10,698 | 32,094 | 2 | 10,956 | 21,912 | (1) | 258 | (10,182) |
| Scituate | 8 | 10,336 | 82,688 | 8 | 11,913 | 95,304 | - | 1,577 | 12,616 |
| Smithfield | 7 | 10,868 | 76,076 | 7 | 11,610 | 81,270 | - | 742 | 5,194 |
| South Kingstown | 84 | 12,863 | 1,080,492 | 80 | 13,858 | 1,108,640 | (4) | 995 | 28,148 |
| Tiverton | 1 | 11,332 | 11,332 | - | 12,615 | - | (1) | 1,283 | (11,332) |
| Warwick | 63 | 11,702 | 737,226 | 71 | 12,915 | 916,965 | 8 | 1,213 | 179,739 |
| Westerly | 41 | 13,214 | 541,774 | 41 | 14,156 | 580,396 | - | 942 | 38,622 |
| West Warwick | 26 | 7,723 | 200,798 | 27 | 8,973 | 242,271 | 1 | 1,250 | 41,473 |
| Woonsocket | 117 | 2,500 | 292,500 | 171 | 2,751 | 470,421 | 54 | 251 | 177,921 |
| Bristol-Warren | 4 | 9,541 | 38,164 | 4 | 9,787 | 39,148 | - | 246 | 984 |
| Exeter-West Greenwich | 30 | 12,155 | 364,650 | 32 | 13,654 | 436,928 | 2 | 1,499 | 72,278 |
| Chariho | - | - | - | - | - | - | - | - | - |
| Foster-Glocester | 7 | 10,052 | 70,364 | 8 | 10,336 | 82,688 | 1 | 284 | 12,324 |
| Central Falls ² | 1,097 | 2,387 | 2,618,539 | 1,168 | 2,717 | 3,173,456 | 71 | 330 | 554,917 |
| Total | 6,537 | | \$31,595,410 | 7,385 | | \$37,712,903 | 848 | | \$6,117,493 |

¹ Local share is fully transitioned in FY2016. Calculated using local property tax contribution per total district RADM (includes charter and state school students).

² Central Falls calculation uses the local share of the core expenditures plus non-core expenditures, including operations, transportation, tuitions, debt, and other 2011 Uniform Chart of Accounts data.

³ Based on March 2015 enrollment data from RIDE. Includes RISE Mayoral Academy.

⁴ As posted on RIDE's website as of May 7, 2015.

Source: Rhode Island Department of Education

| LEA | Estimated Local Tuition Payments to State Schools ¹ | | | | | | Change from FY2015 | |
|----------------------------|--|-------------------|--------------------|-----------------------------|--------------------------------|--------------------|--------------------|--------------------|
| | FY2015 (Year 4) | | | FY2016 (Year 5) | | | Per Pupil Tuition | Total Tuition |
| | FY2015 Projected Enrollment | Per Pupil Tuition | Total Tuition | FY2016 Projected Enrollment | Per Pupil Tuition ³ | Total Tuition | | |
| Barrington | 4 | \$9,886 | \$39,544 | 4 | \$12,742 | \$50,968 | \$2,856 | \$11,424 |
| Burrillville | 2 | 4,947 | 9,894 | 4 | 6,562 | 26,248 | 1,615 | 16,354 |
| Charlestown | 3 | 8,747 | 26,241 | 5 | 10,956 | 54,780 | 2,209 | 28,539 |
| Coventry | 5 | 6,803 | 34,015 | 4 | 8,842 | 35,368 | 2,039 | 1,353 |
| Cranston | 25 | 6,951 | 173,775 | 37 | 8,815 | 326,155 | 1,864 | 152,380 |
| Cumberland | 18 | 5,843 | 105,174 | 26 | 7,506 | 195,156 | 1,663 | 89,982 |
| East Greenwich | 1 | 10,514 | 10,514 | 3 | 13,353 | 40,059 | 2,839 | 29,545 |
| East Providence | 41 | 6,757 | 277,037 | 32 | 7,824 | 250,368 | 1,067 | (26,669) |
| Foster | - | 8,953 | - | - | 10,908 | - | 1,955 | - |
| Glocester | - | 9,530 | - | - | 12,770 | - | 3,240 | - |
| Hopkinton | - | 8,747 | - | - | 10,956 | - | 2,209 | - |
| Jamestown | 11 | 13,363 | 146,993 | 12 | 16,763 | 201,156 | 3,400 | 54,163 |
| Johnston | 7 | 9,564 | 66,948 | 8 | 11,823 | 94,584 | 2,259 | 27,636 |
| Lincoln | 45 | 9,283 | 417,735 | 57 | 11,604 | 661,428 | 2,321 | 243,693 |
| Little Compton | 1 | 12,071 | 12,071 | 1 | 16,061 | 16,061 | 3,990 | 3,990 |
| Middletown | 21 | 7,597 | 159,537 | 18 | 10,366 | 186,588 | 2,769 | 27,051 |
| Narragansett | 4 | 13,116 | 52,464 | 7 | 17,200 | 120,400 | 4,084 | 67,936 |
| Newport | 38 | 8,651 | 328,738 | 33 | 11,165 | 368,445 | 2,514 | 39,707 |
| New Shoreham | - | 30,898 | - | - | 38,370 | - | 7,472 | - |
| North Kingstown | 10 | 8,705 | 87,050 | 12 | 11,302 | 135,624 | 2,597 | 48,574 |
| North Providence | 70 | 7,124 | 498,680 | 84 | 8,717 | 732,228 | 1,593 | 233,548 |
| North Smithfield | 1 | 7,745 | 7,745 | 1 | 10,200 | 10,200 | 2,455 | 2,455 |
| Pawtucket | 555 | 2,252 | 1,249,860 | 535 | 2,634 | 1,409,190 | 382 | 159,330 |
| Portsmouth | 9 | 9,472 | 85,248 | 11 | 12,022 | 132,242 | 2,550 | 46,994 |
| Providence | 487 | 3,758 | 1,830,146 | 455 | 4,390 | 1,997,450 | 632 | 167,304 |
| Richmond | 3 | 8,747 | 26,241 | 3 | 10,956 | 32,868 | 2,209 | 6,627 |
| Scituate | 4 | 8,756 | 35,024 | 4 | 11,913 | 47,652 | 3,157 | 12,628 |
| Smithfield | 15 | 9,167 | 137,505 | 19 | 11,610 | 220,590 | 2,443 | 83,085 |
| South Kingstown | 22 | 10,730 | 236,060 | 24 | 13,858 | 332,592 | 3,128 | 96,532 |
| Tiverton | 14 | 9,447 | 132,258 | 15 | 12,615 | 189,225 | 3,168 | 56,967 |
| Warwick | 21 | 9,981 | 209,601 | 27 | 12,915 | 348,705 | 2,934 | 139,104 |
| Westerly | 1 | 11,056 | 11,056 | - | 14,156 | - | 3,100 | (11,056) |
| West Warwick | 3 | 6,718 | 20,154 | 4 | 8,973 | 35,892 | 2,255 | 15,738 |
| Woonsocket | 49 | 2,156 | 105,644 | 50 | 2,751 | 137,550 | 595 | 31,906 |
| Bristol-Warren | 20 | 7,507 | 150,140 | 27 | 9,787 | 264,249 | 2,280 | 114,109 |
| Exeter-West Greenwich | 2 | 10,206 | 20,412 | 2 | 13,654 | 27,308 | 3,448 | 6,896 |
| Chariho | - | - | - | - | - | - | - | - |
| Foster-Glocester | - | - | - | 4 | 10,336 | 41,344 | 10,336 | 41,344 |
| Central Falls ² | 201 | 2,235 | 449,235 | 184 | 2,717 | 499,928 | 482 | 50,693 |
| Total | 1,713 | | \$7,152,739 | 1,712 | | \$9,222,601 | | \$2,069,862 |

¹ Local share is fully transitioned in FY2016. Calculated using local property tax contribution per total district RADM (includes charter and state school students).

² Central Falls calculation uses the local share of the core expenditures plus non-core expenditures, including operations, transportation, tuitions, debt, and other 2012 Uniform Chart of Accounts data.

³ As posted on RIDE's website as of May 7, 2015.

Source: Rhode Island Department of Education

NON-FORMULA PROVISIONS

Group Homes: The Act maintains the current funding for group homes as a categorical grant program, and provides \$15,000 annually per bed, except for group home beds associated with Bradley Hospital Children's Residential and Family Treatment (CRAFT) Program, which receive \$22,000 per bed. The FY2016 Budget as Enacted includes \$5.1 million to fund group home beds. This is \$1.0 million less than the FY2015 Budget as Enacted, and represents a decrease of 17 beds (3.8 percent) system wide. This reduction also includes a decrease required pursuant to RIGL 16-7-22(1) (ii) to reduce the average daily membership of a district by the number of group home beds used in the group home aid calculation. This adjustment is best shown in the group home aid category where it will be easier to identify, rather than in the formula calculator.

| LEA | FY2015 Enacted | FY2015 Revised ¹ | Group Home Aid | | | | Change from Enacted | | FY2016 Total Aid |
|------------------------------------|--------------------|-----------------------------|-------------------------------|----------------|-----------------------------|---------------------------------------|---------------------|--------------------|------------------|
| | | | FY2016 Aid based on bed count | Number of Beds | Aid change due to bed count | Aid change due to RIGL 16-7-22(1)(ii) | Total Change | | |
| Burrillville | \$266,361 | \$326,361 | \$360,000 | 4 | \$60,000 | (\$42,987) | \$17,013 | \$283,374 | |
| Coventry | 107,883 | 107,883 | 120,000 | - | - | (12,394) | (12,394) | 95,489 | |
| Cranston | 53,182 | 53,182 | 60,000 | - | - | (6,828) | (6,828) | 46,354 | |
| East Providence | 575,275 | 575,275 | 636,000 | - | - | (64,527) | (64,527) | 510,748 | |
| Lincoln | 123,826 | 123,826 | 135,000 | - | - | (10,727) | (10,727) | 113,099 | |
| Middletown | 374,656 | 374,656 | 330,000 | (4) | (60,000) | (12,638) | (72,638) | 302,018 | |
| Newport | 254,914 | 254,914 | 210,000 | (4) | (60,000) | (10,890) | (70,890) | 184,024 | |
| North Providence | 211,819 | 211,819 | 240,000 | - | - | (29,387) | (29,387) | 182,432 | |
| North Smithfield | 110,978 | 110,978 | 120,000 | - | - | (9,128) | (9,128) | 101,850 | |
| Pawtucket | 606,854 | 621,854 | 750,000 | 1 | 15,000 | (130,444) | (115,444) | 491,410 | |
| Portsmouth | 547,476 | 547,476 | 555,000 | - | - | (11,293) | (11,293) | 536,183 | |
| Providence | 1,541,907 | 1,541,907 | 1,740,000 | (10) | (150,000) | (308,171) | (458,171) | 1,083,736 | |
| Smithfield | 233,753 | 233,753 | 240,000 | - | - | (14,733) | (14,733) | 219,020 | |
| South Kingstown | 308,034 | 308,034 | 315,000 | - | - | (7,123) | (7,123) | 300,911 | |
| Warwick | 301,470 | 301,470 | 300,000 | (2) | (30,000) | (24,126) | (54,126) | 247,344 | |
| Woonsocket | 98,870 | 98,870 | 90,000 | (2) | (30,000) | (14,217) | (44,217) | 54,653 | |
| Bristol-Warren | 114,733 | 114,733 | 120,000 | - | - | (5,057) | (5,057) | 109,676 | |
| Exeter-West Greenwich ¹ | 261,242 | 261,242 | 270,000 | - | - | (8,391) | (8,391) | 252,851 | |
| Total | \$6,093,233 | \$6,168,233 | \$6,591,000 | (17) | (\$255,000) | (\$723,061) | (\$978,061) | \$5,115,172 | |

¹ The 5 bed increase was reported in the December 31, 2014, DCYF Group Home Report; and consequently, the \$75,000 increase in Group Home Aid will be applied to the FY2015 Revised Budget as well, pursuant to RIGL 16-64-1.1(b)(2). The increase includes four beds in Burrillville and one bed in Pawtucket.

Full-Day Kindergarten Projected Aid: The Budget includes \$1.2 million in formula aid for districts that may convert to full-day kindergarten in FY2016. Previously, the aid was distributed only to districts that convert from a half-day to a full-day program; however, through Article 6, the Budget allows districts to receive the formula aid for transition costs, even if the district does not implement a full day program in FY2016. Also, the Budget requires all districts to provide full-day kindergarten by August 2016.

All the districts in the State provided full-day kindergarten programs in FY2015, except for the following districts: Coventry, Cranston, East Greenwich, North Kingstown, Tiverton, and Warwick.

Categorical Programs: The Act includes the following categorical programs that are outside the formula but subject to the transition plan. The Budget provides funding for all the categoricals except the Regional Bonus since no new regional districts have been formed and the three years of funding for existing regional districts has ended.

| Categorical | FY2016 Education Aid | |
|-----------------------------|----------------------|---------------|
| | Change from Enacted | Total Funding |
| Transportation | \$0.0 | \$4.4 |
| High-Cost Special Education | 1.0 | 2.5 |
| Career & Tech. Schools | - | 3.5 |
| Early Childhood | 1.0 | 4.0 |
| Central Falls Stabilization | 1.9 | 3.7 |
| Regionalization Bonus | - | - |
| Total | \$3.9 | \$18.1 |

\$ in millions.

Transportation: The Act provides funding for transporting students to out-of-district, non-public schools for districts that participate in the statewide transportation system and for 50.0 percent of the local costs associated with transporting students within regional school districts. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget provides \$4.4 million in FY2016, level funded with the FY2015 Budget as Enacted.

High-Cost Special Education: The Act includes a program for high-cost special education students. The program requires the state to reimburse the district costs when they exceed five times the per-pupil combined Core Instruction and Student Success Factor funding (currently \$62,495 for FY2016). While the distribution method for this category has not been defined, the program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget provides \$2.5 million in FY2016, an increase of \$1.0 million over the FY2015 Budget as Enacted; however, since the distribution is pro-rated based on district expenditures, the funding by district can vary.

Career and Technical Education: The Act provides a state grant program to help districts with certain start-up and maintenance expenditures for career and technical education programs. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget provides \$3.5 million in FY2016, level funded with the FY2015 Budget as Enacted.

Early Childhood Education: The Act includes a program for early childhood education programs. The funds will be distributed through a request for proposals process targeting communities in three tiers, with the first tier having the highest concentration of children at risk for poor educational outcomes. The Budget provides \$4.0 million in FY2016, an increase of \$1.0 million over the FY2015 Budget as Enacted.

Central Falls Stabilization: Central Falls schools are currently 100.0 percent state funded, with the State providing both the local and state contributions. Generally, the costs outside the foundation aid formula, such as transportation, facility maintenance and retiree health benefits, are paid by the district. This categorical was created due to concerns regarding the city's capacity to meet the local share of education costs. Previously the statute required Central Falls to pay its share of the local contribution prior to receiving stabilization funds. However, the 2012 General Assembly amended the statute to provide for an annual review of the respective shares and to allow stabilization funds to be provided without the district having to pay the entire local share as determined from the education funding formula. The Budget provides \$3.7 million in FY2016, an increase of \$1.9 million from the enacted level. This represents the second year of funding for this category.

Regionalization Bonus: The Act includes a bonus to regional districts and for those that regionalize in the future. In the first year, the bonus is 2.0 percent of the State's share of the total foundation aid. In the second year the bonus is 1.0 percent of the State's share, and in the third year the bonus phases out. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget provides no funding in FY2016, the fifth year of funding for the regionalized districts, and no new regional districts have been formed. This represents level funding from the FY2015 Budget as Enacted.

The following table shows the education aid including the formula distribution, full-day kindergarten projected aid, categorical aid, and group home aid.

| Districts | FY2016 Education Aid ¹ | | | | | | | |
|----------------------------|---|--------------------------------|--|--------------------|-----------------------------|--|--|----------------------|
| | FY2015 Enacted (excludes group home and categoricals) | FY2016 (Year 5) formula Change | Full-Day Kindergarten Projected Formula Aid ² | Transportation | High-cost Special Education | Group Home (due to RIGL 16-7-22(1)(ii)) ³ | Group Home (due to bed count) ³ | FY2016 Aid |
| Barrington | \$4,605,699 | \$434,388 | \$0 | \$41,085 | \$75,924 | \$0 | \$0 | \$5,157,096 |
| Burrillville | 12,881,582 | 101,167 | - | 14,053 | 21,038 | (76,626) | 360,000 | 13,301,213 |
| Charlestown | 1,708,666 | (2,245) | - | - | - | - | - | 1,706,421 |
| Coventry | 20,875,838 | 648,865 | 240,622 | 27,727 | 30,662 | (24,511) | 120,000 | 21,919,203 |
| Cranston | 46,449,281 | 3,348,960 | 556,742 | 479,971 | 248,212 | (13,646) | 60,000 | 51,129,520 |
| Cumberland | 15,614,646 | 938,134 | - | 100,221 | 36,943 | - | - | 16,689,944 |
| East Greenwich | 2,393,842 | 355,262 | 21,326 | 31,635 | 109,501 | - | - | 2,911,566 |
| East Providence | 28,665,701 | 1,682,507 | - | - | 235,859 | (125,252) | 636,000 | 31,094,816 |
| Foster | 1,178,487 | 2,685 | - | 7,542 | 18,141 | - | - | 1,206,855 |
| Glocester | 2,616,917 | (101,250) | - | 18,288 | 12,651 | - | - | 2,546,606 |
| Hopkinton | 5,576,348 | (105,613) | - | - | - | - | - | 5,470,735 |
| Jamesstown | 399,684 | 38,794 | - | - | 17,774 | - | - | 456,252 |
| Johnston | 12,903,199 | 1,017,406 | - | 255,621 | 65,164 | - | - | 14,241,390 |
| Lincoln | 9,663,767 | 561,393 | - | - | 95,990 | (21,901) | 135,000 | 10,434,249 |
| Little Compton | 401,928 | (3,464) | - | - | - | - | - | 398,464 |
| Middletown | 8,516,446 | (147,034) | - | - | 51,852 | (27,982) | 330,000 | 8,723,282 |
| Narragansett | 1,987,115 | 147,046 | - | - | 20,647 | - | - | 2,154,808 |
| Newport | 10,368,288 | 34,052 | - | - | 10,855 | (25,976) | 210,000 | 10,597,219 |
| New Shoreham | 82,308 | 3,192 | - | - | 18,248 | - | - | 103,748 |
| North Kingstown | 10,713,692 | (82,562) | 31,386 | - | 31,418 | - | - | 10,693,934 |
| North Providence | 16,205,220 | 1,739,117 | - | 106,104 | 117,852 | (57,568) | 240,000 | 18,350,725 |
| North Smithfield | 5,442,118 | 240,964 | - | 18,175 | 21,461 | (18,150) | 120,000 | 5,824,567 |
| Pawtucket | 74,103,107 | 4,135,376 | - | 82,505 | 64,933 | (258,590) | 750,000 | 78,877,331 |
| Portsmouth | 4,303,672 | (91,110) | - | - | 49,026 | (18,817) | 555,000 | 4,797,771 |
| Providence | 213,028,339 | 8,184,467 | - | 290,637 | 473,715 | (656,264) | 1,740,000 | 223,060,894 |
| Richmond | 5,205,437 | (141,807) | - | - | - | - | - | 5,063,630 |
| Scituate | 3,913,720 | (4,035) | - | 45,522 | 19,637 | - | - | 3,974,845 |
| Smithfield | 4,798,909 | 290,477 | - | 38,390 | 1,400 | (20,980) | 240,000 | 5,348,196 |
| South Kingstown | 7,533,977 | (244,083) | - | 133,892 | 32,463 | (14,089) | 315,000 | 7,757,160 |
| Tiverton | 5,800,664 | 165,889 | 60,486 | - | 41,493 | - | - | 6,068,532 |
| Warwick | 35,657,699 | 437,491 | 258,995 | 4,987 | 158,378 | (52,656) | 300,000 | 36,764,895 |
| Westerly | 7,620,089 | 652,172 | - | - | 146,557 | - | - | 8,418,818 |
| West Warwick | 20,973,995 | 859,724 | - | 47,523 | - | - | - | 21,881,242 |
| Woonsocket | 50,568,580 | 2,557,550 | - | 36,046 | 16,871 | (35,347) | 90,000 | 53,233,700 |
| Bristol-Warren | 15,946,146 | (635,277) | - | 647,124 | 139,648 | (10,324) | 120,000 | 16,207,316 |
| Exeter-West Greenwich | 5,642,766 | (255,681) | - | 527,118 | 63,022 | (17,149) | 270,000 | 6,230,076 |
| Chariho | 229,922 | (38,320) | - | 1,104,699 | 26,388 | - | - | 1,322,689 |
| Foster-Glocester | 4,947,131 | (74,898) | - | 225,831 | 15,791 | - | - | 5,113,855 |
| Central Falls ⁴ | 39,010,583 | 509,520 | - | 66,665 | 10,486 | - | - | 39,597,254 |
| District Total | \$718,535,508 | \$27,159,218 | \$1,169,557 | \$4,351,360 | \$2,500,000 | (\$1,475,828) | \$6,591,000 | \$758,830,815 |
| Charter School Total | 59,166,676 | 8,346,384 | - | - | - | - | - | 67,513,060 |
| Davies ⁵ | 12,240,174 | (600,021) | - | - | - | - | - | 11,640,153 |
| Met School | 10,501,360 | (636,935) | - | - | - | - | - | 9,864,425 |
| Urban Collaborative | 574,513 | 281,690 | - | - | - | - | - | 856,203 |
| Undistributed balance | - | - | 877 | - | - | - | - | 877 |
| Total | 801,018,231 | \$34,550,336 | \$1,169,557 | \$4,351,360 | \$2,500,000 | (\$1,475,828) | \$6,591,000 | \$848,704,656 |

¹ Based on March 2015 enrollment updated for projected charter school growth. Subject to change based on outcome of the Superior Court case addressing the funding of Bristol-Warren.

² Pursuant to Article 6, districts will receive the full-day kindergarten funding regardless of implementation. A balance of \$877 remains in the category.

³ Based on final 12/31/2014 report from Rhode Island Department of Education.

⁴ Includes \$3.7 million for the Central Falls Stabilization Fund.

⁵ Reflects \$113,664 adjustment for State share of teacher retirement.

Source: Rhode Island Department of Education

The following table shows the difference in education aid relative to the FY2015 Budget as Enacted.

| FY2016 Enacted Education Aid - Change to FY2015 Budget as Enacted ¹ | | | | | | | | | |
|--|--|--------------------------------|--|-------------------------------------|--|---|---|--|----------------------|
| Districts | FY2015 Enacted (includes group home and categorical) | FY2016 (Year 5) Formula Change | Full-Day Kindergarten Projected Formula Aid ² | Transportation (change from FY2015) | High-cost Special Education (change from FY2015) | Group Home (change due to RIGL 16-7-22(1)(ii)) ³ | Group Home (change due to bed count) ³ | FY2016 Education Aid Change from Enacted (including categorical) | FY2016 Education Aid |
| Barrington | \$4,701,418 | \$434,388 | \$0 | (\$12,995) | \$34,284 | \$0 | \$0 | \$455,677 | \$5,157,095 |
| Burrillville | 13,173,610 | 101,167 | - | (1,810) | 11,233 | (42,987) | 60,000 | 127,602 | 13,301,213 |
| Charlestown | 1,708,666 | (2,245) | - | - | - | - | - | (2,245) | 1,706,422 |
| Coventry | 21,039,825 | 648,865 | 240,622 | 7,456 | (5,170) | (12,394) | - | 879,378 | 21,919,203 |
| Cranston | 47,040,378 | 3,348,960 | 556,742 | 87,220 | 103,048 | (6,828) | - | 4,089,142 | 51,129,520 |
| Cumberland | 15,756,437 | 938,134 | - | 8,177 | (12,805) | - | - | 933,506 | 16,689,943 |
| East Greenwich | 2,469,554 | 355,262 | 21,326 | (807) | 66,231 | - | - | 442,012 | 2,911,566 |
| East Providence | 29,373,000 | 1,682,507 | - | (10,055) | 113,890 | (64,527) | - | 1,721,815 | 31,094,815 |
| Foster | 1,193,192 | 2,685 | - | (719) | 11,696 | - | - | 13,662 | 1,206,854 |
| Glocester | 2,640,483 | (101,250) | - | 4,696 | 2,676 | - | - | (93,878) | 2,546,605 |
| Hopkinton | 5,576,348 | (105,613) | - | - | - | - | - | (105,613) | 5,470,735 |
| James town | 406,834 | 38,794 | - | - | 10,624 | - | - | 49,418 | 456,252 |
| Johnston | 13,192,809 | 1,017,406 | - | (6,914) | 38,088 | - | - | 1,048,580 | 14,241,389 |
| Lincoln | 9,855,862 | 561,393 | - | (6,395) | 34,117 | (10,727) | - | 578,388 | 10,434,250 |
| Little Compton | 401,928 | (3,464) | - | - | - | - | - | (3,464) | 398,464 |
| Middletown | 8,905,309 | (147,034) | - | - | 37,646 | (12,638) | (60,000) | (182,026) | 8,723,283 |
| Narragansett | 1,993,920 | 147,046 | - | - | 13,842 | - | - | 160,888 | 2,154,808 |
| Newport | 10,623,201 | 34,052 | - | - | 10,855 | (10,890) | (60,000) | (25,983) | 10,597,219 |
| New Shoreham | 91,103 | 3,192 | - | - | 9,453 | - | - | 12,645 | 103,749 |
| North Kingstown | 10,725,468 | (82,562) | 31,386 | - | 19,642 | - | - | (31,535) | 10,693,933 |
| North Providence | 16,607,860 | 1,739,117 | - | (21,014) | 54,149 | (29,387) | - | 1,742,865 | 18,350,726 |
| North Smithfield | 5,587,845 | 240,964 | - | (5,036) | 9,923 | (9,128) | - | 236,722 | 5,824,566 |
| Pawtucket | 74,842,936 | 4,135,376 | - | (3,934) | 18,398 | (130,444) | 15,000 | 4,034,395 | 78,877,331 |
| Portsmouth | 4,882,427 | (91,110) | - | - | 17,748 | (11,293) | - | (84,655) | 4,797,771 |
| Providence | 215,122,639 | 8,184,467 | - | 65,766 | 146,193 | (308,171) | (150,000) | 7,938,255 | 223,060,893 |
| Richmond | 5,205,437 | (141,807) | - | - | - | - | - | (141,807) | 5,063,629 |
| Scituate | 3,960,437 | (4,035) | - | 4,283 | 14,159 | - | - | 14,407 | 3,974,844 |
| Smithfield | 5,115,211 | 290,477 | - | (18,430) | (24,330) | (14,733) | - | 232,985 | 5,348,196 |
| South Kingstown | 7,977,156 | (244,083) | - | 23,265 | 7,945 | (7,123) | - | (219,995) | 7,757,161 |
| Tiverton | 5,828,166 | 165,889 | 60,486 | - | 13,992 | - | - | 240,367 | 6,068,532 |
| Warwick | 36,064,777 | 437,491 | 258,995 | (2,538) | 60,294 | (24,126) | (30,000) | 700,117 | 36,764,894 |
| Westerly | 7,704,193 | 652,172 | - | - | 62,452 | - | - | 714,624 | 8,418,817 |
| West Warwick | 21,027,604 | 859,724 | - | (1,862) | (4,224) | - | - | 853,638 | 21,881,242 |
| Woonsocket | 50,690,277 | 2,557,550 | - | 14,183 | 15,907 | (14,217) | (30,000) | 2,543,424 | 53,233,701 |
| Bristol-Warren | 16,749,944 | (635,277) | - | 12,465 | 85,242 | (5,057) | - | (542,627) | 16,207,317 |
| Exeter-West Greenwich | 6,637,628 | (255,681) | - | (167,177) | 23,697 | (8,391) | - | (407,551) | 6,230,077 |
| Chariho | 1,316,444 | (38,320) | - | 40,662 | 3,902 | - | - | 6,244 | 1,322,688 |
| Foster-Glocester | 5,204,461 | (74,898) | - | (14,979) | (730) | - | - | (90,607) | 5,113,854 |
| Central Falls ⁴ | 39,085,005 | 509,520 | - | 6,492 | (3,762) | - | - | 512,250 | 39,597,255 |
| District Total | \$730,479,792 | \$27,159,218 | \$1,169,557 | \$0 | \$1,000,305 | (\$723,061) | (\$255,000) | \$28,351,021 | \$758,830,813 |
| Charter School Total | 59,166,982 | 8,346,384 | - | - | (305) | - | - | 8,346,079 | 67,513,061 |
| Davies | 12,240,175 | (600,021) | - | - | - | - | - | (600,021) | 11,640,153 |
| Met School | 10,501,360 | (636,935) | - | - | - | - | - | (636,935) | 9,864,425 |
| Urban Collaborative | 574,513 | 281,690 | - | - | - | - | - | 281,690 | 856,203 |
| Total | \$812,962,822 | \$34,550,336 | \$1,169,557 | \$0 | \$1,000,000 | (\$723,061) | (\$255,000) | \$35,741,834 | \$848,704,656 |

¹ Based on March 2015 updates. Subject to change based on outcome of the Superior Court case addressing the funding of Bristol-Warren.

² Pursuant to Article 6, districts will receive the full-day kindergarten funding regardless of implementation. A balance of \$877 remains in the category.

³ Based on final 12/31/2014 report from Rhode Island Department of Education.

⁴ Includes Central Falls Stabilization fund (\$1.9 million) in formula change column.

Source: Rhode Island Department of Education

The following table shows the difference between the Enacted Budget and the Governor's FY2016 recommendation.

| FY2016 Formula Aid versus Governor's Recommendation | | | | | | | |
|---|---|--|---|--|--------------------------|--|----------------------|
| LEA | Updated Aid | | Governor's | | Difference | | |
| | FY2016 Updated Change to the FY2015 Enacted | Full-Day Kindergarten Projected Formula Aid | FY2016 Governor Change to the FY2015 Enacted | Full-Day Kindergarten Projected Formula Aid | Change to the Enacted | Full-Day Kindergarten Projected Formula Aid | Total |
| Barrington | \$434,388 | \$0 | \$520,279 | \$0 | (\$85,891) | \$0 | (\$85,891) |
| Burrillville | 101,167 | - | 158,593 | - | (57,426) | - | (57,426) |
| Charlestown | (2,245) | - | 12,745 | - | (14,990) | - | (14,990) |
| Coventry | 648,865 | 240,622 | 822,582 | 240,622 | (173,718) | - | (173,718) |
| Cranston | 3,348,960 | 556,742 | 3,481,239 | 572,993 | (132,279) | (16,251) | (148,530) |
| Cumberland | 938,134 | - | 896,420 | - | 41,714 | - | 41,714 |
| East Greenwich | 355,262 | 21,326 | 359,338 | 24,454 | (4,076) | (3,128) | (7,204) |
| East Providence | 1,682,507 | - | 1,735,891 | - | (53,384) | - | (53,384) |
| Foster | 2,685 | - | (62) | - | 2,747 | - | 2,747 |
| Glocester | (101,250) | - | (88,447) | - | (12,803) | - | (12,803) |
| Hopkinton | (105,613) | - | (55,890) | - | (49,723) | - | (49,723) |
| James town | 38,794 | - | 40,916 | - | (2,122) | - | (2,122) |
| Johnston | 1,017,406 | - | 802,986 | 195,392 | 214,420 | (195,392) | 19,028 |
| Lincoln | 561,393 | - | 613,860 | - | (52,467) | - | (52,467) |
| Little Compton | (3,464) | - | 26 | - | (3,490) | - | (3,490) |
| Middletown | (147,034) | - | (157,608) | - | 10,574 | - | 10,574 |
| Narragansett | 147,046 | - | 182,555 | - | (35,510) | - | (35,510) |
| Newport | 34,052 | - | (41,517) | - | 75,569 | - | 75,569 |
| New Shoreham | 3,192 | - | 2,454 | - | 739 | - | 739 |
| North Kingstown | (82,562) | 31,386 | (90,287) | 31,386 | 7,725 | - | 7,725 |
| North Providence | 1,739,117 | - | 1,656,422 | - | 82,695 | - | 82,695 |
| North Smithfield | 240,964 | - | 193,939 | - | 47,025 | - | 47,025 |
| Pawtucket | 4,135,376 | - | 2,768,904 | - | 1,366,472 | - | 1,366,472 |
| Portsmouth | (91,110) | - | (72,944) | - | (18,166) | - | (18,166) |
| Providence | 8,184,467 | - | 7,240,611 | - | 943,856 | - | 943,856 |
| Richmond | (141,807) | - | (122,820) | - | (18,987) | - | (18,987) |
| Scituate | (4,035) | - | 22,035 | - | (26,070) | - | (26,070) |
| Smithfield | 290,477 | - | 381,973 | - | (91,496) | - | (91,496) |
| South Kingstown | (244,083) | - | (233,972) | - | (10,110) | - | (10,110) |
| Tiverton | 165,889 | 60,486 | 180,121 | 63,626 | (14,232) | (3,140) | (17,372) |
| Warwick | 437,491 | 258,995 | 535,515 | 289,747 | (98,024) | (30,752) | (128,776) |
| Westerly | 652,172 | - | 659,592 | - | (7,420) | - | (7,420) |
| West Warwick | 859,724 | - | 846,356 | - | 13,368 | - | 13,368 |
| Woonsocket | 2,557,550 | - | 2,473,011 | - | 84,540 | - | 84,540 |
| Bristol-Warren | (635,277) | - | (583,665) | - | (51,612) | - | (51,612) |
| Exeter-West Greenwich | (255,681) | - | (242,468) | - | (13,212) | - | (13,212) |
| Chariho | (38,320) | - | (38,320) | - | - | - | - |
| Foster-Glocester | (74,898) | - | (50,995) | - | (23,903) | - | (23,903) |
| Central Falls | (1,381,271) | - | (1,532,037) | - | 150,765 | - | 150,765 |
| Subtotal District Aid | \$25,268,427 | \$1,169,557 | \$23,277,331 | \$1,418,220 | \$1,991,096 | (\$248,663) | \$1,742,433 |
| Charter School Total | 8,346,384 | - | 10,998,741 | - | (2,652,357) | - | (2,652,357) |
| Davies ¹ | (600,021) | - | (583,371) | - | (16,651) | - | (16,651) |
| Met School | (636,935) | - | (513,855) | - | (123,080) | - | (123,080) |
| Urban Collaborative | 281,690 | - | 274,683 | - | 7,007 | - | 7,007 |
| Total | \$32,659,545 | \$1,169,557 | \$33,453,529 | \$1,418,220 | (\$793,984) | (\$248,663) | (\$1,042,647) |

³ Funding for Davies is adjusted by \$113,664 to provide the state share of the employer contribution for teacher retirement.

Source: Rhode Island Department of Education

School Housing Aid: In 1960, the school housing aid program was enacted by the General Assembly to guarantee adequate school facilities for all public school children in the state, and to prevent the cost of constructing and repairing facilities from interfering with the effective operation of the schools. Applications for aid to support the construction and renovation of school buildings are submitted to and

evaluated by the Rhode Island Department of Elementary and Secondary Education (RIDE). State aid is provided for approved projects based on a percentage of cost. The percentage provided by the State to the school district is determined based on a share ratio designed to measure a community's need. For FY2016, the minimum state share is 35.0 percent and the maximum is 96.1 percent for Central Falls: the state share for charter schools is 30.0 percent.

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

The 2011 General Assembly enacted legislation limiting the approval of new projects between FY2012 and FY2015, to those necessitated by immediate health and safety reasons. Any project requested during the moratorium must be reported to the chairs of the House and Senate Finance Committees. Any project approval granted prior to the adoption of the school construction regulations in 2007, which is currently inactive, and any project approval granted prior to the adoption of the school construction regulations in 2007, which did not receive voter approval or which has not been previously financed, is no longer eligible for reimbursement. This moratorium is scheduled to sunset on June 30, 2014; however, the Department does not expect to see a significant impact on the State's school housing aid obligations before FY2017.

As part of the legislation, RIDE was charged with developing recommendations for further cost containment strategies in the school housing aid program. The following recommendations were submitted on March 22, 2012:

- Establish capital reserve funds on the state and local level.
- Reduce the minimum share ratio.
- Limit costs associated with bonding by establishing a mechanism to allow districts with poor bond ratings to borrow at a lower interest rate, reduce the State's reimbursement rate on interest, and provide incentives for districts to refinance bonds.

Article 13 of the FY2014 Budget as Enacted provided an incentive to communities to refinance existing school housing bonds by allowing communities to receive 80.0 percent of the total savings, instead of distributing the savings based on the state share ratio. The increased savings to the communities would only apply to refinancing done between July 1, 2013, and December 31, 2015.

For FY2016, the Department estimates that school housing aid will increase by \$3.0 million due to the anticipated completion of some significant health and safety projects in Burrillville, Coventry, Exeter-West Greenwich, North Providence, Pawtucket, and Warwick. For FY2016, the Budget provides \$70.9 million, an increase of \$3.0 million from the FY2015 Budget as Enacted. For FY2015, the revised Budget provides \$68.1 million in school housing aid, an increase of \$150,568 from the FY2015 Budget as Enacted.

School Building Authority Capital Fund: Article 9 designates the Department of Elementary and Secondary Education (Department) as the State's School Building Authority and charges the Department with implementing a system of state funding for school facilities, managing the school housing aid program, and developing a project priority system. The Authority will oversee two distinct funding mechanisms for school facilities: the foundation program, as currently enumerated in RIGL 16-7-35 through 16-7-47, and the school building authority capital fund (Capital Fund), as created through the article. The Budget adds 1.0 FTE position to the Department for a new construction manager to assist in developing procedures for the proposed Capital Fund. While the one-time appropriation of \$20.0 million in new general revenue to capitalize the Capital Fund is in the Department's budget, the article establishes

that the Capital Fund to be held in trust and administered by the Rhode Island Health and Education Building Corporation (RIHEBC).

School Housing Aid

| District | FY2015 Enacted | FY2015 Revised | Difference from | | |
|------------------------------|---------------------|---------------------|----------------------|---------------------|--------------------|
| | | | FY2015 Enacted | FY2016 Enacted | |
| Barrington | \$532,787 | \$474,455 | (\$58,332) | \$687,867 | \$155,080 |
| Bristol-Warren | 1,979,235 | 1,970,955 | (8,280) | 1,972,825 | (6,410) |
| Burrillville | 1,454,784 | 1,456,619 | 1,835 | 1,824,301 | 369,517 |
| Central Falls | 1,053,173 | 1,431,677 | 378,504 | 1,502,423 | 449,250 |
| Chariho | 1,281,300 | 1,264,812 | (16,488) | 1,457,999 | 176,699 |
| Charlestown | - | - | - | - | - |
| Coventry | 1,772,139 | 1,581,170 | (190,969) | 1,974,828 | 202,689 |
| Cranston | 2,093,712 | 2,093,712 | 0 | 2,114,223 | 20,511 |
| Cumberland | 1,775,518 | 1,704,737 | (70,781) | 1,857,108 | 81,590 |
| East Greenwich | 1,968,665 | 1,768,028 | (200,637) | 1,634,892 | (333,773) |
| East Providence | 2,078,402 | 1,652,549 | (425,853) | 1,828,104 | (250,298) |
| Exeter-West Greenwich | 706,648 | 474,081 | (232,567) | 894,629 | 187,981 |
| Foster | - | 10,444 | 10,444 | 33,822 | 33,822 |
| Foster-Glocester | 3,217,484 | 3,198,687 | (18,797) | 3,278,361 | 60,877 |
| Glocester | 26,586 | 26,586 | 0 | 25,777 | (809) |
| Hopkinton | - | - | - | - | - |
| Jamestown | 120,791 | 92,674 | (28,117) | 91,633 | (29,158) |
| Johnston | 634,011 | 353,034 | (280,977) | 326,668 | (307,343) |
| Lincoln | 1,287,001 | 1,289,130 | 2,129 | 1,070,156 | (216,845) |
| Little Compton | 666,391 | 348,767 | (317,624) | 348,945 | (317,446) |
| Middletown | 398,377 | 377,436 | (20,941) | 277,399 | (120,978) |
| Narragansett | 628,036 | 631,943 | 3,907 | 669,707 | 41,671 |
| New Shoreham | 208,997 | 208,998 | 1 | 209,287 | 290 |
| Newport | 1,695,698 | 1,637,404 | (58,294) | 1,714,820 | 19,122 |
| North Kingstown | 1,318,219 | 1,437,060 | 118,841 | 1,156,988 | (161,231) |
| North Providence | 1,417,266 | 1,008,775 | (408,491) | 1,337,553 | (79,713) |
| North Smithfield | 1,074,888 | 1,074,888 | 0 | 1,075,124 | 236 |
| Pawtucket | 2,203,320 | 1,792,896 | (410,424) | 2,277,434 | 74,114 |
| Portsmouth | 446,320 | 445,823 | (497) | 521,968 | 75,648 |
| Providence | 23,420,339 | 24,546,559 | 1,126,220 | 25,066,484 | 1,646,145 |
| Richmond | - | - | - | - | - |
| Scituate | 186,339 | 184,604 | (1,735) | 142,695 | (43,644) |
| Smithfield | 652,281 | 410,842 | (241,439) | 498,305 | (153,976) |
| South Kingstown | 688,882 | 678,882 | (10,000) | 659,273 | (29,609) |
| Tiverton | 853,085 | 851,883 | (1,202) | 851,093 | (1,992) |
| Warwick | 1,470,250 | 1,423,490 | (46,760) | 1,662,524 | 192,274 |
| West Warwick | 1,141,005 | 918,858 | (222,147) | 813,499 | (327,506) |
| Westerly | 2,227,077 | 2,242,677 | 15,600 | 2,086,592 | (140,485) |
| Woonsocket | 5,950,803 | 5,617,768 | (333,035) | 5,669,895 | (280,908) |
| Subtotal | \$68,629,809 | \$66,682,903 | (\$1,946,906) | \$69,615,201 | \$985,392 |
| Total Charter Schools | \$1,319,695 | \$1,417,169 | \$97,474 | \$1,291,909 | (\$27,786) |
| Unallocated Adjustment | (\$2,000,000) | \$0 | \$2,000,000 | \$0 | \$2,000,000 |
| Total Housing Aid | \$67,949,504 | \$68,100,072 | \$150,568 | \$70,907,110 | \$2,957,606 |

Source: Rhode Island Department of Elementary and Secondary Education.

Municipal Aid

For FY2016, Distressed Community Relief Aid, Payment in Lieu of Taxes (PILOT), Motor Vehicle Excise Tax Reimbursement, and Library Aid are funded at the FY2015 Enacted level. For FY2016, the Budget maintains funding for Municipal Incentive Aid at the FY2015 level of \$5.0 million. An expansion of the hotel tax to include vacation home rentals, small bed and breakfasts, hotel room resellers, and unlicensed lodging rentals will increase funding to municipalities by \$1.3 million, Meal and Beverage Tax is projected to increase slightly for FY2016 based on historic collection rates, while Public Service Corporation Tax will decrease based on actual tax collections. The FY2015 Revised Budget includes an additional \$6.4 million for the Municipal Road and Bridge Revolving Loan Fund.

Tables showing impacts by community are included at the end of this analysis.

| Municipal Aid FY2014 - FY2016 | | | | | | | | |
|---------------------------------|----------------|-------------------|-------------------|------------------------|-------------|-------------------|------------------------|-------------|
| Program | FY2014 | FY2015 Enacted | FY2015 Revised | Change from Enacted | | FY2016 Enacted | Change from Enacted | |
| Payment in Lieu of Taxes | \$35.1 | \$40.1 | \$40.1 | \$0.0 | 0.0% | \$40.1 | (\$0.0) | 0.0% |
| 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 | 4.8 | 5.0 | 5.2 | 0.2 | 3.3% | 5.0 | - | 0.0% |
| State Aid to Libraries | | | | | | | | |
| Grant-in-Aid | 8.7 | 8.7 | 8.7 | - | 0.0% | 8.7 | - | 0.0% |
| Library Construction | 2.5 | 2.3 | 2.3 | - | 0.0% | 2.7 | 0.3 | 14.2% |
| Total Direct Aid | \$71.5 | \$76.5 | \$76.7 | \$0.2 | 0.2% | \$76.8 | \$0.3 | 0.4% |
| Public Service Corporations Tax | \$13.2 | \$14.3 | \$14.3 | \$0.0 | 0.0% | \$13.0 | (\$1.3) | -8.8% |
| Meals & Beverage Tax | 21.8 | 23.0 | 23.6 | 0.6 | 2.8% | 24.1 | 1.1 | 4.7% |
| Hotel Tax | 6.5 | 7.2 | 7.4 | 0.3 | 3.6% | 9.0 | 1.8 | 25.5% |
| Airport Impact Fees | 1.0 | 1.0 | 1.0 | - | 0.0% | 1.0 | - | 0.0% |
| Total Indirect Aid | \$42.5 | \$45.5 | \$46.4 | \$0.9 | 2.0% | \$47.1 | \$1.7 | 3.7% |
| Total Aid | \$114.0 | \$122.0 | \$123.0 | \$1.1 | 0.9% | \$124.0 | \$2.0 | 1.6% |

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

DIRECT AID TO LOCAL GOVERNMENT

Payment in Lieu of Taxes (PILOT)

The Payment in Lieu of Taxes (PILOT) program was established in 1986 to reimburse cities and towns for property taxes that would have been due on real property owned by nonprofit higher education institutions and nonprofit hospitals if it were subject to taxation. The objective is to offset the costs to the community for providing public safety or other municipal services to the properties and facilities covered by the statute.

For FY2016, PILOT is funded at the FY2015 level. A \$5.0 million increase in funding for the Payment in Lieu of Taxes (PILOT) program in FY2015 from the one-time sale of Tobacco Securitization Bonds was not included in the Governor's FY2016 budget;

however, the General Assembly restored the increase with general revenue. Current law requires reimbursement at 27.0 percent of forgone tax revenue, but allows for a ratable reduction if the

| Fiscal Year | PILOT Funding Trends | | |
|----------------|----------------------|-------------|-----------------|
| | Total Funding | % Change | % Reimbursed |
| 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% |
| 2015 | 40.1 | 14.2% | 25.4% |
| 2016 | 40.1 | 0.0% | 23.7% |

\$ in millions.

appropriation is less than this amount. The FY2016 Budget represents a reimbursement rate of 23.7 percent.

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 FY2015, \$10.4 million was appropriated and distributed to 7 eligible municipalities. Funds are distributed to each eligible community on the basis of the community's tax levy relative to the total tax levy of all

eligible communities. The City of Cranston, however, no longer qualifies as a distressed community and will receive a 50.0 percent appropriation of \$1.2 million. The remaining 50.0 percent of Cranston's appropriation was divided among the remaining 6 distressed communities.

For FY2016, the Distressed Community Relief Fund is maintained at the FY2015 level of \$10.4 million. The City of East Providence has met 3 of the 4 indices in FY2015 and became newly eligible for the Distressed Community Relief program. As a newly qualifying community, the City receives 50.0 percent of the funding it would be entitled to in the first year (FY2016), and then the full amount thereafter. This has a distributional impact on other distressed communities eligible for these funds.

Motor Vehicle Excise Tax

The Motor Vehicle and Trailer Excise Tax Elimination Act of 1998 was enacted to offer broad-based property tax relief to the residents of Rhode Island. The FY2010 Budget as Enacted included \$135.4 million for Motor Vehicle Excise Tax Reimbursement. The FY2010 Revised Budget reduced that amount to \$117.2 million. In FY2011, funding was reduced to \$10.0 million, funding for fire districts was eliminated from the budget, and the state-mandated motor vehicle tax exemption was reduced from \$6,000 to \$500. These provisions remain in effect through FY2016.

For FY2016, the Budget includes level funding for payments to cities and towns for the Motor Vehicle Excise Tax Reimbursement Program at \$10.0 million and excludes funding for fire districts. The mandatory motor vehicle tax exemption at \$500 per vehicle is maintained. Municipalities are authorized to provide an additional exemption; however, these additional exemptions are not subject to reimbursement.

Distressed Community Relief Fund Distribution

| Municipality | FY2015 Enacted | FY2016 Budget | Change |
|---------------------|-----------------------|----------------------|---------------|
| Central Falls | \$197,930 | \$211,123 | \$13,193 |
| Cranston | 1,160,322 | - | (1,160,322) |
| East Providence | - | 685,142 | 685,142 |
| North Providence | 948,672 | 989,710 | 41,038 |
| Pawtucket | 1,387,409 | 1,430,131 | 42,722 |
| Providence | 5,071,751 | 5,332,583 | 260,832 |
| West Warwick | 783,095 | 835,708 | 52,613 |
| Woonsocket | 835,279 | 900,062 | 64,783 |
| Total | \$10,384,458 | \$10,384,458 | \$0 |

Motor Vehicle Excise Tax

| Fiscal Year | Total Funding | % Change |
|--------------------|----------------------|-----------------|
| 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% |
| 2015 | 10.0 | 0.0% |
| 2016 | 10.0 | 0.0% |

\$ in millions.

FY2013 - FY2015 Motor Vehicle Exemptions

| Municipality | FY2013 | FY2014 | FY2015 | Municipality | FY2013 | FY2014 | FY2015 |
|-----------------|--------|---------|---------|------------------|---------|---------|---------|
| Barrington | \$500 | \$1,000 | \$1,500 | Narragansett | \$6,000 | \$6,000 | \$6,000 |
| Bristol | 3,000 | 3,000 | 3,000 | Newport | 6,000 | 6,000 | 6,000 |
| Burrillville | 1,500 | 1,500 | 1,250 | New Shoreham | 6,000 | 1,000 | 1,000 |
| Central Falls | 1,000 | 1,000 | 1,250 | North Kingstown | 3,000 | 3,000 | 3,000 |
| Charlestown | 500 | 500 | 500 | North Providence | 500 | 500 | 500 |
| Coventry | 500 | 500 | 500 | North Smithfield | 500 | 675 | 675 |
| Cranston | 500 | 500 | 500 | Pawtucket | 500 | 500 | 500 |
| Cumberland | 500 | 500 | 500 | Portsmouth | 3,000 | 3,000 | 3,000 |
| East Greenwich | 6,000 | 6,000 | 6,000 | Providence | 1,000 | 1,000 | 1,000 |
| East Providence | 500 | 500 | 500 | Richmond | 500 | 500 | 500 |
| Exeter | 500 | 500 | 500 | Scituate | 6,000 | 6,000 | 6,000 |
| Foster | 3,100 | 3,100 | 2,000 | Smithfield | 1,000 | 1,000 | 2,000 |
| Glocester | 500 | 500 | 500 | South Kingstown | 3,000 | 3,000 | 3,000 |
| Hopkinton | 500 | 500 | 500 | Tiverton | 6,000 | 6,000 | 6,000 |
| Jamestown | 6,000 | 6,000 | 6,000 | Warren | 500 | 500 | 500 |
| Johnston | 500 | 500 | 500 | Warwick | 2,000 | 2,000 | 2,000 |
| Lincoln | 3,000 | 3,000 | 3,000 | Westerly | 1,500 | 1,500 | 1,500 |
| Little Compton | 6,000 | 6,000 | 6,000 | West Greenwich | 500 | 500 | 500 |
| Middletown | 3,000 | 3,000 | 3,000 | West Warwick | 2,500 | 1,000 | 1,000 |
| | | | | Woonsocket | 500 | 500 | 500 |

Source: RI Dept. of Revenue, Division of Municipal Finance.

Municipal Incentive Aid

The FY2014 Budget as Enacted created a 3-year Municipal Incentive Aid Program to encourage municipalities to improve the sustainability of their retirement plans and to reduce unfunded liabilities; however, there is no requirement that the additional state aid be spent for this purpose. The FY2015 Budget as Enacted made changes to Municipal Incentive Aid:

- Maintains Municipal Incentive Aid funding for 3 years at the \$5.0 million level; however, a new provision will allow the program to continue beyond FY2016 subject to appropriation.
- Changes the distribution of Municipal Incentive Aid to allow that if a municipality does not meet the eligibility requirements to receive an appropriation in any fiscal year, those funds are reappropriated into the next year. If that community becomes eligible in the second year, then it will receive the appropriations from both years; if not, the funds will be distributed among all other eligible communities.

The Division of Municipal Finance within the Department of Revenue administers and manages the program, and aid is distributed in March 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.

Eligibility Requirements FY2015 and each year thereafter: For FY2015 and each year thereafter, municipalities will be eligible to receive Incentive Aid if they comply with at least one of the following requirements:

- The municipality has no locally-administered pension plans.
- The municipality has transitioned all locally-administered pension plans into MERS by June 30, 2014.
- The municipality has submitted a Funding Improvement Plan (FIP), meeting the guidelines of the Locally Administered Pension Plan Study Commission to 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), and 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. The municipality must notify plan participants, beneficiaries and others pursuant to Chapter 45-65.

- The municipality has implemented the original recommended FIP or an amended FIP within one months after the close of the fiscal year and made the required funding payments (formerly referred to as annually Required Contributions or “ARC”) in compliance with the municipality’ adopted FIP(s) and the funding guidelines established by the pension study commission; and the FIPs are approved by the plan sponsor and the local governing body.
- There exists a locally-administered pension plan in the municipality, but no FIP was required, and either (A) the municipality is funding 100.0 percent of its required funding payment; or, (B) if a lesser funding payment is made, the municipality has maintained a funded ratio of at least 100.0 percent, or a FIP is required pursuant to chapter 45-65; however the due date for the FIP submission or implementation is after the March payment of this municipal incentive aid.

Analyst’s Note: For FY2015, the Town of Johnston is not eligible to receive Municipal Incentive Aid. Its allocation will be transferred to FY2016, to allow the Town time to meet eligibility requirements. Its appropriation will be disbursed to all other eligible communities in May 2016 if the Town again fails to meet the eligibility requirements. The Town of Coventry, which previously had its allocation withheld, is now in compliance and has received its payments.

State Aid to Libraries Grant-in Aid

State aid to libraries is distributed based on the city or town’s expenditure level as a percentage of the total expenditures by all communities statewide. In order to be eligible for these funds, cities and towns must maintain their level of support for public library services at 100.0 percent of the previous year’s funding from the local tax base. The Budget includes funding for FY2016 at the FY2015 level of \$8.7 million; however, distribution is based on qualifying data from the statutory reference year. Current law reimbursement of 25.0 percent of second prior year expenses would require an additional appropriation of \$1.1 million.

State Aid to Libraries Construction Reimbursement

Rhode Island law grants authority to the Office of Library and Information Services (OLIS) to make grants to a municipality or a free public library for construction or capital improvements. Grants are limited to a maximum of 50.0 percent of the total eligible costs as determined by the Office of Library and Information Services and are paid on an installment basis, based on a community’s debt service requirement, for a period of up to 20 years.

For FY2015, the Budget includes \$2.3 million for Library Construction Aid, and for FY2016, the Budget includes \$2.7 million, an increase of \$330,964 to reflect actual reimbursement costs.

| Fiscal Year | Grant in Aid | Library Aid | | Total Aid | % Change |
|-------------|--------------|--------------|--|-----------|----------|
| | | Construction | | | |
| 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% |
| 2015 | 8.7 | 2.3 | | 11.0 | -1.8% |
| 2016 | 8.7 | 2.7 | | 11.4 | 3.6% |

\$ in millions.

The moratorium on the acceptance of new applications for library construction projects, enacted in 2011 by the General Assembly, ended on July 1, 2014. No new applications for library construction have been received since the moratorium ended; however, letters of intent from Barrington, Jamestown, and the Providence Community Library have been received. For the Barrington Public Library and the Providence Community Library, reimbursement is expected to begin in FY2018. No cost or time frame has been received for the Jamestown Public Library.

Property Revaluation Reimbursement

In 1997, the General Assembly enacted legislation requiring municipalities to conduct full property revaluations every nine years and statistical updates at year 3 and year 6. Communities are responsible for appropriating funds to cover the costs of full property revaluations; however, the State reimbursed municipalities for 100.0 percent of the first statistical update. Reimbursements for subsequent updates were set at 80.0 percent (up to \$16 per parcel) for the second statistical update and 60.0 percent (up to \$12 per parcel) for the third and subsequent statistical revaluations.

The Budget includes \$1.8 million for the Property Revaluation program in FY2016, an increase of \$1.1 million over the FY2015 Budget as Enacted, and is based on anticipated reimbursements. The following communities will be reimbursed for statistical updates in FY2016:

| Property Revaluation Reimbursement | | |
|------------------------------------|---------------------|----------|
| Fiscal Year | State Reimbursement | % Change |
| 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% |
| 2015 | 0.6 | 26.6% |
| 2016 | 1.8 | 184.3% |

\$ in millions.

| Community | Amount | Community | Amount |
|-----------------|----------|------------------|--------------------|
| Burrillville | \$68,893 | North Smithfield | \$54,886 |
| Central Falls | 45,158 | Providence | 596,650 |
| Jamestown | 37,001 | Scituate | 49,475 |
| Johnston | 134,168 | Smithfield | 84,305 |
| Lincoln | 86,044 | South Kingstown | 148,770 |
| Little Compton | 33,869 | West Warwick | 159,120 |
| New Shoreham | 22,172 | Westerly | 141,307 |
| North Kingstown | 116,942 | Total | \$1,778,760 |

Source: RI Dept. of Revenue, Division of Municipal Finance.

INDIRECT AID TO LOCAL GOVERNMENT

Public Service Corporation Tax

The tangible personal property of telegraph, cable, and telecommunications corporations and express corporations is exempt from local taxation, and instead is subject to taxation by the State. The State Tax Administrator applies the average assessment ratio and the average tax rate to the value of tangible personal property of each company to calculate the amount of tax due. The “average assessment ratio” is the total assessed valuation divided by the full market value of the valuation. The “average property rate” is the total statewide property levy divided by the total statewide assessed valuation.

The revenue from this tax flows through the State: it is not appropriated. The State is allowed to keep 0.75 percent of this tax for administrative fees. The remainder of the revenue is deposited into a restricted receipt account and apportioned to the cities and towns based on the ratio of each municipality’s population relative to the total population of the State.

Collections from this tax decreased from \$18.0 million in FY2003 to \$9.2 million in FY2009. The average property tax rate decline as the total assessed valuation increased dramatically due to the more

| Public Service Corporation | | |
|----------------------------|---------------|----------|
| Fiscal Year | Total Funding | % Change |
| 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% |
| 2015 | 14.3 | 8.3% |
| 2016 | 13.0 | -9.0% |

\$ in millions.

frequent revaluations together with a dramatic increase in real estate values, resulting in a reduced tax rate being applied to Public Service Corporation Tax assets, which now carry a lower value. In 2009, the General Assembly passed legislation freezing the tax rate on telecommunications tangible personal property at a rate equal to or greater than the rate that applied in FY2008. For each year thereafter, the tax rate applied to telecommunications tangible property can be no less than the rate that applied in FY2008.

The FY2016 Budget provides \$13.0 million be distributed to municipalities on July 31, 2015. This is a decrease of \$1.3 million (8.8 percent) based on actual tax collections in FY2015.

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 FY2015, the Office of Revenue Analysis anticipates growth of 5.8 percent in collections, yielding \$23.6 million.

For FY2016, the Office of Revenue Analysis anticipates growth of 2.1 percent in collections, yielding \$24.1 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 Budget expands the hotel tax to include vacation home rentals, small bed and breakfasts, hotel room resellers, and unlicensed lodging rentals (such as those listed on the Airbaab.com website). The expansion is expected to increase aid to municipalities by \$1.3 million in FY2016.

An additional 1.0 percent tax, which was enacted in FY2005, is distributed entirely to the city or town where the occupancy occurred. The 1.0 percent tax will apply to the expanded tax base, and is included in the \$1.3 million generated by the expansion. Additional revenue of \$260,322 results from non-expansion growth.

Total distribution to municipalities is estimated at \$7.4 million for FY2015 and \$9.0 million for FY2016.

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

| Meals & Beverage Tax | | |
|---------------------------------|----------------------|-----------------|
| Fiscal Year | Total Funding | % Change |
| 2007 | \$18.8 | 6.9% |
| 2008 | 18.7 | -0.4% |
| 2009 | 18.8 | 0.3% |
| 2010 | 19.0 | 0.9% |
| 2011 | 19.5 | 2.6% |
| 2012 | 21.0 | 7.8% |
| 2013 | 21.4 | 1.7% |
| 2014 | 22.3 | 4.4% |
| 2015 | 23.6 | 5.8% |
| 2016 | 24.1 | 2.1% |

\$ in millions.

| Hotel Tax | | |
|--------------------|----------------------|-----------------|
| Fiscal Year | Total Funding | % Change |
| 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 | 6.7 | 5.3% |
| 2014 | 6.5 | -2.2% |
| 2015 | 7.4 | 13.5% |
| 2016 | 9.0 | 21.6% |

\$ in millions.

to pay for the construction, expansion, reconfiguration, operation and maintenance of the Warwick Intermodal Transit Station. The CFC is applied prior to the application of the sales tax and rental vehicle surcharge. Since 2003, per RIGL 1-2-17.1, all sales taxes (7.0 percent) and rental vehicle surcharges (6.0 percent) collected from the application of the CFC are deposited into a restricted receipt account for the City of Warwick. These payments totaled \$631,132 in FY2010 and are projected to reach \$922,013 in FY2015. The FY2016 Budget includes \$922,013 in CFCs for the benefit of the City of Warwick.

Airport Impact Fees

Airport impact aid payments to municipalities that have airports are level funded at approximately \$1.0 million for FY2015 and FY2016. The funding is provided annually through Article 1 of the budget and flows through the Rhode Island Commerce Corporation. The aid is distributed based upon a statutory formula that provides 60.0 percent of the first \$1.0 million (\$600,000) for communities with airports serving more than 1.0 million passengers per year. T.F. Green is the only airport in the State that meets this threshold. The remaining 40.0 percent is distributed to communities based on each airport's share of total landings in a calendar year, including T.F. Green. No community that hosts an airport receives less than \$25,000.

| FY2015 Actual | 1.0 million passengers | Distribution on landings | All Airports and Communities to \$25,000 | Total |
|---|-----------------------------------|-------------------------------------|---|--------------------|
| Warwick - T.F. Green | \$600,000 | \$190,578 | | \$790,578 |
| Block Island | | 37,411 | | 37,411 |
| Middletown-Newport Airport ¹ | | 49,063 | | 49,063 |
| North Central | | | | |
| Smithfield | | 20,634 | 4,366 | 25,000 |
| Lincoln | | 20,634 | 4,366 | 25,000 |
| North Kingstown - Quonset | | 38,714 | | 38,714 |
| Westerly | | 42,967 | | 42,967 |
| Total | \$600,000 | \$400,000 | \$8,732 | \$1,008,732 |

¹ Located in Middletown

Municipal Road and Bridge Fund

The FY2014 Budget as Enacted transferred \$7.0 million of bond premium proceeds derived from the sale of 2013 general obligation bonds from the Rhode Island Capital Plan Fund (RICAP) to capitalize a Municipal Road and Bridge Revolving Fund. The FY2014 Revised Budget increased this amount by \$3.3 million, for a total of \$10.3 million. The FY2015 Budget includes an additional \$5.0 million in funding made available from the sale of Tobacco Settlement Bonds, and the Clean Water Finance Agency will contribute \$3.5 million from its board designated administrative fund to capitalize this program in FY2015. The Budget includes \$6.4 million from bond premiums in the FY2015 Revised Budget. The program is not funded in FY2016.

These funds are available for municipalities to borrow for road and bridge projects. Loans began in FY2014, and future capitalizations combined with the revolved funds allow state-sponsored financing on an ongoing basis. This fund is administered by the Rhode Island Clean Water Finance Agency (CWFA). Applications are submitted to the Rhode Island Department of Transportation (RIDOT), based on regulations developed by RIDOT. RIDOT developed a project priority list based on 6 criteria:

- The extent to which the project generates economic benefits.
- The extent to which the project would be able to proceed at an earlier date.
- The likelihood the project will provide mobility benefits.
- The cost effectiveness of the project.

- The likelihood that the project will increase safety.
- The readiness of the project to proceed during the next calendar year.

To date, the Clean Water Finance Agency has approved applications from thirteen municipalities for road and bridge projects as follows:

| Municipality | Approved by CWFA Board for FY2014 | Approved by CWFA Board for FY2015 | Total |
|-----------------------|--|--|---------------------|
| Bristol | \$0 | \$500,000 | \$500,000 |
| Burrillville | 680,000 | | 680,000 |
| Coventry | 340,000 | 900,000 | 1,240,000 |
| Cumberland | 500,000 | | 500,000 |
| East Greenwich | | 2,000,000 | 2,000,000 |
| East Providence | 1,215,000 | | 1,215,000 |
| Hopkinton | | 253,000 | 253,000 |
| New Shoreham | 255,000 | | 255,000 |
| Newport | 1,500,000 | | 1,500,000 |
| Pawtucket | 3,500,000 | 5,000,000 | 8,500,000 |
| Warwick | 1,600,000 | | 1,600,000 |
| West Warwick | | 150,515 | 150,515 |
| Westerly ¹ | 625,000 | | 625,000 |
| Total | \$10,215,000 | \$8,803,515 | \$19,018,515 |

¹Westerly did not borrow its entire authorization; therefore, an additional \$300,000 was available for borrowing in FY2015 by other municipalities.

Central Falls Retiree Payments

The FY2012 Revised Budget included a \$2.6 million Stabilization Payment to the City of Central Falls, to be deposited into a restricted account to provide transition payments over five years to retirees, 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, based on a “Settlement and Release Agreement” between the Receiver for the City of Central Falls, the Department of Revenue, and the negotiating team for the Central Falls retirees. The Agreement was reached to avoid protracted litigation in federal court.

These payments ensure that retirees receive a reduction of no greater than 25.0 percent of their pre-bankruptcy annual pension benefits, as opposed to the reduction of up to 55.0 percent implemented by the City Receiver earlier in the year. The transition payments also include annual cost of living adjustments of up to 2.0 percent annually, not compounded.

Legislation passed by the 2014 General Assembly requires the State to appropriate sufficient funds to the city of Central Falls for payment to Central Falls’ city retirees so that those retirees would continue to receive 75.0 percent of their base pension benefit as of July 31, 2011, for their lifetime, and to the extent applicable, up to 67.5 percent for the lives of their beneficiaries. An actuarial study estimates that the State will need to contribute an additional \$4.8 million to the Central Falls pension fund, beginning with \$328,561 on July 1, 2016, and ending with a payment of \$4,166 on July 1, 2044.

Fire Districts in Fiscal Stability Act

Legislation passed by the General Assembly during the 2014 session includes fire districts in the Fiscal Stability Act and provides financially distressed fire districts with assistance through the appointment of a Fiscal Overseer, Budget Commission, or Receiver by the State. The Central Coventry Fire District, after several failed attempts to pass a budget, was ordered by the Rhode Island Superior Court to liquidate by May 16, 2014. Due to a lack of financial information available to the State, it is not known how many

other fire districts are in fiscal distress. The FY2015 Revised Budget includes \$414,000 in general revenue to provide funds for the Division of Municipal Finance within the Department of Revenue to pay for salary and benefit costs associated with oversight of the Central Coventry Fire District. The Budget includes an additional \$50,000 in FY2016.

The law does the following:

- Includes fire districts in the Fiscal Stability Act and provides financially distressed fire districts with assistance through the appointment of a Fiscal Overseer, Budget Commission, or Receiver by the State.
- Provides a mechanism for the State to work with fire districts undergoing financial distress that threatens the fiscal well-being, public safety and welfare of these communities, others, or the State.
- Provides varying levels of support and control depending on the particular circumstances of the district.
- Sets out financial reporting requirements for fire districts that are similar to those that are required of cities and towns.
- Requires quarterly budget reports be submitted to the Division of Municipal Finance and the Auditor General, and requires a corrective action plan should a fire district anticipate a year-end deficit.
- Requires an annual audit of financial statements by an independent auditing firm; however, the auditor General may waive or modify the requirement based on the size of the district.
- Requires the tax roll be certified by the Division of Municipal Finance.
- Allows fire districts to contract with the tax administrator to allow the tax administrator to collect taxes for the fire districts.
- Extends the provision for 5-year contracts for fire districts that are under the jurisdiction of a budget commission or a reviewer. This is current law for cities and towns.
- Provides that this legislation applies to all pending state judicial receiverships.
- This bill does NOT make fire districts subject to the “3050” tax cap.
- Any changes to collective bargaining agreements must be negotiated.
- Tax levy changes can be made at the budget commission or receivership level.

Under RIGL 45-9, the State, acting primarily through the Department of Revenue, in consultation with the Auditor General, has the power to exercise varying levels of support and control, depending on the circumstances. The Director of Revenue, in consultation with the Auditor General, is authorized to appoint a receiver in the event of a fiscal emergency.

- Creates three levels of State oversight and control
 - 1) Fiscal Overseer
 - Appointed by the Director of Revenue, in consultation with the Auditor General
 - 2) Budget Review Commission
 - Appointed by the Director of Revenue, in consultation with the Auditor General
 - 5 members:
 - 3 designees of the Director of Revenue
 - Chairperson of the district’s governing body
 - Fire chief of the district
 - 3) Receivership
 - Appointed by the Director of Revenue

OTHER MUNICIPAL ISSUES

Main Street RI Streetscape Improvement Program

Article 19 creates a statewide Main Street Rhode Island Streetscape Improvement Fund. The Budget designates \$1.0 million in general revenue to fund this initiative in FY2016, and the Governor indicated an intention to recommend \$1.0 million in general revenue in FY2017. The purpose of the program is to provide loans, matching grants, or other forms of financing to upgrade streetscapes in local business districts (lighting, street furniture, medians). The law does not delineate who or what entity may receive funding or individual award or community award limits, but it does include language requiring the Commerce Corporation to promulgate the rules and regulations of the program.

Tax Stabilization Incentive

Article 19 of the FY2016 Budget creates the Tax Stabilization Incentive Program whereby municipalities can apply to the Rhode Island Commerce Corporation for partial reimbursement of personal/and or real estate tax revenue forgone due to the granting of a tax stabilization agreement by that community for a qualified construction or rehabilitation project. The Corporation will provide a partial reimbursement of no more than 10.0 percent of the property tax revenue that would have otherwise been collected.

Under this program a community can grant a stabilization agreement for the rehabilitation of an existing structure where the total cost of development budget exceeds 50.0 percent of the adjusted basis in the property, or for a new construction project that begins within twelve months of the approval of the tax stabilization agreement, and the project is completed within 36 months. The qualifying property must be used or intended to be used for offices or commercial enterprises or residential purposes. The terms of the stabilization agreements must be for a minimum of twelve years; and reimbursements will cease upon any termination of the underlying tax stabilization agreement or upon exhaustion of funds appropriated to the reimbursement fund.

FY2015 (Revised) Direct Municipal Aid to Cities and Towns

| Municipality | FY2015 Enacted | | Payment In | | Distressed Communities | | Municipal Incentive Aid ² | Motor Vehicle Excise Tax | Library Grant in-Aid ¹ | Construction Aid | FY2015 Revised | | Change from FY2015 Enacted |
|-------------------------|---------------------|---------------------|---------------------|--------------------|------------------------|--------------------|--------------------------------------|--------------------------|-----------------------------------|------------------|----------------|-------------|----------------------------|
| | Enacted | Lieu of Taxes | Relief Fund | Communities | Relief Fund | Communities | | | | | Municipal Aid | Library Aid | |
| Barrington | \$740,496 | \$15,625 | \$0 | \$77,873 | \$230,537 | \$341,488 | \$68,534 | \$734,057 | (\$6,439) | | | | |
| Bristol | 1,464,578 | 825,101 | - | 109,663 | 95,718 | 139,595 | 274,019 | 1,444,096 | (20,482) | | | | |
| Burrillville | 844,421 | 134,639 | - | 75,643 | 201,655 | 141,022 | 283,801 | 836,760 | (7,661) | | | | |
| Central Falls | 417,176 | 21,572 | 197,930 | 91,844 | 94,066 | 17,569 | - | 422,981 | 5,805 | | | | |
| Charlestown | 125,223 | - | - | 37,260 | 44,361 | 47,766 | - | 129,387 | 4,164 | | | | |
| Coventry | 608,167 | - | - | 332,252 | 246,097 | 222,474 | - | 800,823 | 192,656 | | | | |
| Cranston | 9,058,249 | 6,043,928 | 1,160,322 | 381,765 | 1,006,431 | 539,079 | 30,479 | 9,162,004 | 103,755 | | | | |
| Cumberland | 865,704 | 118 | - | 158,222 | 247,431 | 273,112 | 211,377 | 890,260 | 24,556 | | | | |
| East Greenwich | 729,021 | 360,281 | - | 62,403 | 81,789 | 121,085 | 63,277 | 688,835 | (40,186) | | | | |
| East Providence | 1,453,646 | 222,995 | - | 224,226 | 505,623 | 363,025 | 67,115 | 1,382,984 | (70,662) | | | | |
| Exeter | 234,784 | - | - | 30,874 | 92,010 | 45,664 | 75,968 | 244,516 | 9,732 | | | | |
| Foster | 120,902 | 431 | - | 21,699 | 57,184 | 31,550 | - | 110,864 | (10,038) | | | | |
| Glocester | 211,049 | - | - | 46,378 | 103,123 | 71,631 | - | 221,132 | 10,083 | | | | |
| Hopkinton | 135,279 | - | - | 38,721 | 69,637 | 34,685 | - | 143,043 | 7,764 | | | | |
| Jamestown | 149,111 | - | - | 25,703 | 22,069 | 87,697 | - | 135,469 | (13,642) | | | | |
| Johnston | 637,712 | - | - | - | 422,956 | 124,729 | - | 547,685 | (90,027) | | | | |
| Lincoln | 528,772 | - | - | 100,146 | 197,861 | 191,018 | - | 489,025 | (39,747) | | | | |
| Little Compton | 71,048 | - | - | 16,614 | 12,978 | 30,298 | - | 59,890 | (11,158) | | | | |
| Middletown | 356,877 | - | - | 76,967 | 69,136 | 137,973 | 57,207 | 341,283 | (15,594) | | | | |
| Narragansett | 294,986 | - | - | 75,677 | 60,561 | 122,983 | - | 259,221 | (35,765) | | | | |
| Newport | 2,171,921 | 1,315,321 | - | 116,689 | 77,876 | 381,739 | 224,234 | 2,115,859 | (56,062) | | | | |
| New Shoreham | 154,453 | - | - | 4,521 | 6,564 | 78,270 | 64,538 | 153,893 | (560) | | | | |
| North Kingstown | 660,361 | 1,594 | - | 125,830 | 184,758 | 273,440 | 33,280 | 618,902 | (41,459) | | | | |
| North Providence | 2,258,003 | 631,707 | 948,672 | 152,463 | 393,578 | 176,242 | - | 2,302,662 | 44,659 | | | | |
| North Smithfield | 296,486 | - | - | 56,226 | 181,773 | 63,304 | - | 301,303 | 4,817 | | | | |
| Pawtucket | 3,272,486 | 545,565 | 1,387,409 | 338,637 | 792,999 | 329,493 | - | 3,394,103 | 121,617 | | | | |
| Portsmouth | 290,384 | - | - | 82,157 | 78,523 | 103,554 | - | 264,234 | (26,150) | | | | |
| Providence ¹ | 37,171,580 | 27,109,512 | 5,071,751 | 845,052 | 1,868,582 | 2,145,198 | 287,746 | 37,327,840 | 156,260 | | | | |
| Richmond | 121,026 | - | - | 36,481 | 66,715 | 26,531 | - | 129,727 | 8,701 | | | | |
| Scituate | 268,405 | - | - | 48,939 | 69,579 | 95,113 | - | 213,631 | (54,774) | | | | |
| Smithfield | 1,297,084 | 646,892 | - | 101,773 | 253,182 | 269,275 | - | 1,271,122 | (25,962) | | | | |
| South Kingstown | 700,849 | 186,170 | - | 144,389 | 138,803 | 199,345 | - | 668,707 | (32,142) | | | | |
| Tiverton | 284,681 | - | - | 74,510 | 58,977 | 102,842 | - | 236,329 | (48,352) | | | | |
| Warren | 186,601 | - | - | 50,918 | 91,943 | 53,916 | - | 196,777 | 10,176 | | | | |
| Warwick | 3,899,552 | 1,595,654 | - | 394,569 | 964,785 | 691,943 | 167,779 | 3,814,730 | (84,822) | | | | |
| Westerly | 985,513 | 146,095 | - | 108,439 | 208,608 | 255,839 | 253,767 | 972,748 | (12,765) | | | | |
| West Greenwich | 115,777 | - | - | 28,597 | 59,278 | 28,154 | - | 116,029 | 252 | | | | |
| West Warwick | 1,296,193 | - | - | 783,095 | 138,805 | 155,644 | - | 1,311,074 | 14,881 | | | | |
| Woonsocket | 2,028,692 | 277,209 | 835,279 | 196,763 | 408,725 | 196,505 | 168,470 | 2,082,951 | 54,259 | | | | |
| Total | \$76,507,248 | \$40,080,409 | \$10,384,458 | \$5,029,688 | \$10,000,000 | \$8,710,790 | \$2,331,591 | \$76,536,936 | \$29,688 | | | | |

¹ Providence Library Aid includes \$1.0 million for the Statewide Reference Library Resource Grant.

² Coventry in compliance for FY2015; Johnston allocation will be reappropriated to FY2016.

FY2016 Direct Municipal Aid to Cities and Towns

| Municipality | FY2015 | | Payment In | | Distressed | | Municipal | | Motor Vehicle | | Library Grant | | Library | | Change from | | |
|-------------------------|---------------------|---------------------|---------------------|--------------------|---------------------|---------------------|--------------------|---------------------|---------------------|---------|---------------|---------------|--------------|---------|--------------|---------------|--------------|
| | Revised | Lieu of Taxes | Relief Fund | Incentive Aid | Excise Tax | in-Aid ¹ | Construction | Municipal Aid | Total FY2016 | Revised | Construction | Municipal Aid | Total FY2016 | Revised | Construction | Municipal Aid | Total FY2016 |
| Barrington | \$734,057 | \$14,638 | \$0 | \$77,484 | \$230,537 | \$337,167 | \$66,417 | \$726,243 | \$726,243 | | | | | | | | |
| Bristol | 1,444,096 | 784,360 | - | 107,118 | 95,718 | 168,505 | 275,531 | 1,431,232 | 1,431,232 | | | | | | | | |
| Burrillville | 836,760 | 127,468 | - | 76,139 | 201,655 | 144,949 | 276,501 | 826,712 | 826,712 | | | | | | | | |
| Central Falls | 422,981 | 21,411 | 211,123 | 92,170 | 94,066 | 26,046 | - | 444,816 | 444,816 | | | | | | | | |
| Charlestown | 129,387 | - | - | 37,183 | 44,361 | 46,654 | - | 128,198 | 128,198 | | | | | | | | |
| Coventry | 800,823 | - | - | 166,346 | 246,097 | 217,150 | - | 629,593 | 629,593 | | | | | | | | |
| Cranston | 9,162,004 | 5,645,799 | - | 382,573 | 1,006,431 | 553,271 | - | 7,588,074 | 7,588,074 | | | | | | | | |
| Cumberland | 890,260 | 119 | - | 160,241 | 247,431 | 266,665 | 211,415 | 885,871 | 885,871 | | | | | | | | |
| East Greenwich | 688,835 | 341,085 | - | 62,395 | 81,789 | 121,208 | 61,265 | 667,742 | 667,742 | | | | | | | | |
| East Providence | 1,382,984 | 218,245 | 685,142 | 223,919 | 505,623 | 354,339 | 65,332 | 2,052,600 | 2,052,600 | | | | | | | | |
| Exeter | 244,516 | - | - | 31,773 | 92,010 | 45,910 | 75,968 | 245,661 | 245,661 | | | | | | | | |
| Foster | 110,864 | 415 | - | 22,003 | 57,184 | 30,796 | - | 110,398 | 110,398 | | | | | | | | |
| Gloster | 221,132 | - | - | 46,596 | 103,123 | 70,625 | - | 220,344 | 220,344 | | | | | | | | |
| Hopkinton | 143,043 | - | - | 38,737 | 69,637 | 31,101 | - | 139,475 | 139,475 | | | | | | | | |
| Jamestown | 135,469 | - | - | 25,782 | 22,069 | 87,375 | - | 135,226 | 135,226 | | | | | | | | |
| Johnston | 547,685 | - | - | 137,340 | 422,956 | 116,751 | - | 677,047 | 677,047 | | | | | | | | |
| Lincoln | 489,025 | - | - | 100,680 | 197,861 | 195,339 | - | 493,880 | 493,880 | | | | | | | | |
| Little Compton | 59,890 | - | - | 16,592 | 12,978 | 30,355 | - | 59,925 | 59,925 | | | | | | | | |
| Middletown | 341,283 | - | - | 76,771 | 69,136 | 135,162 | 54,568 | 335,637 | 335,637 | | | | | | | | |
| Narragansett | 259,221 | - | - | 75,160 | 60,561 | 120,040 | - | 255,761 | 255,761 | | | | | | | | |
| Newport | 2,115,859 | 1,250,492 | - | 115,718 | 77,876 | 380,016 | 217,409 | 2,041,511 | 2,041,511 | | | | | | | | |
| New Shoreham | 153,893 | - | - | 3,975 | 6,564 | 80,325 | 62,405 | 153,269 | 153,269 | | | | | | | | |
| North Kingstown | 618,902 | 1,494 | - | 125,293 | 184,758 | 266,128 | 32,047 | 609,720 | 609,720 | | | | | | | | |
| North Providence | 2,302,662 | 713,714 | 989,710 | 152,777 | 393,578 | 175,272 | - | 2,425,051 | 2,425,051 | | | | | | | | |
| North Smithfield | 301,303 | - | - | 57,141 | 181,773 | 65,478 | - | 304,392 | 304,392 | | | | | | | | |
| Pawtucket | 3,394,103 | 508,302 | 1,430,131 | 338,325 | 792,999 | 336,605 | - | 3,406,361 | 3,406,361 | | | | | | | | |
| Portsmouth | 264,234 | - | - | 82,434 | 78,523 | 101,476 | - | 262,433 | 262,433 | | | | | | | | |
| Providence ¹ | 37,327,840 | 28,087,312 | 5,332,583 | 846,519 | 1,868,582 | 2,151,268 | 273,833 | 38,560,096 | 38,560,096 | | | | | | | | |
| Richmond | 129,727 | - | - | 36,403 | 66,715 | 26,246 | - | 129,364 | 129,364 | | | | | | | | |
| Scituate | 213,631 | - | - | 49,249 | 69,579 | 94,694 | - | 213,522 | 213,522 | | | | | | | | |
| Smithfield | 1,271,122 | 600,901 | - | 101,997 | 253,182 | 269,640 | - | 1,225,720 | 1,225,720 | | | | | | | | |
| South Kingstown | 668,707 | 173,565 | - | 145,475 | 138,803 | 201,734 | - | 659,577 | 659,577 | | | | | | | | |
| Tiverton | 236,329 | - | - | 75,141 | 58,977 | 100,382 | 406,000 | 640,500 | 640,500 | | | | | | | | |
| Warren | 196,777 | - | - | 50,381 | 91,943 | 54,101 | - | 196,425 | 196,425 | | | | | | | | |
| Warwick | 3,814,730 | 1,453,550 | - | 391,644 | 964,785 | 673,157 | 164,959 | 3,648,095 | 3,648,095 | | | | | | | | |
| Westerly | 972,748 | 137,538 | - | 108,016 | 208,608 | 274,847 | 253,767 | 982,776 | 982,776 | | | | | | | | |
| West Greenwich | 116,029 | - | - | 29,010 | 59,278 | 133 | - | 117,421 | 117,421 | | | | | | | | |
| West Warwick | 1,311,074 | - | 835,708 | 138,039 | 233,530 | 152,016 | - | 1,359,293 | 1,359,293 | | | | | | | | |
| Woonsocket | 2,082,951 | - | 900,062 | 195,461 | 408,725 | 178,865 | 165,138 | 1,848,251 | 1,848,251 | | | | | | | | |
| Total | \$76,536,936 | \$40,080,408 | \$10,384,458 | \$5,000,000 | \$10,000,000 | \$8,710,791 | \$2,662,555 | \$76,838,212 | \$76,838,212 | | | | | | | | |

¹ Providence Library Aid includes \$1.0 million for the Statewide Reference Library Resource Grant.

FY2015 Indirect Local Aid to Cities and Towns

| Municipality | FY2014 Indirect Aid | Public Service Corp. Tax | Meals and Beverage Tax | Hotel Tax | FY2015 Total Indirect Aid | Change from FY2014 |
|---------------------|----------------------------|---------------------------------|-------------------------------|--------------------|----------------------------------|---------------------------|
| Barrington | \$346,355 | \$221,639 | \$159,119 | \$0 | \$380,758 | \$34,403 |
| Bristol | 672,980 | 308,928 | 370,537 | 37,350 | 716,815 | 43,835 |
| Burrillville | 376,174 | 216,868 | 199,327 | - | 416,195 | 40,021 |
| Central Falls | 346,641 | 262,600 | 114,968 | - | 377,568 | 30,927 |
| Charlestown | 229,134 | 106,035 | 136,864 | 20,857 | 263,756 | 34,622 |
| Coventry | 881,882 | 474,601 | 391,283 | 80,558 | 946,442 | 64,560 |
| Cranston | 2,535,839 | 1,090,383 | 1,657,759 | 9,182 | 2,757,324 | 221,485 |
| Cumberland | 809,114 | 454,704 | 421,711 | - | 876,415 | 67,301 |
| East Greenwich | 649,942 | 178,130 | 574,014 | 875 | 753,019 | 103,077 |
| East Providence | 1,446,126 | 639,014 | 900,085 | 43,423 | 1,582,522 | 136,396 |
| Exeter | 157,809 | 90,136 | 87,589 | - | 177,725 | 19,916 |
| Foster | 72,032 | 62,363 | 16,469 | 245 | 79,077 | 7,045 |
| Glocester | 197,014 | 132,587 | 77,164 | 2,712 | 212,463 | 15,449 |
| Hopkinton | 151,481 | 110,548 | 51,684 | - | 162,232 | 10,751 |
| Jamestown | 162,146 | 73,464 | 87,272 | 9,146 | 169,882 | 7,736 |
| Johnston | 848,208 | 390,714 | 505,442 | 7,480 | 903,636 | 55,428 |
| Lincoln | 1,060,252 | 286,509 | 796,218 | 103,212 | 1,185,939 | 125,687 |
| Little Compton | 86,294 | 47,318 | 39,053 | 4,337 | 90,708 | 4,414 |
| Middletown | 1,447,066 | 218,914 | 689,053 | 685,117 | 1,593,084 | 146,018 |
| Narragansett | 834,031 | 214,997 | 554,739 | 81,446 | 851,182 | 17,151 |
| Newport | 3,936,961 | 330,398 | 1,959,698 | 1,928,482 | 4,218,578 | 281,617 |
| New Shoreham | 509,135 | 11,697 | 304,197 | 298,035 | 613,929 | 104,794 |
| North Kingstown | 877,665 | 358,048 | 500,892 | 77,876 | 936,816 | 59,151 |
| North Providence | 748,762 | 435,538 | 333,109 | - | 768,647 | 19,885 |
| North Smithfield | 339,478 | 161,729 | 242,771 | 3,034 | 407,534 | 68,056 |
| Pawtucket | 1,633,185 | 965,684 | 749,408 | 52,174 | 1,767,266 | 134,081 |
| Portsmouth | 404,486 | 234,854 | 185,646 | 11,612 | 432,112 | 27,626 |
| Providence | 8,586,673 | 2,415,159 | 5,022,959 | 1,951,194 | 9,389,312 | 802,639 |
| Richmond | 220,723 | 103,920 | 128,562 | 3,456 | 235,938 | 15,215 |
| Scituate | 195,708 | 140,191 | 67,681 | 4,866 | 212,738 | 17,030 |
| Smithfield | 978,076 | 291,036 | 688,109 | 147,543 | 1,126,688 | 148,612 |
| South Kingstown | 1,152,714 | 412,970 | 747,322 | 138,616 | 1,298,908 | 146,194 |
| Tiverton | 392,936 | 213,316 | 210,906 | - | 424,222 | 31,286 |
| Warren | 385,412 | 144,380 | 263,800 | - | 408,180 | 22,768 |
| Warwick | 4,343,733 | 1,120,907 | 2,649,727 | 1,023,194 | 4,793,828 | 450,095 |
| Westerly | 1,348,554 | 308,860 | 791,456 | 444,449 | 1,544,765 | 196,211 |
| West Greenwich | 261,583 | 82,423 | 132,141 | 95,181 | 309,745 | 48,162 |
| West Warwick | 779,090 | 394,835 | 340,406 | 98,978 | 834,219 | 55,129 |
| Woonsocket | 1,092,171 | 559,030 | 497,875 | 51,882 | 1,108,787 | 16,616 |
| Total | \$41,497,563 | \$14,265,427 | \$23,647,015 | \$7,416,512 | \$45,328,954 | \$3,831,391 |

FY2016 Indirect Local Aid to Cities and Towns

| Municipality | FY2015 Indirect Aid | Public Service Corp. Tax | Meals and Beverage Tax | Hotel Tax | FY2016 Total Indirect Aid | Change from FY2015 |
|---------------------|----------------------------|---------------------------------|-------------------------------|--------------------|----------------------------------|---------------------------|
| Barrington | \$380,758 | \$201,686 | \$162,111 | \$4,840 | \$368,637 | (\$12,121) |
| Bristol | 716,815 | 278,819 | 377,506 | 56,246 | 712,571 | (4,244) |
| Burrillville | 416,195 | 198,184 | 203,076 | 1,543 | 402,803 | (13,392) |
| Central Falls | 377,568 | 239,912 | 117,130 | 1,029 | 358,071 | (19,497) |
| Charlestown | 263,756 | 96,784 | 139,438 | 92,261 | 328,483 | 64,727 |
| Coventry | 946,442 | 432,985 | 398,643 | 89,853 | 921,481 | (24,961) |
| Cranston | 2,757,324 | 995,808 | 1,688,939 | 16,367 | 2,701,114 | (56,210) |
| Cumberland | 876,415 | 417,096 | 429,643 | - | 846,739 | (29,676) |
| East Greenwich | 753,019 | 162,408 | 584,810 | 4,748 | 751,966 | (1,053) |
| East Providence | 1,582,522 | 582,845 | 917,015 | 50,607 | 1,550,467 | (32,055) |
| Exeter | 177,725 | 82,701 | 89,236 | 514 | 172,451 | (5,274) |
| Foster | 79,077 | 57,271 | 16,779 | 263 | 74,313 | (4,764) |
| Glocester | 212,463 | 121,286 | 78,615 | 4,372 | 204,273 | (8,190) |
| Hopkinton | 162,232 | 100,831 | 52,656 | 953 | 154,440 | (7,792) |
| Jamestown | 169,882 | 67,109 | 88,914 | 55,323 | 211,346 | 41,464 |
| Johnston | 903,636 | 357,486 | 514,948 | 8,524 | 880,958 | (22,678) |
| Lincoln | 1,185,939 | 262,063 | 811,193 | 111,019 | 1,184,275 | (1,664) |
| Little Compton | 90,708 | 43,188 | 39,787 | 44,706 | 127,681 | 36,973 |
| Middletown | 1,593,084 | 199,830 | 702,013 | 768,103 | 1,669,946 | 76,862 |
| Narragansett | 851,182 | 195,635 | 565,173 | 358,306 | 1,119,114 | 267,932 |
| Newport | 4,218,578 | 301,205 | 1,996,556 | 2,229,881 | 4,527,642 | 309,064 |
| New Shoreham | 613,929 | 10,345 | 309,919 | 374,713 | 694,977 | 81,048 |
| North Kingstown | 936,816 | 326,128 | 510,313 | 104,669 | 941,110 | 4,294 |
| North Providence | 768,647 | 397,667 | 339,375 | 1,029 | 738,071 | (30,576) |
| North Smithfield | 407,534 | 148,734 | 247,337 | 3,763 | 399,834 | (7,700) |
| Pawtucket | 1,767,266 | 880,635 | 763,503 | 58,948 | 1,703,086 | (64,180) |
| Portsmouth | 432,112 | 214,568 | 189,138 | 30,349 | 434,055 | 1,943 |
| Providence | 9,389,312 | 2,203,425 | 5,117,433 | 2,182,600 | 9,503,458 | 114,146 |
| Richmond | 235,938 | 94,755 | 130,980 | 4,214 | 229,949 | (5,989) |
| Scituate | 212,738 | 128,192 | 68,954 | 5,210 | 202,356 | (10,382) |
| Smithfield | 1,126,688 | 265,491 | 701,051 | 167,744 | 1,134,286 | 7,598 |
| South Kingstown | 1,298,908 | 378,660 | 761,377 | 217,045 | 1,357,082 | 58,174 |
| Tiverton | 424,222 | 195,585 | 214,872 | 9,739 | 420,196 | (4,026) |
| Warren | 408,180 | 131,137 | 268,762 | 6,384 | 406,283 | (1,897) |
| Warwick | 4,793,828 | 1,019,420 | 2,699,564 | 1,098,511 | 4,817,495 | 23,667 |
| Westerly | 1,544,765 | 281,158 | 806,342 | 560,026 | 1,647,526 | 102,761 |
| West Greenwich | 309,745 | 75,512 | 134,626 | 102,422 | 312,560 | 2,815 |
| West Warwick | 834,219 | 359,305 | 346,809 | 105,972 | 812,086 | (22,133) |
| Woonsocket | 1,108,787 | 508,769 | 507,239 | 55,548 | 1,071,556 | (37,231) |
| Total | \$45,328,954 | \$13,014,618 | \$24,091,775 | \$8,988,344 | \$46,094,737 | \$765,783 |

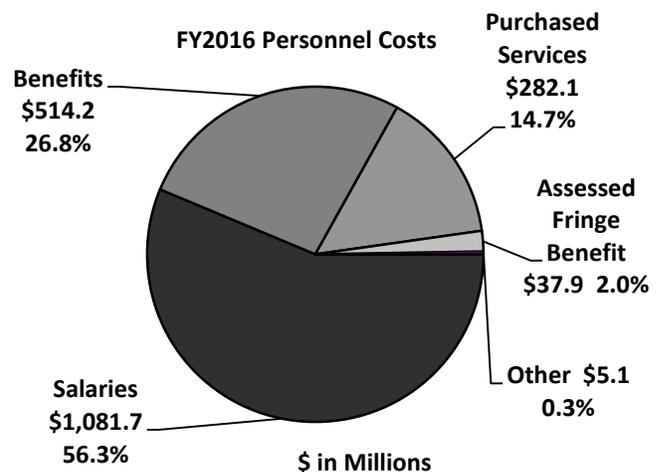
Personnel

The FY2016 Budget as Enacted includes a total of \$1,921.0 million for personnel expenditures, an increase of \$58.9 million compared to the FY2015 Budget as Enacted, and \$24.8 million less than the FY2015 Revised Budget. Salaries and benefits total \$1,595.9 million and comprise 83.1 percent of FY2016 personnel expenditures (53.4 percent of the salaries and benefits costs are supported by general revenue).

The FY2015 Revised Budget includes \$1,945.8 million for personnel expenditures, an increase of \$83.7 million compared to the FY2015 Budget as Enacted. Salaries and benefits total \$1,562.2 million and comprise 80.3 percent of FY2015 personnel expenditures (52.9 percent of the salaries and benefits costs are supported by general revenue).

PERSONNEL EXPENDITURE TRENDS

Expenditures for salaries in FY2016 total \$1,081.7 million, comprising 56.3 percent of total personnel costs, an increase of \$37.8 million (3.6 percent) from the FY2015 Budget as Enacted, reflecting an increase in the number of authorized FTE positions and salary inflation. Total benefit costs, excluding assessed fringed benefits and other costs, amount to \$514.2 million and comprise 26.8 percent of total personnel costs. Benefits increase \$17.4 million (3.5 percent) from the FY2015 Budget as Enacted, primarily due to medical costs inflation. Purchased services costs are \$282.1 million (14.7 percent) of the total personnel costs. Purchased services increase \$1.2 million (0.4 percent) from the FY2015 Budget as Enacted.



Purchased services increase \$1.2 million (0.4 percent) from the FY2015 Budget as Enacted.

| Expenses by Description | FY2014 | FY2015 | FY2015 | FY2016 | % of | Change to Enacted | |
|--------------------------|------------------|------------------|------------------|------------------|---------------|-------------------|-------------|
| | Actual | Enacted | Revised | Enacted | Total | | |
| Salaries | \$1,023.1 | \$1,043.9 | \$1,060.9 | \$1,081.7 | 56.3% | \$37.8 | 3.6% |
| Benefits | 478.0 | 496.8 | 501.3 | 514.2 | 26.8% | 17.4 | 3.5% |
| Purchased Services | 302.3 | 280.9 | 341.9 | 282.1 | 14.7% | 1.2 | 0.4% |
| Assessed Fringe Benefits | 35.9 | 36.1 | 37.0 | 37.9 | 2.0% | 1.8 | 5.0% |
| Other | 4.5 | 4.4 | 4.7 | 5.1 | 0.3% | 0.7 | 15.9% |
| Total | \$1,843.8 | \$1,862.1 | \$1,945.8 | \$1,921.0 | 100.0% | \$58.9 | 3.2% |

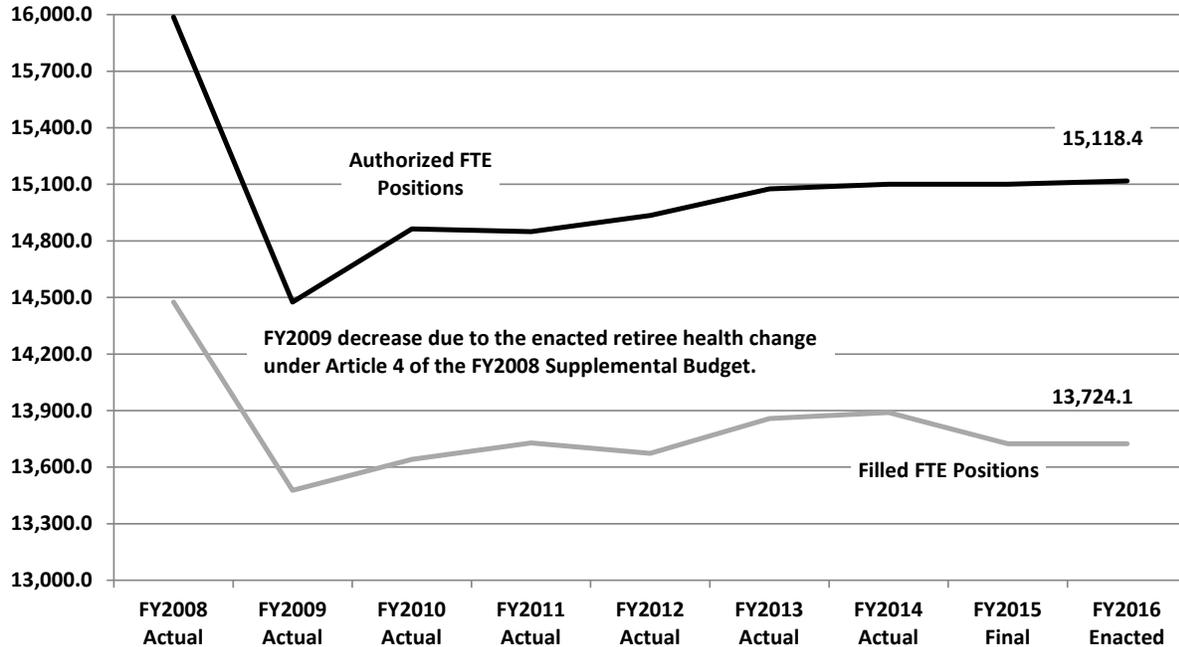
\$ in millions. Totals may vary due to rounding.

| Expenses by Function | FY2014 | FY2015 Enacted | FY2015 Revised | FY2016 Enacted | % of Pers. Budget | FY2016 | |
|----------------------|------------------|-------------------|-------------------|-------------------|----------------------|--------------------|-----------------------------|
| | | | | | | General Revenue | FY2016 General Revenue % |
| General Government | \$285.9 | \$265.1 | \$311.9 | \$292.0 | 15.2% | \$158.4 | 54.2% |
| Human Services | 452.7 | 472.1 | 489.8 | 484.0 | 25.2% | 217.0 | 44.8% |
| Education | 562.0 | 572.3 | 578.5 | 579.1 | 30.1% | 151.6 | 26.2% |
| Natural Resource | 54.4 | 58.6 | 62.3 | 60.2 | 3.1% | 32.2 | 53.5% |
| Public Safety | 375.4 | 381.7 | 397.0 | 399.9 | 20.6% | 366.1 | 91.5% |
| Transportation | 113.4 | 112.3 | 106.4 | 105.8 | 5.5% | - | 0.0% |
| Total | \$1,843.8 | \$1,862.1 | \$1,945.9 | \$1,921.0 | 100.0% | \$925.3 | 48.2% |

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

FTE POSITIONS

The FY2016 Budget as Enacted authorized 15,118.4 FTE positions. At the end of FY2015, 13,724.1 FTE positions (91.0 percent of the original enacted authorized amount) were filled, leaving 1,361.9 FTE positions vacant.



The following table illustrates the number of FTE positions by government function.

| Function | FY2015 Enacted | FY2015 Revised | Change to Enacted | FY2016 Enacted | Change to Enacted |
|-------------------------------|-----------------|-----------------|-------------------|-----------------|-------------------|
| General Government | 2,298.7 | 2,307.7 | 9.0 | 2,330.2 | 31.5 |
| Human Services | 3,744.0 | 3,744.0 | 0.0 | 3,747.6 | 3.6 |
| Education | 3,890.3 | 3,896.0 | 5.7 | 3,884.6 | (5.7) |
| Public Safety | 3,221.6 | 3,221.6 | 0.0 | 3,229.6 | 8.0 |
| Natural Resources | 428.0 | 428.0 | 0.0 | 428.0 | 0.0 |
| Transportation | 752.6 | 752.6 | 0.0 | 752.6 | 0.0 |
| Subtotal | 14,335.2 | 14,349.9 | 14.7 | 14,372.6 | 37.4 |
| Higher Ed. Sponsored Research | 750.8 | 750.8 | 0.0 | 745.8 | (5.0) |
| Total FTE Positions | 15,086.0 | 15,100.7 | 14.7 | 15,118.4 | 32.4 |

FY2015: The FY2015 Revised Budget authorizes 15,100.7 FTE positions, a net increase of 14.7 FTE positions from the FY2015 Budget as Enacted. Major FTE changes include:

General Government increases by 9.0 FTE positions. The Budget adds 5.0 FTE new positions for the Executive Office of Commerce. The five new positions include 1.0 Secretary of Commerce, 1.0 Deputy Director, 1.0 Chief Strategic Planning and Monitoring, 1.0 Director of Communications, and 1.0 Chief Implementation Aide. In addition, the Budget adds 4.0 FTE principal policy associate positions in the Office of the Health Insurance Commissioner. The principal policy associates will have primary oversight for the adoption of value-based care paradigm payment models among commercial payers under the auspices of the Office of Health Insurance Commissioner.

Education increases 5.7 FTE positions. The Budget adds 2.2 unspecified FTE positions within the Office of the Postsecondary Commission, which will allow the new Commissioner to determine staffing and operations. The Budget includes 158.4 FTE positions in FY2015 and 153.4 FTE positions in FY2016 for the Elementary and Secondary Education, an increase of 3.5 in FY2015. The federal Race to the Top (RTTT) originally funded 22.0 FTE positions. The grant was originally scheduled to end on September 23, 2014; however, in March 2014, the grant was extended until July 1, 2015. As a result, in the FY2015 Budget as Enacted 16.5 of the grant funded FTE positions were eliminated due to the phase down of the grant, leaving a balance of 5.5 federally funded FTE positions. The increase in FY2015 is due to the change in position titles associated with the shifting of funding from federal funds to general revenue in FY2016.

Human Services includes changes that have a zero net change in the number of authorized FTE positions. The Budget includes a net increase of 2.0 FTE positions within the Department of Children, Youth and Families (DCYF). Among other changes, this increase is reflective of 1.0 new federally-funded inspector, and 1.0 new federally-funded professionally trained casework supervisor. Both federally-funded positions will support efforts to increase permanency for youth in DCYF custody, whether that is through adoption, or reunification with his or her birth parent(s).

The Budget also adds 7.0 FTE positions to fund the new DCYF management team, which is in addition to some existing administrative, senior, and other staff within the Office of the Director. The team is actually comprised of 8.0 FTE positions, however, one position is financed through the Executive Office of Health and Human Services (1.0 Chief Strategy Officer) and 1.0 Chief of Strategic Planning, Monitoring, and Evaluation is budgeted within the Child Welfare division within DCYF. These increases are offset by other changes throughout the Department, including the reduction of 7.0 FTE positions within Juvenile Corrections to adjust staffing levels based on current vacancy rates, which have traditionally been high.

FY2016: The FY2016 Budget as Enacted authorizes 15,118.4 FTE positions. The major changes include:

General Government increases by 31.5 FTE positions, including the following:

- **An increase of 16.0 FTE positions in the Executive Office of Commerce.** This reflects an increase of 5.0 FTE new positions for the Office of the Secretary and the transfer of 11.0 FTE positions from the Department of Administration. The five new positions include 1.0 Secretary of Commerce, 1.0 Deputy Director, 1.0 Chief Strategic Planning and Monitoring, 1.0 Director of Communications, and 1.0 Chief Implementation Aide. The transfers from the Department of Administration include 11.0 FTE positions for the Housing and Community Development program (formerly in the Division of Planning).
- **An increase of 4.0 FTE positions in the Department of Business Regulation.** The Budget adds 4.0 FTE principal policy associate positions in the Office of the Health Insurance Commissioner. The principal policy associates will have primary oversight for the adoption of value-based care paradigm payment models among commercial payers under the auspices of the Office of Health Insurance Commissioner.
- **An increase of 9.5 FTE positions in the Department of Revenue:** The Budget adds 2.0 new Revenue Agent and 1.0 new Principal Revenue Agent positions in the Assessment and Review sub-program. These positions are recommended to help implement the new “Self-Audit” and “Contingency Fee Contract Services” programs, which are projected to increase revenues by \$2.3 million. In addition, 12.0 new part-time positions (6.5 FTE) were added as customer service representatives to maintain personnel staffing levels necessary to keep customer waiting times from increasing as experienced staff members are being utilized for the development of the Rhode Island Motor Vehicles System (RIMS) IT system.

- **An increase of 1.0 FTE position in the Department of Administration.** The Budget maintains the 1.0 FTE Programming Services Officer (Small Business Ombudsman) position in the Office of Management and Budget, in the Department of Administration.
- **An increase of 1.0 FTE position in the Office of the General Treasurer.** The Budget authorizes a 1.0 unspecified FTE position to administer the CollegeBound*fund* Program. This increases the FTE position authorization in Treasury from 83.0 to 84.0 FTE positions in FY2016.

Human Services increases by 3.6 FTE positions. This including the following:

- **An increase of 3.0 FTE positions to the Office of Health and Human Services:** The Budget adds 2.0 paralegal FTE positions within the Office of Program Integrity in order to increase program integrity of the Medicaid program, and adds 1.0 for a federally-funded FTE position in support of the State Innovation Model grant.
- **An increase of 2.0 FTE position to the Department of Children, Youth, and Families:** The Budget includes a net increase of 2.0 FTE positions within the Department of Children, Youth, and Families (DCYF). Among other changes, this increase is reflective of 1.0 new federally-funded inspector, and 1.0 new federally-funded professionally trained casework supervisor. Both federally-funded positions will support efforts to increase permanency for youth in DCYF custody, whether that is through adoption, or reunification with his or her birth parent(s).

The Budget also adds 7.0 FTE positions to fund the new DCYF management team, which is in addition to some existing administrative, senior, and other staff within the Office of the Director. The team is actually comprised of 8.0 FTE positions, however, one position is financed through the Executive Office of Health and Human Services (1.0 Chief Strategy Officer) and 1.0 Chief of Strategic Planning, Monitoring, and Evaluation is budgeted within the Child Welfare division within DCYF. These increases are offset by other changes throughout the Department, including the reduction of 7.0 FTE positions within Juvenile Corrections to adjust staffing levels based on current vacancy rates, which have traditionally been high.

- **A decrease of 0.7 FTE positions in the Department of Health:** The Budget eliminates 0.7 FTE positions from the enacted level. This reflects the addition of 1.0 Senior Public Health Epidemiologist at a cost of \$121,191 to oversee population health measurement, aggregation and reporting. This position is associated with a four-year \$20.0 million State Innovation Model (SIM) grant, which will be used by the State to design, develop, and test new models of delivering and paying for healthcare. Offsetting this increase, there are also a number of other changes within the Department to reflect the common practice within the Department to modify staffing levels based upon the availability of federal grants and other funds to support the work of DOH staff. These changes result in a net reduction of 0.7 FTE positions from the enacted level within DOH.
- **A decrease of 1.0 FTE positions in the Department of Behavioral Health, Developmental Disabilities, and Hospitals:** The Budget reallocates FTE positions among programs within the Department, for a net decrease of 1.0 FTE position. This reallocation better reflects current programming and the Department's current indirect cost allocation plan.
- **An increase of 0.3 FTE position in the Office of the Mental Health Advocate:** The Budget provides a 4.0 FTE authorization for the Office of the Mental Health Advocate, reflecting a 0.3 FTE position increase to increase a part time staff attorney to full time.

Education decreases by 5.7 FTE positions. This reflects the following:

- **A decrease of 3.5 FTE positions in the Department of Elementary and Secondary Education.** The FTE decrease of 3.5 positions is due to the decrease of the 4.5 FTE federally funded Race to the Top positions offset by an increase of 1.0 FTE position for a new construction manager to assist in

developing procedures for the proposed School Building Authority Capital Fund. (The new construction manager position is discussed in the School Housing Aid section of this analysis.)

- **An increase of 17.2 FTE positions in Higher Education:** The Budget transfers 10.0 FTE positions to Public Higher Education from the Rhode Island Higher Education Assistance Authority (RIHEAA) and eliminates 12.0 FTE from RIHEAA, reflecting the elimination of RIHEAA and the transfer of its authority to the Office of Postsecondary Commissioner (OPC). The Budget also reclassifies 5.0 FTE positions from Third Party Research to General Education at CCRI, and adds 2.2 unspecified FTE positions to the OPC.
- **An increase of 2.6 FTE positions within the Rhode Island Council on the Arts.** The Budget transfers the RI Film and Television Office from the Department of Administration to an office within the Rhode Island Council on the Arts. This action shifts 2.6 FTE positions to the Rhode Island Council on the Arts.
- **A decrease of 22.2 FTE positions from the Rhode Island Higher Education Assistance Authority (RIHEAA).** The Budget transfers 10.0 FTE positions to Public Higher Education and eliminates 12.0 FTE from RIHEAA, reflecting the elimination of RIHEAA and the transfer of its authority to the Office of Postsecondary Commissioner (OPC).

Public Safety increases by 8.0 FTE positions. This includes the following:

- **An increase of 7.0 FTE positions for the Military Staff.** The Budget includes 7.0 federally-funded maintenance positions, increasing the total number of Military Staff maintenance personnel to 20.0 FTE positions to maintain over 1.0 million square feet of facility space covering 600 acres in the state.
- **An increase of 1.0 FTE position in Judiciary.** The Budget adds a 1.0 Associate Judge position which will be assigned to proceed over the Veteran's Court.

PENSION SETTLEMENT AGREEMENT

The Budget includes Article 21 that amends the statutes pertaining to the State and Municipal Retirement Systems (ERSRI and MERS) pursuant to the Pension Settlement Agreement (PSA) of 2015. The amendments make several changes to the benefits including the cost of living adjustments, annual accruals, retirement age, as well as changes to the state contribution to the defined contribution plans for certain employees. There is no fiscal impact in FY2016. The impact in FY2017 will require \$12.6 million from general revenue. Highlights of the settlement agreement include:

- The legislation provides a one-time 2.0 percent cost-of-living-adjustment (COLA) payable immediately on the first \$25,000 of pension benefit, payable to applicable retirees who retired before June 30, 2012, but does not impact the indexing of the \$25,000 for future years. In addition, the legislation provides two one-time \$500 stipends payable to all retirees who retired before July 1, 2015. One is payable 60 days after the settlement agreement is enacted and the second is payable one year later.
- The COLA payment is still contingent on the individual plan being 80.0 percent funded. However, under article 21, every 4th year, if the COLA has been suspended for three consecutive years, the COLA may occur even if the plan is less than 80.0 percent funded.
- For current retirees/beneficiaries who retired on or before July 1, 2015, the \$25,000 COLA cap will be increased to \$30,000 (indexed) for any COLA payable based on the every fourth year provision (any COLA suspended based on less than 80.0 percent funding ratio). The COLA formula will become 50.0 percent of the COLA using the previous 5-year average of investment returns, with a maximum increase of 4.0 percent; and 50.0 percent of the previous Schedule B COLA, which is the

previous year's CPI-U with a maximum increase of 3.0 percent, for a total maximum increase of 3.5 percent.

- State Workers, Teachers, and General MERS active members with more than 10-years of service but less than 20-years of service as of June 30, 2012, will receive an additional employer contribution of 0.25 percent if they had 10-15-years of service or 0.50 percent if they had 15-20-years of service.
- State Workers, Teachers, and General MERS active members with more than 20-years of service as of June 30, 2012, will receive future accruals at 2.0 percent per year and will no longer contribute into the defined contribution plan. These State Workers and Teachers will pay a higher member contribution rate of 11.0 percent of pay. For general MERS members, the member contribution rate will be 8.25 percent or 9.25 percent of pay depending on whether the unit has a COLA provision.
- All current and future state workers, teachers, and general MERS active members will be eligible to retire with full benefits at the earlier of their current Rhode Island Retirement Security Act of 2011 (RIRSA) date or upon the attainment of age 65 with 30 years of service, age 64 with 31 years of service, age 63 with 32 years of service, or age 62 with 33 years of service.
- The Early retirement reduction for employees who choose to retire before eligible for full unreduced benefits will be based on the following schedule: 9.0 percent for year 1, 8.0 percent for year 2, 7.0 percent for each year thereafter.
- For MERS Fire current and future members can retire with full benefits at the earlier of their current RIRSA retirement age or at the attainment of age 50 with at least 25 years of service or the attainment of any age and 27 years of service. Members will pay an additional 2.0 percent member contribution rate beginning July 1, 2015.
- For MERS Fire active members (including future hires), who retire after July 1, 2015, and after attaining age 57 with 30 years of service will have a benefit equal to the greater of their current benefit or one calculated based on a 2.25 percent multiplier for all years of service.
- For MERS and for the local employer portion of the Teacher contributions, the Unfunded Actuarial Accrued Liability will be re-amortized back 4 additional years to 25. For MERS employers only, there will be a one-time option before August 1, 2015, to remain under the current amortization schedule of 21 years
- For members who will be impacted by the RIRSA part-time anti-spiking rule, if the highest 5-year average calculation is less than the \$35,000 indexed, the pension will be based on the greater of the following: (1) highest 10 year average earnings, or (2) highest 5-year earnings with an indexed \$35,000 cap
- For Correctional Officers active as of June 30, 2012 with fewer than 25-years of service as of that date, the benefit accrual will be 3.0 percent per year for years 31-35.

PERSONNEL REFORMS

The Budget includes \$5.0 million in savings from personnel reforms, and anticipates that most of the savings from personnel reforms will not require legislative action, but require negotiation with the unions related to collective bargaining agreements. The Budget does include some changes to statutory provisions pertaining to the State personnel system in an attempt to modernize the system. This includes:

Unclassified Positions: The Budget amends RIGL 36-4-2 concerning the Merit System. The Merit System refers to the statutes and rules governing the process of promoting and hiring government employees based on their ability to perform a job. The amendment adds several senior level agency positions as state employees in the unclassified service, including:

- Deputy director, chief of staff, public information officer, and legislative/policy director within the Departments of Administration.
- Director, deputy director, administrative assistant, senior policy analyst, a chief strategic planning monitoring, and evaluation positions employed under HealthSource RI.
- Executive director and deputy director in the Department of Health.
- Executive director and communications director in the Department of Labor and Training.
- Chief operating officer, administrator/division of project management, administrator/division of planning, chief of staff, communications director, legislative director, and policy director in the Department of Transportation.
- Chief of staff in the Department of Children, Youth, and Families.
- Secretary, deputy secretary, chief of staff, communications director, legislative director, and policy director in the Executive Office of Commerce.

The Budget includes a caveat that any unclassified position added by the General Assembly after January 1, 2015, and is occupied by a person in the classified service on June 30, 2015, shall remain in the classified service until the position becomes vacant. This item will not impact any collective bargaining agreement.

Director Salaries: The Budget amends RIGL 36-4-16.4 extending the time period April 30, 2015, to July 2015, for the Department of Administration to conduct a public hearing to determine the salaries of state agency directors and to refer the proposed salaries to the General Assembly by August 30, 2015. The salaries may take effect in 30 days unless formally rejected by the General Assembly. The change is only effective in 2015.

ANALYSIS OF STATE PERSONNEL SYSTEM

The Department of Administration undertook a comprehensive analysis of the State's personnel system before the close of FY2013, to recommend alternatives to the 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 Budget includes \$500,000 in the FY2015 Revised Budget and another \$500,000 in the FY2016 Budget to fund an Employee Classification Study and an Employee Compensation Study. The goal of the Employee Classification Study is to restructure the State employee classification system and develop a new system that clearly defines jobs, has a more understandable job classification system, and contains up-to-date position descriptions. The goal of the

Employee Compensation Study is to review the State's current compensation system and to develop appropriate method to identify the labor market for the job classification comparison and to determine the right job compensation for the job classification with the goal of attracting and retaining quality employees. The new plan will establish performance standards and appropriate assessment measures for each class of positions.

STATE EMPLOYEE CONTRACT AGREEMENT

On April 10, 2014, the State entered into an agreement with state employee bargaining units for a proposed 4-year contract that provides three 2.0 percent cost-of-living (COLA) increases.

The current agreement is projected to increase general revenue expenditures by \$24.3 million in FY2015 (reflecting one quarter) and \$42.9 million in FY2016. General revenue comprises approximately 50.0 percent of the total personnel costs.

COST-OF-LIVING ADJUSTMENTS

Prior to the April 10, 2014, agreement, the last COLA adjustment (6.0 percent total) was given to state employees in two installments occurring January 2, 2011, and June 19, 2011.

Beginning July 1, 2011, the State no longer gives longevity increases for non-union state employees. Longevity benefits for unionized state employees ceased upon the expiration of the bargaining unit contracts on June 30, 2012.

The Salary Schedules include various pay grades and within those pay grades there are individual steps (usually 4 to 5 steps) which represent an employee's "Base Rate" salary. The 2.0 percent COLA will be added to the Salary Schedules thereby adjusting each of the pay steps within the various pay grades to create a new "Base Rate". Longevity is not part of the Base Rate, rather it is the percentage that was in effect on June 30, 2011, for nonunion employees/June 30, 2012, for union employees), and applied to the Base Rate to create the "Total Rate," i.e. Base Rate + Education Incentive (if any) x Longevity % = Total Rate.

| Effective Date | Percentage Increase |
|----------------|---------------------|
| 30-Jun-02 | 4.5% |
| 27-Jun-04 | 1.5% |
| 25-Jun-05 | 2.5%* |
| 26-Jun-05 | 4.0% |
| 25-Jun-06 | 3.0% |
| 24-Jun-07 | 3.0% |
| 21-Jun-09 | 2.5% |
| 2-Jan-11 | 3.0% |
| 19-Jun-11 | 3.0% |
| 6-Apr-14 | 2.0% |
| 5-Oct-14 | 2.0% |
| 4-Oct-15 | 2.0% |

Source: State Personnel Office

*Not compounded on 1.5%

State Employee Health Co-shares

Since 2005, state employees are required to pay a co-share for health insurance. The rate charged to each employee is based on a percent of premium cost and assessed by salary range. These rates increased slightly for FY2016, 15.0 percent for employees earning \$49,670 or less, 20.0 percent for employees earning \$49,670 to \$95,481, and 25.0 percent for employees earning more than \$95,481.

Family Plan Co-share – Salary Ranges

| FY2010 | Co-share | FY2011 | Co-share | Post - FY2012 | Co-share | Bi-Weekly Amount |
|-----------------|----------|-----------------|----------|---------------------|----------|------------------|
| Below \$25,000 | 13.5% | Below \$46,350 | 14.0% | Below \$49,670* | 15.0% | \$126.24 |
| 25,000 - 34,999 | 13.5% | 46,350 - 92,700 | 20.0% | \$49,670 - \$95,481 | 20.0% | 168.33 |
| 35,000 - 44,999 | 13.5% | Over \$92,700 | 25.0% | Over \$95,481 | 25.0% | 210.40 |
| 45,000 - 74,999 | 20.0% | | | | | |
| 75,000 - 89,999 | 20.0% | | | | | |
| Over \$90,000 | 25.0% | | | | | |

* Will increase to \$50,663 on 10/5/2015

Individual Plan – Salary Ranges

| FY2010 | Co-share | FY2011 | Co-share | Post - FY2012 | Co-share | Bi-Weekly Amount |
|-----------------|-----------------|-----------------|-----------------|----------------------|-----------------|-------------------------|
| Below \$45,000 | 15.0% | Below \$46,350 | 17.5% | Below \$95,481 | 20.0% | \$60.05 |
| 45,000 - 74,999 | 20.0% | 46,350 - 92,700 | 20.0% | Over \$95,481 | 25.0% | 75.07 |
| 75,000 - 89,999 | 20.0% | Over \$92,700 | 25.0% | | | |
| Over \$90,000 | 25.0% | | | | | |

Deductibles

The April 10, 2014, contract agreement creates new deductibles on state employee health insurance. Effective January 1, 2015, the medical deductibles will be \$250 for an individual plan and \$500 for a family plan. In addition, the agreement increases the point of service co-payments effective the first pay period after June 29, 2014, for medical appointments and service. This is the first increase since 2008.

| Point of Service | | 5/1/2005 | 10/1/2008 | 7/1/2014 |
|---|--------|-----------------|------------------|-----------------|
| Primary Care | | \$10 | \$10 | \$15 |
| Specialist Visit | | 10 | 20 | 25 |
| Urgent Care | | 10 | 35 | 50 |
| Emergency Co-payment (waived if admitted) | | 25 | 100 | 125 |
| Pharmacy | Tier 1 | 5 | 5 | 7 |
| | Tier 2 | 12 | 20 | 25 |
| | Tier 3 | 30 | 40 | 45 |

FY2015 Revised Budget

| Expenditures by Sourc | FY2014 * al | FY2015 Enacted | FY2015 Revised | Change to Enacted | % Change |
|------------------------------|--------------------|-----------------------|-----------------------|--------------------------|-----------------|
| General Revenue | \$3,336.4 | \$3,445.2 | \$3,476.6 | \$31.5 | 0.9% |
| Federal Funds | 2,676.2 | 3,086.5 | 3,051.2 | (35.3) | -1.1% |
| Restricted Receipts | 222.1 | 283.1 | 283.6 | 0.6 | 0.2% |
| Other Funds | 1,820.7 | 1,965.4 | 1,919.7 | (45.7) | -2.3% |
| Total | \$8,055.4 | \$8,780.2 | \$8,731.2 | (\$49.0) | -0.6% |

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

| Expenditures by Function | | | | | |
|---------------------------------|------------------|------------------|------------------|-----------------|--------------|
| General Government | \$1,456.8 | \$1,513.4 | \$1,518.4 | \$5.0 | 0.3% |
| Human Services | 3,335.3 | 3,743.1 | 3,720.4 | (22.7) | -0.6% |
| Education | 2,287.4 | 2,360.9 | 2,351.8 | (9.1) | -0.4% |
| Public Safety | 490.5 | 528.8 | 534.5 | 5.7 | 1.1% |
| Natural Resources | 83.9 | 108.8 | 116.6 | 7.8 | 7.2% |
| Transportation | 401.5 | 525.1 | 489.5 | (35.7) | -6.8% |
| Total | \$8,055.4 | \$8,780.2 | \$8,731.2 | (\$49.0) | -0.6% |

| | | | | | |
|--------------------------|-----------------|-----------------|-----------------|-------------|-------------|
| FTE Authorization | 15,100.3 | 15,086.0 | 15,100.7 | 14.7 | 0.1% |
|--------------------------|-----------------|-----------------|-----------------|-------------|-------------|

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

The FY2015 Revised Budget totals \$8,731.2 million, of which \$3,476.6 million (39.8 percent) is general revenue. The Budget is \$31.5 million more in general revenue expenditures as compared to the FY2015 Budget as Enacted. The additional funding for general revenue is largely due to increased spending for human services (an increase of \$36.3 million) and public safety (\$14.7 million). These increases were made possible due to a number of factors, including the results of the May 2015 Revenue Estimating Conference, which increased available general revenues for the State by \$105.5 million, and a delay in debt issuance (\$25.0 million). The \$35.3 million decrease in federal funding is primarily attributable to lower enrollment in the Medicaid expansion program, based upon the results of the May 2015 Caseload Estimating Conference.

FY2015 Revised Budget - General Revenue Adjustments

| Expenditures | Change to Enacted |
|--|--------------------------|
| Reappropriations from FY2014 | \$7.4 |
| Caseload Conference Changes (Nov. and May) | 20.1 |
| Other Expenditures Changes (department-wide) | 18.3 |
| Suspend Retirement Fund Transfer | (14.2) |
| Total | \$31.5 |
| Revenues | |
| Additional Opening Surplus Funds | \$8.6 |
| Revenue Conference Changes (Nov. and May) | 121.3 |
| Reappropriations from FY2014 | 7.4 |
| Hospital License Fee Increase | 1.1 |
| Other Revenue Changes (department-wide) | 11.2 |
| Total | \$149.6 |
| FY2015 Enacted Free Surplus | \$0.6 |
| Additional Free Surplus | 118.0 |
| FY2015 Revised Free Surplus | \$118.6 |

\$ in millions

DEPARTMENT OF ADMINISTRATION***Delay Debt Issuance*** ***(\$26.1 million)***

The Budget decreases general revenue debt service by \$26.1 million from a delay in issuing general obligation bonds and certificates of participation.

Reappropriations from FY2014 ***\$1.6 million***

The Budget shifts \$1.6 million in unspent general revenue from FY2014 to FY2015. This includes \$615,901 for the I-195 Redevelopment District, \$527,000 for an e-permitting project, and \$223,218 for housing rental subsidies. The Budget also funds the completion of the classification and compensation personnel study, which includes \$280,000 in reappropriated funds from FY2014 and an additional \$220,000 in general revenue for a total of \$500,000 in FY2015.

Debt Service – School for the Deaf ***(\$1.2 million)***

The Budget shifts \$1.2 million in general revenue certificates of participation debt service payments for the Rhode Island School for the Deaf from FY2015 to FY2016.

Snow Removal ***\$881,525***

The Budget includes \$881,525 in general revenue to cover the Department's unanticipated expenditures for snow removal as a result of this past winter's severe storms.

Municipal Road and Bridge Revolving Fund (other funds) ***\$6.4 million***

The FY2015 Revised Budget includes \$6.4 million from bond premiums that is transferred to the Municipal Road and Bridge Revolving Fund. Loans to municipalities began in FY2014, and future capitalizations combined with the revolved funds allow state-sponsored financing for road and bridge projects on an ongoing basis. This fund is administered by the Rhode Island Clean Water Finance Agency (CWFA), which is renamed the Rhode Island Infrastructure Bank in September 2015.

Judicial IT Systems (restricted receipts) ***\$1.5 million***

The Budget includes \$1.5 million from the Information Technology Investment fund for a new Judicial Case Management System and an E-Filing System. The new systems will integrate information throughout the Judiciary and diminish the requirement for paper storage of case materials as all the information will be stored electronically.

EXECUTIVE OFFICE OF COMMERCE***Turnover*** ***(\$114,330)***

The Budget decreases general revenue by \$114,330 based on projected turnover savings for Commerce.

DEPARTMENT OF LABOR AND TRAINING***Summer Youth Program*** ***(\$431,444)***

The Budget shifts \$431,444 for a subsidized summer youth employment program from general revenue to federal Temporary Assistance to Needy Families (TANF) funds, thereby increasing federal expenditures by \$431,444. Prior to this shift, the Department relied on general revenue from other job development programs.

Police and Fire Relief ***\$135,724***

The Budget adds \$135,724 in general revenue to fund a statutory one-time death benefit payment to the family of a deceased law enforcement officer whose death is attributable to an in-line-of-duty injury in December 2014. Per RIGL 45-19-4.3, the officer's family is entitled to a one-time death benefit equal to 40.0 percent of the federal death benefit for law enforcement officers killed in the line of duty. The current federal benefit is \$339,310, of which 40.0 percent equates to \$135,724.

OFFICE OF THE GENERAL TREASURER***Unclaimed Property (restricted receipts)* **\$4.4 million****

The Budget increases restricted receipt expenses by \$4.4 million to reflect a transfer to the state 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 2015 Revenue Estimating Conference.

Special Legal Counsel (restricted receipts)* **\$1.4 million*

The Budget adds \$1.4 million in restricted receipts for special legal services regarding litigation associated with the 2011 pension reform. The enacted budget included \$200,000; however, the 2015 Pension Settlement Agreement accelerated the need for legal services FY2015.

Accounting and Audit Services (restricted receipts)* **\$150,000*

The Budget adds \$150,000 in restricted receipts for actuarial services to complete a review of municipal retirement systems in FY2015, increasing the total appropriation for actuarial services to \$300,000.

BOARD OF ELECTIONS***Public Financing of General Elections – Public Matching Funds Program* **\$511,072****

The Budget includes \$620,273 in additional general revenue for the Public Financing of General Elections Public Matching Funds Program. This increase is offset by a reduction of \$109,201 in general revenue for operating expenses within the Board of Elections.

DEPARTMENT OF REVENUE***Groundfish Disaster Funding Grant (federal funds)* **\$1.4 million****

The Budget includes \$1.4 million in federal funds to provide direct assistance to qualifying fishery participants from the Groundfish Disaster Funding grant. This grant will support payments of \$32,500 each to 43 eligible permit holders. Funding is housed in the Division of Taxation through a memorandum of understanding (MOU) with the Department of Environmental Management. Grants will not be transferred to participants if they have an outstanding tax liability with the State.

OFFICE OF HEALTH AND HUMAN SERVICES***May 2015 Caseload Estimating Conference* **(\$16.7 million)****

The Conference reduced estimated FY2015 caseload general revenue expenditures by \$16.7 million, primarily due to lower than anticipated costs associated with Hepatitis C treatment. All funds expenditure estimates for FY2015 were reduced by \$154.5 million, primarily due to lower estimates of the cost for persons enrolled in the Medicaid expansion program.

Graduate Medical Education* **\$1.0 million*

The Budget adds funding for the Graduate Medical Education Program at academic medical centers that provide inpatient care to at least 25,000 indigent patients each year, have a Level 1 Trauma Center, and provide medical education to at least 250 interns and residents per year. Rhode Island Hospital is currently the only hospital that meets these criteria. The general revenue funding also leverages \$1.0 million in additional federal grants.

Unified Health Infrastructure Project* **Informational*

The Unified Health Infrastructure Project (UHIP) is funded with Information Technology Investment Fund (ITIF) funding and general revenue totaling \$12.8 million in FY2015 (an increase of \$4.4 million in state funds from the ITIF over the FY2015 Enacted Budget). Cost of the project has increased from

\$150.5 million to a current estimate of \$230.8 million. This increase has been driven primarily by the contract with Deloitte for the design and implementation of technology associated with the project build.

DEPARTMENT OF CHILDREN, YOUTH, AND FAMILIES

System of Care Networks

\$8.8 million

The Budget funds the System of Care network contracts at a combined total of \$81.9 million in FY2015. This is an increase of \$10.0 million from all fund sources (\$8.8 million in general revenue) from the enacted level, and \$10.6 million more than the current combined contract amount. This increase is reflective of composition of current caseloads. Both networks experienced an increase in the number of youth in more costly, high end residential placements than was projected at the inception of the two System of Care networks. As of April 20, 2015, there were a total of 820 youth involved with the SOC networks, or 75 youth more than initial projections for out-of-home placements used to build the initial System of Care network contracts and budgets.

Third Quarter Report - Deficit

\$1.0 million

The Budget adds \$1.0 million (\$967,562 from all fund sources) to offset overspending identified in the Department's third quarter report for FY2015. Although there are various drivers resulting in the variance between the Governor's recommended budget and the Department's actual expenditure trends in the current fiscal year, DCYF's overspending is primarily attributable to increased costs for reimbursements for families with foster children and a lower level of federal reimbursement for other costs.

DEPARTMENT OF HEALTH

Poison Control Center

\$150,000

The Budget provides a total of \$200,000 from all fund sources (\$150,000 in general revenue) to fully fund the State's contract with the Regional Poison Control Center. This is an increase of \$150,000 in general revenue from the enacted level, and offsets a loss in federal funds that previously supported the program.

The PCC serves both Massachusetts and Rhode Island, with funding from federal, state, and other sources. According to DOH, Rhode Island Hospital funded the entire cost of poison control in the 1990s. Most recently, from FY2007 to FY2014, DOH allocated \$200,000 from the Center for Emergency Preparedness and Response (CEPR) grant to the PCC. However, due to federal funding reductions, alternative funding sources have been identified.

State Revolving Fund Administration (federal funds)

\$2.6 million

The Budget shifts funds associated with the administration of a state revolving fund from restricted receipts to federal funds to ensure compliance with federal requirements (\$2.6 million). The Department of Health (DOH) receives a portion of funding from a Clean Water Finance revolving fund to offset the costs of administering the clean water drinking program. This item shifts administrative costs funded by this revenue stream from a restricted receipt account to a federal funds account to comply with federal reporting requirements.

Women's Cancer Screenings (federal funds)

\$21,908

The Budget adds \$21,908 in federal funds to reflect actual awards received for women's cancer screenings. This program provides screenings for breast and cervical cancer for low income women who may be uninsured, underinsured, cultural minorities, or disabled.

DEPARTMENT OF HUMAN SERVICES

SNAP Penalty

\$341,675

The Budget includes nearly \$350,000 in additional funding to offset the cost of a federal penalty associated with the Supplemental Nutrition Assistance Program (SNAP). A penalty is assessed when

DHS exceeds the national average, or target error rate for a given fiscal year. For FFY2013 the target was 3.20 percent, however, DHS incurred an error rate of 8.25 percent and thereby exceeding its target rate. This will be the third consecutive penalty associated with SNAP for DHS.

Analyst's Note: Based upon its FFY2013 performance, DHS was assessed a SNAP penalty of \$638,350, however, it was permitted to set half of the penalty amount aside "at-risk" and internally reinvest the remaining half to improve its SNAP performance, which is determined by the accuracy of benefits disbursed. The "at-risk" portion is only due to the federal government in the event that DHS does not improve its FFY2014 performance.

In June 2015, DHS received notice from the federal government that it is no longer in penalty status based on its FFY2014 performance, and will therefore not be required to make payment. However, DHS will internally reinvest \$341,675 to improve the accuracy of SNAP benefits awarded, and this amount is reflected in the FY2015 Revised Budget.

Caseload Estimating Conference (\$197,561)

The Budget adjusts cash estimates based upon the results of the May 2015 Caseload Estimating Conference and reduces general revenues by \$197,561 and federal funds by \$1.5 million (all funds reduction of \$1.7 million). The general reduction is primarily attributable to a reduced number of persons eligible for SSI as well as reduced monthly cost per person. The federal funds reduction is primarily due to a reduction in persons and the monthly cost per person for the RI Works program.

GPA Hardship (\$117,250)

Consistent with testimony provided by DHS during the May 2015 Caseload Estimating Conference (CEC), the Budget reduces funding for the General Public Assistance (GPA) Hardship Contingency Fund by \$117,250 to \$92,750. This fund is intended as the benefit of last resort for Rhode Islanders who do not qualify for Rhode Island Works or Supplemental Security Income. This benefit is authorized in law, and the funding level is outside of the caseload estimating conference.

DHS projected an average of 107 persons will receive assistance from this Fund in FY2015, representing a decline of nearly 20 individuals from the prior year. DHS also indicated that as the monthly benefit has declined from \$200 to \$100, so has the number of individuals seeking to apply for funds. Recipients must reapply for assistance each month and are approved on a case-by-case basis, as determined by the director of DHS.

DEPARTMENT OF BEHAVIORAL HEALTHCARE, DEVELOPMENTAL DISABILITIES, AND HOSPITALS

Services for the Developmentally Disabled – FY2015 Deficit \$4.2 million

The Budget includes \$4.2 million in additional general revenue funding (\$7.8 million all funds) for services for individuals with developmental disabilities. Enacted funding was insufficient due to an increase in caseload and a change in service mix towards more expensive services as mandated by the federal Department of Justice's consent decree. Due to procurement delays experienced by OHHS, the electronic visit verification program has not been implemented and savings have not been realized, further adding to the program's deficit.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

Teacher Retirement (\$908,714)

Teacher Retirement costs are reduced by \$908,714 due to a lower-than-projected wage base as calculated from November 2014 wage data.

Personnel Savings (\$686,531)

The Budget reduces general revenue funding for the Department by \$686,531 to reflect savings from holding vacant positions open longer than anticipated.

Education Aid **(\$160,151)**

Education aid is reduced by \$160,151 due to non-public textbook savings of \$124,255 and a mid-year adjustment for a charter school saving \$110,896, partially offset by an increase in group home bed costs of \$75,000 in Burrillville (\$60,000 for 4 beds) and Pawtucket (\$15,000 for one bed).

Davies Asset HVAC (RICAP) **(\$1.4 million)**

The Budget decreases RICAP funding for the Davies HVAC project by \$1.4 million to reflect the current project schedule. This project replaces and repairs the HVAC system at the Davies Career and Technical Center. The existing equipment is over 30 years old, is inefficient, and is contributing to air quality issues in a number of areas in the building. The original submission includes \$1.5 million in FY2015 and \$395,000 in FY2016; however, the funding will not be needed until April 2016, with the major construction occurring between June and September of 2016. The Budget shifts \$1.4 million from FY2015 into FY2016 through FY2018 to reflect the updated project schedule, while leaving the total project funding intact.

Woonsocket Career and Technical School Project (RICAP) **(\$1.0 million)**

The Budget reduces RICAP funding for the Woonsocket Career and Technical School project by \$1.0 million to reflect the delayed project schedule. This project replaces the roofing system and makes other improvements to meet building code requirements at the state-owned, Woonsocket Career and Technical Center. Both the roof and the HVAC system are original to the building and over 40 years old. Although the Department did not have an agreement with Woonsocket to transfer ownership of the facility, \$56,950 was spent on feasibility study in 2012 focusing on the roof and HVAC system. Woonsocket is not willing to accept ownership of the building in its current condition. The City has completed a facility assessment to determine the cost of repairing the building. The original submission includes \$1.0 million in RICAP funds in FY2015, \$1.0 million in FY2016, and \$1.2 million in FY2017 in RICAP funds for this project. The Budget shifts \$1.0 million in RICAP funds from FY2015 to FY2018.

Race to the Top Early Learning Challenge Grant (federal funds) **\$1.0 million**

The Budget increases federal funding for the Race to the Top Early Learning Challenge grant by \$1.0 million to provide funding for an accelerated program schedule. In December 2011, Rhode Island was awarded a Race to the Top - Early Learning Challenge grant for \$50.0 million over four years. The focus of the grant is to improve access to early learning programs as a strategy to close the preparation gap among children entering kindergarten. The federal grant supports work to expand the child-care program quality-rating system, provide professional development for individuals working in early-learning programs, build upon the statewide data system to monitor students from birth through their college years, and develop a statewide kindergarten assessment. This program ends December 31, 2015.

HIGHER EDUCATION**Office of the Postsecondary Commissioner** **\$927,853**

The FY2015 Budget as Enacted cut \$500,000, which was approximately 50.0 percent of the FY2014 Budget as Enacted, from the Office of the Postsecondary Commissioner. The cut was made with the expectation that the Commissioner would prepare a plan for the reorganization of the Office, along with a supplemental budget request for the second half of the year. The FY2015 Revised Budget reflects 2.2 new FTE positions, a reorganization of the function of the office, as well as funding for the second half of the year

| FTE | FY2015 Enacted | FTE | FY2015 Revised |
|------------|--|------------|------------------------------------|
| 1.0 | Associate Commissioner | 1.0 | Director of PK-20 Affairs |
| 1.0 | Assistant Commissioner | 1.0 | Director of Workforce Development |
| 1.0 | Administrative Assistant to the Commissioner | 1.0 | Board Meeting Ombudsman |
| | | 2.0 | Research Associate/Data Analyst IV |
| | | 0.2 | Education Specialist II |
| 3.0 | | 5.2 | |

Senior Standard Medical Information System **(\$68,132)**

The Budget discontinues \$68,132 in general revenue funding for Senior Standard Medical Information System, a community service grant received by the University of Rhode Island. Funding was granted to ER Card LLC, which developed an electronic personal health records system to support this program. This company ceased operations in June 2014. The College of Pharmacy, which administered this grant, has determined that there are no other companies who can provide this service.

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY

Grants and Scholarship Program (federal funds) **(\$4.1 million)**

For FY2015, the General Assembly appropriated \$4.1 million from the Guaranty Agency Reserve funds to replace \$4.1 million in general revenue for the Authority's grants and scholarship program. The Budget eliminates the requirement that RIHEAA fund \$4.1 million in scholarships using funds from the Guaranty Agency Reserve in FY2015. This reduces the amount available for scholarships from \$12.1 million to \$8.0 million, which reduces the maximum grant award from \$750 per student to \$500 per student.

ATTORNEY GENERAL

Turnover and Operating Savings **(\$184,000)**

The Budget reduces general revenue funding by \$184,000 to reflect current year savings associated with personnel and operating. The Department has averaged 6.2 vacant FTE positions for the fiscal year.

DEPARTMENT OF CORRECTIONS

Cost-of-Living Adjustments **\$4.6 million**

The Budget includes \$4.6 million in general revenue funding for estimated cost-of-living adjustments (COLA) for the anticipated salary and benefits increase that all members of the Rhode Island Brotherhood of Correctional Officers will receive once a contract has been finalized. The increase includes \$2.2 million in FY2015 and assumes retroactive pay of \$1.4 million for FY2014 which was not accrued during the FY2014 fiscal year. The increase assumes a 2.0 percent COLA, consistent with the adjustments other state employees recently received. RIBCO is currently in contract negotiations with the State.

Overtime **\$3.9 million**

The Budget includes \$3.9 million in additional general revenue for costs associated with Correctional Officer (CO) overtime. Overtime averaged 2,963 hours above the budgeted cap of 16,097 hours per pay period. This is in part due to the reopening of two inmate housing modules that were assumed to be closed in the enacted budget and \$389,000 in overtime costs incurred during the January 27, 2015, blizzard

Increased Inmate Population Expenditures **\$1.5 million**

The Budget includes \$1.5 million for operating expenses due to an increase in average daily inmate population from the enacted level of 3,170 to 3,192 for FY2015, or 69 inmates (2.2 percent). Operating

expenditures increase for food (\$336,099); inmate clothing (\$100,069); pharmaceuticals (\$463,742); medical supplies (\$38,801; and contract services (\$462,843).

Correctional Officer Training Class ***(\$702,000)***

The FY2015 Revised Budget does not fund a correctional officer training class due to the ongoing U.S. Department of Justice lawsuit over bias in testing materials used by DOC; however, the Budget funds recruitment activities (marketing and advertising) in FY2015 (\$104,000).

JUDICIARY

Case Management Vendor Payments (restricted receipts) ***\$473,625***

The Budget includes \$473,625 in additional restricted receipts to allow the Judiciary to make payments to the vendor managing its case management system, Tyler Corporation. A total of \$1.1 million will be required, based on the Judiciary's estimate of 64,000 cases to be filed at \$17.50 per case payable to the vendor.

Veterans Grant – District Court (federal funds) ***\$218,803***

The Budget increases federal funds by \$218,803, reflecting the first year of a new Veterans Grant which will be used by the Judiciary to expand outreach to an estimated 250 additional veterans as part of its Veteran's Court activities. The new activities will focus on a jail diversion program and substance abuse issues of veterans appearing before the court.

MILITARY STAFF

Personnel and Operating ***\$50,000***

The Budget adds \$50,000 in restricted receipts for the Google Counter Drug account that is used for training and equipment purchases as authorized by the U.S. Department of Justice, increasing the appropriation to \$138,300.

DEPARTMENT OF PUBLIC SAFETY

Cost-of-Living Adjustments ***\$1.4 million***

The Budget increases general revenue funding by \$1.4 million for estimated cost-of-living adjustments (COLA) for the anticipated salary increase to be awarded once the Rhode Island Trooper Association contract has been finalized. The assumed salary increase is consistent with the COLA (2.0 percent) other state employees recently received. A total of approximately \$800,000 was accrued in FY2014 assuming that an increase would most likely be awarded in FY2015. The State Police are currently in contract negotiations with the State.

Shift Fire Academy Positions to General Revenue ***\$308,351***

The Budget adds \$308,351 in general revenue to fund personnel costs in the Fire Marshal program. The Governor's budget included these costs under a restricted receipt account (Fire Academy Training Fees) in the Fire Marshal program to finance the Director of Fire Training, a Fire Safety Training Officer, a Clerk Secretary and 20.0 percent of the cost of the Fire Marshal position.

Grants Administration Personnel (federal funds) ***\$82,872***

The Budget includes \$82,872 in federal funds for a grant awarded to cover personnel costs in the Grants Administration Office.

Sex Offender Registry Grant - State Police (federal funds) ***\$50,619***

The Budget increases federal funds by \$50,619 associated with the Sex Offender Registry grant. These funds represent unexpended grant awards from prior years. The timeline for using these funds has been extended.

Byrne Grant - Muni Police Training Academy (federal funds) \$28,000

The Budget includes \$28,000 in federal Byrne Grant funds to conduct training and pay instructor fees at the Municipal Police Training Academy.

OFFICE OF PUBLIC DEFENDER**Turnover and Operating Savings (\$100,000)**

The Budget reduces general revenue funding by \$100,000 to reflect current year savings associated with personnel and operating. The Office has averaged 5.0 vacant FTE positions for the fiscal year.

DEPARTMENT OF ENVIRONMENTAL MANAGEMENT**Unachieved Turnover \$850,000**

The FY2015 Budget as Enacted increased statewide turnover by 3.5 percent, which equated to \$850,000 in general revenue within the Department of Environmental Management. The Department was unable to achieve this turnover target, and as a result, the Budget adds \$850,000 in FY2015.

WWII State Park (\$250,000)

The FY2015 Budget as Enacted included \$250,000 for the first year of a five-year initiative to transfer maintenance and operation of the World War II State Park from the State to Woonsocket following the completion of a project to revitalize the park using Rhode Island Capital Plan (RICAP) funds. The memorandum of understanding also requires \$2.6 million in RICAP funding in FY2015 to revitalize the World War II Memorial State Park in Woonsocket. RICAP funds will be used to replace the existing empty pond with a splash-park. Also included in the project are upgrades to the water, sewer, storm water, and electrical systems; new curbing, walkways, and landscaping; and replacement of the pedestrian bridge, benches, playground, and fencing. The architectural plans are already prepared and the project is expected to be completed in December 2015. Since the park will not be operational in FY2015, the \$250,000 in annual operating funds was delayed until FY2016; consequently, the State will make payments to Woonsocket in FY2016 through FY2020.

DEPARTMENT OF TRANSPORTATION**Infrastructure Engineering Program Federal Highway Funds (federal funds) \$35.0 million**

The Budget increases federal funding from the Department's Federal Highway Program by \$35.0 million. Since the Governor's original budget submission, additional reimbursements has been received for ongoing projects from the Federal Highway Administration.

Winter Maintenance (federal funds) \$6.2 million

The Budget adds \$6.2 million for winter maintenance, including private vendors conducting snow plowing operations, materials such as liquid deicers, sand and salt, and vehicle repairs, maintenance and fuel costs incurred during winter storm operations. During the winter of 2014/2015, 76 inches of snow fell. Thirty-one storms were recorded, and 673 hours were spent treating and clearing the roads. This is in comparison to 437 hours and twenty-two storm events during the prior winter season.

National Highway Traffic Safety Administration Grants (federal funds) \$3.7 million

The Budget adds \$3.7 million for new and existing federal Highway Traffic Safety Administration (NHTSA) grants that the Department has received, as follows:

| Grant Name | Amount |
|---------------------------|--------------------|
| DWI or DUI Offenders | \$2,000,000 |
| Seatbelt Grant | 1,000,000 |
| Alcohol Impaired Driving | 350,000 |
| Child Safety Seat Grant | 200,000 |
| Motorcyclist Safety Grant | 100,000 |
| Occupant Protection Grant | 10,000 |
| Total | \$3,660,000 |

RIDOT Gas Tax Adjustment (other funds) **\$1.8 million**

The Budget increases assumed gas tax funding by \$1.8 million. An estimate provided by the Department of Revenue increases the per-penny yield of the gas tax from \$4,299,099 to \$4,397,823, an increase of \$98,724 per penny. RIDOT receives 18.25 cents of the 33.0 cent gas tax, 2.0 cents of which is set aside for repayment of Motor Fuel Tax Revenue bond debt. The per-penny increase results in additional \$1.6 million for department operations and \$197,448 for debt service on the Motor Fuel Tax Revenue bonds for the GARVEE program.

Rhode Island Highway Maintenance Account (other funds) **(\$1.5 million)**

The Budget decreases funding to the Rhode Island Highway Maintenance Account (HMA) by \$1.5 million, reflecting adjustments to the various revenue sources deposited into the account, including a decrease of \$1.7 million in emission inspection sticker fees, an increase of \$214,755 in motor vehicle title fees, and an increase of \$39,672 in rental car surcharges.

Third Party Payments (restricted receipts) **\$1.3 million**

The Budget adds \$1.3 million to the Department's third party account. These are payments received from municipalities for work done by the Department on their behalf.

RITBA Gas Tax Adjustment (other funds) **\$345,534**

The Budget increases assumed gas tax funding for the Rhode Island Turnpike and Bridge Authority by \$354,534. An estimate provided by the Department of Revenue increases the per-penny yield of the gas tax from \$4,299,099 to \$4,397,823, an increase of \$98,724 per penny. RITBA receives 3.5 cents of the 33.0 cent gas tax, resulting in a revenue gain of \$354,534 in FY2015.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

RIPTA Gas Tax Adjustment (other funds) **\$962,559**

The Budget increases assumed gas tax funding by \$962,559 for the Rhode Island Public Transit Authority. An estimate provided by the Department of Revenue increases the per-penny yield of the gas tax from \$4,299,099 to \$4,397,823, an increase of \$98,724 per penny. RIPTA receives 9.75 cents of the 33.0 cent gas tax, resulting in a revenue gain of \$962,559 in FY2015.

FY2015 REVISED REVENUES

National Grid Energy Rebates **\$1.3 million**

The Budget includes \$1.3 million in Energy Efficiency Rebate (EER) program rebates. EER is administered by National Grid and is funded through a surcharge on customers' electric and gas bills to incentivize residential homeowners and businesses to make investments in energy saving equipment. In 2009, the State began to replace obsolete and energy inefficient equipment for structures located at the Pastore Center complex and at the Zambarano Hospital and applied for these rebates through the EER program.

Transfer of Urban Institute Work Support Strategies Grant***(\$364,341)***

The Budget transfers the Urban Institute Work Support Strategies Grant from general revenue to restricted receipts to permit increased monitoring and tracking of expenditures related to the grant (\$364,341). This grant provides personnel, technical assistance and other resources to streamline access to work support benefits such as child care, SNAP, subsidized employment and workforce training within the Department of Human Services.



ARTICLES

Article 1: Relating to Making Appropriations in Support of FY2016

Article 1 outlines the appropriation amounts from all fund sources for FY2016. In most cases, the appropriations are by fund source at the program level in each department or agency. The article includes the FTE position authorizations by department or agency. Other sections of the article permit the Governor to transfer any associated FTE positions in the event that a function of a department or agency is transferred to another department or agency; outline the use of contingency funds; out-year appropriation changes for Rhode Island Capital Plan Fund projects; expenditure limits for internal service funds; and disbursements of Lottery, Temporary Disability Insurance, Employment Security, and University and College Funds.

This article also:

- Authorizes debt payments for the I-195 Redevelopment District Commission loan.
- Sets the airport impact aid formula.
- Requires student financial aid at the University of Rhode Island (URI), Rhode Island College (RIC), and the Community College of Rhode Island (CCRI) not fall below the 2014-2015 level. However, the institutions will be increasing tuition for the first time in three years, and the Budget does not prohibit tuition increases as in previous years.
- Caps at \$932,340 the amount the Judiciary may charge five state agencies (Public Defender's Office; Office of the Attorney General; Department of Corrections; Department of Children, Youth, and Families; and Department of Public Safety) for public courthouse occupancy costs.
- Requires Rhode Island Housing to continue to support the Neighborhood Opportunities Program, but does not specify the amount. RI Housing is also required to report to the Director of Administration, chair of the Housing Resources Commission, State Budget Officer, and the chairs of the House and Senate Finance Committees the number of housing units produced and funding allocated. The Budget does not specify the reporting timeline for this requirement.

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, 2016.

| Expenditures by Source | FY2014 Final | FY2015 Enacted | FY2016 Enacted | Change to Enacted | % Change |
|-------------------------------|---------------------|-----------------------|-----------------------|--------------------------|-----------------|
| General Revenue | \$3,336.4 | \$3,445.2 | \$3,552.0 | \$106.8 | 3.1% |
| Federal Funds | 2,676.2 | 3,086.5 | 2,947.3 | (139.2) | -4.5% |
| Restricted Receipts | 222.1 | 283.1 | 245.5 | (37.6) | -13.3% |
| Other Funds | 1,820.7 | 1,965.4 | 1,920.7 | (44.8) | -2.3% |
| Total | \$8,055.4 | \$8,780.2 | \$8,665.4 | (\$114.8) | -1.3% |

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

In addition, Article 1 provides for the annual appropriation of the Contingency Fund, Temporary Disability Insurance Funds (TDI); Employment Security (UI Trust Fund); University and College Funds; and allows the appropriation of Lottery Division funds for award winnings during FY2016.

Article 1 establishes 12 specific, capped internal service accounts to permit reimbursement of costs for work or other services performed by certain departments or agencies for any other department or agency. Reimbursements may only be made up to the expenditure cap for each account, as outlined on the following page.

| Internal Service Account | FY2015 Enacted | FY2016 Enacted |
|---|-----------------------|-----------------------|
| State Assessed Fringe Benefits | \$37,123,794 | \$38,930,194 |
| Administration Central Utilities | 14,244,902 | 17,782,800 |
| State Central Mail | 5,617,173 | 6,203,680 |
| State Telecommunications | 4,080,029 | 4,122,558 |
| State Automotive Fleet | 13,733,063 | 13,830,623 |
| Surplus Property | 2,500 | 2,500 |
| Health Insurance | 250,127,757 | 251,175,719 |
| Other Post-Employment Benefits | 63,934,483 | 64,293,483 |
| Capital Police | 1,060,301 | 1,252,144 |
| Corrections Central Distribution Center | 6,739,558 | 6,768,097 |
| Correctional Industries | 7,704,793 | 7,228,052 |
| Secretary of State Records Center | 882,436 | 813,687 |
| Total | \$405,250,789 | \$412,403,537 |

FTE POSITION CAP AND APPROVAL

Article 1 establishes the authorized number of full-time equivalent (FTE) positions for each state department and agency. Departments and agencies may not exceed in any pay period the number of authorized FTE positions shown. The article also specifies that non-general revenue funded state employees that are time limited are permitted to receive an appointment limited to the availability of a non-state general revenue funding.

Statewide, the Budget authorizes a net increase of 32.4 FTE positions from the FY2015 Budget as Enacted. Following are the changes included in the FY2016 Enacted Budget:

| Function | FY2015 Enacted | FY2015 Revised | Change to Enacted | FY2016 Enacted | Change to Enacted |
|-------------------------------|-----------------------|-----------------------|--------------------------|-----------------------|--------------------------|
| General Government | 2,298.7 | 2,307.7 | 9.0 | 2,332.8 | 34.1 |
| Human Services | 3,744.0 | 3,744.0 | 0.0 | 3,747.6 | 3.6 |
| Education | 3,890.3 | 3,896.0 | 5.7 | 3,882.0 | (8.3) |
| Public Safety | 3,221.6 | 3,221.6 | 0.0 | 3,229.6 | 8.0 |
| Natural Resources | 428.0 | 428.0 | 0.0 | 428.0 | 0.0 |
| Transportation | 752.6 | 752.6 | 0.0 | 752.6 | 0.0 |
| Subtotal | 14,335.2 | 14,349.9 | 14.7 | 14,372.6 | 37.4 |
| Higher Ed. Sponsored Research | 750.8 | 750.8 | 0.0 | 745.8 | (5.0) |
| Total FTE Positions | 15,086.0 | 15,100.7 | 14.7 | 15,118.4 | 32.4 |

Detail regarding these changes may be found in the Personnel Special Report.

CAPITAL APPROPRIATIONS

Article 1 appropriates the following amounts from the Rhode Island Capital Plan (RICAP) Fund, not otherwise appropriated, to be expended during the fiscal years ending June 30, 2017, June 30, 2018, June 30, 2019, and June 30, 2020. These amounts supersede appropriations provided for FY2016 within the FY2015 Budget as Enacted.

| Project | FY2017 | FY2018 | FY2019 | FY2020 |
|--|---------------------|---------------------|---------------------|---------------------|
| Cannon Building | \$400,000 | \$400,000 | \$250,000 | \$250,000 |
| Accessibility - Facility Renovations | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Pastore Center Rehab | 7,915,000 | 2,500,000 | 2,120,000 | 2,500,000 |
| State Office Building | 2,800,000 | 400,000 | 350,000 | - |
| Virks Building | 6,500,000 | - | - | - |
| Washington County Government Center | 750,000 | 500,000 | 500,000 | 500,000 |
| William Power Administration Buildings | 475,000 | 150,000 | 425,000 | 425,000 |
| Zambarano Utilities and Infrastructure | 1,000,000 | 250,000 | 950,000 | 100,000 |
| Asset Protection | 3,750,000 | 3,750,000 | 3,750,000 | 3,750,000 |
| Center General Asset Protection | 1,500,000 | 1,000,000 | 500,000 | 500,000 |
| Davies School Asset Protection | 150,000 | 150,000 | 150,000 | 150,000 |
| Davies HVAC | 1,435,000 | 650,000 | - | - |
| Met School Asset Protection | 100,000 | 250,000 | 250,000 | 250,000 |
| Woonsocket Career and Technical | 1,150,000 | 1,000,000 | - | - |
| Asset Protection | 875,000 | 950,000 | 950,000 | 1,000,000 |
| Joint Forces Headquarters Building | 3,000,000 | 3,000,000 | 4,100,000 | - |
| Asset Protection - CCRI | 2,732,100 | 2,799,063 | 2,368,035 | 2,439,076 |
| Knight Campus Renewal | 4,000,000 | 5,000,000 | 4,000,000 | 3,000,000 |
| Asset Protection - RIC | 3,357,700 | 3,458,431 | 3,562,184 | 3,669,050 |
| Asset Protection - URI | 7,856,000 | 8,030,000 | 8,200,000 | 8,364,000 |
| URI/RIC Nursing Education Center | 200,000 | - | - | - |
| RIC Infrastructure Modernization | 3,000,000 | 3,500,000 | 2,000,000 | - |
| Consolidated Training Academy | 5,400,000 | 3,100,000 | - | - |
| Asset Protection | 250,000 | 250,000 | 250,000 | 250,000 |
| Fire Academy Building | 1,965,000 | - | - | - |
| Dam Repairs | 1,000,000 | 1,550,000 | 1,500,000 | 1,000,000 |
| Galilee Piers | 400,000 | 400,000 | 400,000 | 400,000 |
| Marine Infrastructure/Pier Development | 1,000,000 | 1,000,000 | 1,000,000 | 900,000 |
| Newport Piers | 137,500 | - | - | - |
| Recreational Facilities | 3,094,000 | 1,700,000 | 1,550,000 | 850,000 |
| Natural Resources Offices/Visitor's Center | 300,000 | - | - | - |
| Highway Improvements | 27,200,000 | 27,200,000 | 27,200,000 | 27,200,000 |
| Total | \$94,692,300 | \$73,937,494 | \$67,325,219 | \$58,497,126 |

Subject to final General Assembly approval, any unexpended or unencumbered funds from the RICAP Fund project appropriations in excess of \$500 may be reappropriated to the next fiscal year and made available for the same purpose. Any remaining funding less than \$500 may be reappropriated at the discretion of the State Budget Officer.

NEIGHBORHOOD OPPORTUNITIES PROGRAM

This article directs the Rhode Island Housing and Mortgage Finance Corporation to provide an unspecified amount funding sufficient to support the Neighborhood Opportunities Program, which provides subsidized rental payments for low-income households in Rhode Island. The article also instructs the Corporation to provide a report to the Director of Administration, State Budget Officer and the chairs of the Housing Resources Commission, House Finance Committee, and Senate Finance Committee. This report will include a summary of the amount of funding provided to this program and the number of housing units supported.

Article 2: Relating to Debt Management Act Joint Resolution

This article serves as a joint resolution required pursuant to RIGL 35-18-1 for the issuance of debt for the infrastructure projects in the district known as “Fraternity Circle” at the University of Rhode Island (URI) and for the issuance of debt by the Rhode Island Turnpike and Bridge Authority for various repairs, renovations, and improvements to the Newport Pell Bridge, the Jamestown Verrazzano Bridge, the Sakonnet River Bridge, and the Mount Hope Bridge.

FISCAL IMPACT

Total debt service on the URI bonds, including principal and interest, is not expected to exceed \$8.1 million, or \$407,000 annually, for debt service at 5.0 percent borrowing rate over a 20 year repayment period. Payments are expected to begin in FY2016.

Debt service on the Turnpike and Bridge bonds is estimated to average approximately \$5.1 million per year, or approximately \$152.3 million in the aggregate, prior to the receipt of any federal subsidy and or assistance, at a 6.75 percent borrowing rate over a term not to exceed thirty (30) years and six months. Payments are expected to begin in FY2016.

ANALYSIS AND BACKGROUND

URI Fraternity Circle: This article serves as a joint resolution required pursuant to RIGL 35-18-1 for the issuance of debt for the infrastructure projects in the district known as “Fraternity Circle” at the University of Rhode Island. The act authorizes the issuance of not more than \$5.1 million in debt to finance improvements to water distribution and storm water management systems, gas, electric and telecommunication infrastructure, and roadways, walkways, and parking lots. Bonds will be financed through the Rhode Island Health and Educational Building Corporation (RIHEBC). Total debt service on the bonds, including principal and interest, is not expected to exceed \$8.1 million, or \$407,000 annually, for debt service at 5.0 percent borrowing rate over a 20 year repayment period. Payments are expected to begin in FY2016. Capital costs for this project are budgeted to be \$417,790 in FY2016, \$3.8 million in FY2017, and \$906,518 in FY2018.

Rhode Island Turnpike and Bridge Authority (RITBA): The article authorizes the issuance of not more than \$65.0 million in revenue bonds for the renovation, renewal, repair, rehabilitation, retrofitting, upgrading and improvement of the Pell Bridge, the Jamestown Verrazzano Bridge, the Sakonnet River Bridge, the Mount Hope Bridge, as well as working capital, capitalized interest, a debt service reserve, and the costs of issuing and insuring the bonds. Debt service on the bonds is estimated to average approximately \$5.1 million per year, or approximately \$152.3 million in the aggregate, prior to the receipt of any federal subsidy and or assistance, at a 6.75 percent borrowing rate over a term not to exceed thirty (30) years and six months. Payments are expected to begin in FY2016. Debt will be secured by a pledge of toll, transfers of motor fuel taxes, and/or other revenues.

This article also includes language establishing the rights of bondholders, providing that the State pledges to and agrees with the bond holders and note holders of the RITBA that it will not limit nor alter the rights of RITBA to fulfill agreements that it makes with its holders or bonds or notes while said notes or bonds are due and owing.

Article 3: Relating to Lease Agreements for Leased Office and Operating Space

This article provides the joint resolution pursuant to RIGL 37-6-2 (d) requesting authorization to enter into lease agreements for office space for the Department of Human Services, Department of Environmental Management, Department of Children, Youth, and Families, Office of the Public Defender, and the Office of the Secretary of State.

FISCAL IMPACT

The annual rent for these six properties is \$6.0 million and the aggregate rent is not to exceed \$59.1 million.

ANALYSIS AND BACKGROUND

This article provides the joint resolution pursuant to RIGL 37-6-2 (d) authorizing the State to enter into lease agreements for office space for the Department of Human Services, Department of Environmental Management, DCYF, Office of the Public Defender, and the Office of the Secretary of State. The individual leases include:

- This section authorizes the Department of Human Services to renew the current lease with Floyd Realty Company for 10,380 sq. ft. of space at 197-211 Buttonwoods Avenue in the City of Warwick. The current lease expires June 30, 2015. The renewed lease is a 5-year lease with an annual rent of \$104,942 (average cost per sq. ft. is \$10.42) with an aggregate rent not to exceed \$540,902 after 5 years.
- This section authorizes the Department of Human Services to renew the current lease with 57 Associates, LP for 25,812 sq. ft. of space at 77 Dorrance Street in the City of Providence. The current lease expires August 31, 2015. The renewed lease is a 5-year lease with an annual rent of \$362,659 (average cost per sq. ft. is \$15.25) with an aggregate rent not to exceed \$1.9 million after 5 years.
- This section authorizes the Department of Environmental Management to renew the current lease with Foundry Parcel 15 Associates, LLC for 126,184 sq. ft. of space at 235 Promenade Street in the City of Providence. The current lease expires July 7, 2016. The renewed lease is a 10-year lease with an annual rent of \$2.5 million (average cost per sq. ft. is \$19.95) with an aggregate rent not to exceed \$25.2 million after 10 years.
- This section authorizes the Department of Children, Youth, and Families to renew the current lease with Provident Property, LLC for 99,500 sq. ft. of space at 101 Friendship Street in the City of Providence. The current lease expires November 30, 2015. The renewed lease is a 10-year lease with an annual rent of \$2.3 million (average cost per sq. ft. is \$24.11) with an aggregate rent not to exceed \$23.0 million after 10 years.
- This section authorizes the Office of the Public Defender to renew the current lease with Forward Point, LLC for 19,777 sq. ft. of space at 160 Pine Street in the City of Providence. The current lease expires March 31, 2016. The renewed lease is a 10-year lease with an annual rent of \$461,575 in the first 5-years and not to exceed \$488,867 in the following 5-years (average cost per sq. ft. is \$24.03) with an aggregate rent not to exceed \$4.8 million after 10 years.
- This section authorizes the Office of the Secretary of State to enter into a new lease with a yet-to-be-determined property owner and location. The Office of the Secretary of State currently leases 12,152 sq. ft. of space from West River Development, LLC at 148 West River Road in the City of Providence for \$37,704 per year. The current lease expires December 31, 2015. The Office of the Secretary of State wishes to advertise a request for proposals to obtain new office space. The new

lease will be a 10-year lease with an annual rent of \$270,000 (average cost per sq. ft. is \$22.50) with an aggregate rent not to exceed \$2.7 million after 10 years.

Article 4: Relating to Division of Motor Vehicles

This article delays a statewide license plate reissuance from September 2015 until July 2016. Under RIGL 31-3-33, the Division of Motor Vehicles (DMV) is required to issue new reflective license plates for all registered vehicles beginning September 1, 2015. The requirement has previously been delayed twice.

FISCAL IMPACT

The Budget includes \$3.0 million in general revenue in the Department of Revenue (DOR) for startup costs related to the production of the new plates in FY2016.

ANALYSIS AND BACKGROUND

The Budget includes \$3.0 million in general revenue for FY2016 startup costs to begin issuing new license plates in FY2017. The delay of the reissuance to FY2017 is intended to allow the Governor's administration time to incorporate the statewide marketing campaign into the design of the new plates.

DOR anticipates producing 36,500 sets of license plates per month at a cost of \$12.50 per plate set. The Department assumes approximately 428,000 plate sets will be issued in FY2017. Any unspent funds related to the startup costs will be reappropriated to FY2017.

Analyst Note: Current law allows a \$6 per set customer fee, which will partially offset the cost per plate in FY2017.

RIGL 31-3-33 was revised in 1995 to require license plate reissuances every 10 years, and in 2009 the General Assembly required a full reissuance in 2011. This requirement has been delayed twice: In the FY2012 Budget as Enacted, the General Assembly changed the first full reissuance requirement from 2011 to 2013, and the FY2014 Budget as Enacted delayed the reissuance until September 2015.

Article 5: The Reinventing Medicaid Act of 2015

This article makes statutory changes to the Medicaid program required to realize savings included in the FY2016 Budget. The Budget's savings initiatives are based on the recommendations of the Working Group to Reinvent Medicaid, a group of twenty-nine stakeholders charged by the Governor with developing \$91.1 million in general revenue reductions for FY2016 as well as a with developing a long range plan for improving care, improving outcomes, and reducing costs of the Medicaid program.

FISCAL IMPACT

The Budget includes \$58.3 million in general revenue Medicaid reductions across the Executive Office of Health and Human Services (OHHS) agencies and \$13.0 million in additional revenue. Article 5 provides the statutory changes to the Medicaid program for, and General Assembly approval of, \$41.2 million of these savings and \$13.0 million in additional revenue.

ANALYSIS AND BACKGROUND

Nursing Home Uncompensated Costs of Care (Sections 1, 3, 7, 10, and 13). This article specifies the appeal process for patients who are being discharged from a nursing home for nonpayment of charges. It provides that the uncompensated costs of care provided by a licensed nursing facility may in some cases be recovered from a child of that patient.

Hospital Licensing Fee (Section 2; \$13.0 million additional general revenue). This article increases the hospital licensing fee from 5.703 to 5.862 percent upon net patient services revenue of hospitals for the hospital's first fiscal year ending on or after January 1, 2014, except for those hospitals located in Washington County, Rhode Island, where the hospital license fee is discounted by 37.0 percent, lowering the rate paid by Westerly and Newport Hospitals. These license fees are payable by July 11, 2016.

The hospital license fee is a provider tax that the State levies to collect revenue from hospitals. In past fiscal years, it has been used as a mechanism to generate state funds that are then matched with additional federal Medicaid funds and returned to hospitals for their care for the uninsured and indigent through the Disproportionate Share Hospital (DSH) program. The fee is federally-limited to 6.0 percent.

This increase in the fee raises an additional \$13.0 million, for total revenue of \$169.1 million in FY2016.

Hospital Definition (Sections 2, 10, and 14). The article clarifies the definition of "hospital" such that any hospital relicensed as a new entity would be considered the same entity under this definition. The definition is clarified for purposes of the hospital licensing fee, payments to hospitals for uncompensated care, and hospital rate setting.

This clarification is a result of litigation in the Rhode Island Supreme Court in which Prime-Landmark (the entity that purchased Landmark Hospital in receivership) contends that it is not subject to the established rate methodology baseline or existing managed care contracts since it is a new entity operating under a new license. The Superior Court found for the State in stating that the rate methodology statute applies to all hospitals participating in managed care, including those that transfer ownership.

However, this article provides an exemption for purchasers that have acquired hospitals through receivership or other insolvency proceedings. This exemption will enable Prime-Landmark to renegotiate its managed care rates as a new entity.

Analyst's Note: The budget adds \$715,392 in general revenue (\$1.8 million all funds) to the Medicaid program to support higher rates now able to be negotiated by Landmark/Prime due to the change in hospital definition included in Article 5.

Early Intervention and Autism Insurance Mandates (Sections 4 and 5; \$1.0 million general revenue savings). The State currently requires commercial insurers to pay for the first \$5,000 in Early Intervention

(EI) services, with Medicaid providing any additional services and expenses. The Budget removes this cap and requires insurers to cover all EI services, shifting the cost of these services to the privately-insured.

Early intervention services include speech and language therapy, occupational therapy, physical therapy, evaluation, case management, service plan development, and assistive technology services and devices for children birth to age three.

Insurers are required to cover a range of services for the treatment of autism spectrum disorders, though it currently limits insurers' coverage to the first \$32,000 in applied behavior analysis (ABA) per person per year. Medicaid currently covers any services in a calendar year above that amount. The article removes the current cap on ABA services, thus requiring insurers to cover all of these services and shifts the cost from Medicaid to the privately-insured.

Applied behavior analysis is a form of behavioral modification, whereby skills are taught so that autistic children can achieve the greatest degree of independence and the highest quality of life possible. It typically involves the repetition and reinforcement of small behavior sub-skills until mastery.

Medicaid Recovery Reporting (Section 6). OHHS is required to report in more detail its estate recovery efforts. Included in its testimony at the semi-annual Caseload Estimating Conference, OHHS is to report on the number of estates attached to anticipated collections as well as to report monthly data on the number of open estate recovery cases.

SSI State Supplement (Section 8). Article 5 increases SSI state supplemental payments for those residing in assisted living facilities that are eligible for Medicaid-funded long term services and supports (LTSS) from \$332.00 to \$465.00 (\$797 for those under 120 percent of the federal poverty level). This article also adds a new eligibility category for those eligible for LTSS but living in the community in adult supportive housing. This new supportive living program is described in Section 19.

Payments for those in an assisted living facility not eligible for LTSS services remain unchanged at \$332.00.

Analyst's Note: Currently, assisted living recipients retain only a small portion of the payment as a personal needs allowance and the balance of the payment goes to the assisted living facility. Thus, this existing entitlement vehicle is being used to provide capacity-building support to assisted living facilities and to rebalance long term care towards community-based settings.

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 the Supplemental Nutrition Assistance Program (SNAP, previously referred to as food stamps). Since federal SSI payments leave recipients below the federal poverty level, Rhode Island, like all but five states, pays beneficiaries a state supplement to the SSI benefit (RIGL 40-6-27).

Billing Requirements for Nursing Homes (Section 9). Under this article, nursing homes and providers of therapy services are to bill Medicare first, before billing Medicaid.

Hospital Rates - Reduce 2.5 Percent (Section 10, \$5.8 million general revenue savings). Through this initiative, hospital rates paid through both the fee-for-service system and through managed care organizations are reduced 2.5 percent.

Hospital Rates - Suspend COLA. (Section 10, \$5.3 million general revenue savings). The article suspends the scheduled rate increase for inpatient and outpatient hospital services in FY2016 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 FY2016, however, this adjustment is suspended as it was in FY2014 and FY2015.

Hospital Incentive Program (Section 10). Section 10 of the article establishes a Hospital Incentive Program whereby participating hospitals are eligible to obtain performance-based federally-matched payments that are made in addition to existing reimbursements for services. Payments begin in FY2017.

An example of a potential program, Delivery System Reform Incentive Program (DSRIP), is a CMS program that provides states with funding that can be used to support hospitals and other providers as they change how they provide care to Medicaid beneficiaries. To date, six states have approved DSRIP waivers and all fund incentive payments to providers that meet pre-determined process metrics in the early years of the waiver (such as health information infrastructure development) and outcome metrics in the later years (such as clinical health improvement).

Nursing Home Rates - Reduce 2.0 Percent (Sections 11 and 18; \$4.3 million general revenue savings). The article reduces current rates by 2.0 percent in FY2016 for rates paid through both the fee-for-service and managed care delivery systems.

Nursing Home Rates - Suspend COLA (Section 11, \$4.0 million general revenue savings). The Budget provides that 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, 2015, but is suspended for FY2016.

The Budget delays the anticipated 2.6 percent increase to nursing home rates paid through the traditional fee-for-service (per diem) delivery system and through the managed care delivery system. This rate increase, referred to as the nursing home COLA, was suspended by the FY2012 and FY2014 Budgets as Enacted. The FY2015 Budget as Enacted included a six-month delay in the COLA from October 1, 2014, to April 1, 2015.

Nursing Home Rates – New Methodology Phase-in (Section 11, \$0.4 million general revenue savings). This article removes the required phase-in of payment adjustment gains during FY2016 but allows for its resumption afterwards.

Nursing Home Incentive Program (Section 11). The article also establishes a Nursing Home Incentive Program whereby participating nursing homes are eligible to obtain performance-based federally-matched payments that are in addition to existing reimbursements for services. Payments begin in FY2017.

Office of Program Integrity (Section 12). To strengthen the Office of Program Integrity's (OPI) ability to combat waste, fraud and abuse, this article grants OPI access to information and data regarding current and former participants in the Medicaid program.

Hospital Uncompensated Care (Section 14). This article provides the statutory authority for Disproportionate Share Hospital (DSH) payments in FFY2016 of \$140.0 million. It also adds language requiring OHHS to collect patient level data on uninsured patients. Beginning in FY2016, DSH payments will be made to hospitals based on this actual claims experience.

Analyst's Note: While the Governor's initial budget submission had eliminated the language requiring inpatient and outpatient Upper Payment Limit (UPL) payments, this article retains this language and the Budget includes the payments, which total \$27.9 million in FY2016.

Rhode Island's community hospitals receive payments from the Executive Office of Health and Human Services (OHHS) and the federal government for uncompensated care they provide to uninsured and

indigent patients. These payments are commonly known as Disproportionate Share Hospital (DSH) payments.

Under current law (RIGL 40-8.3-3), DSH payments are distributed to hospitals based on the ratio of each hospital's uncompensated inpatient care costs to the total uncompensated inpatient care costs for all hospitals. "Uncompensated care costs" are defined as the sum of the costs to each hospital for care attributable to charity care (free care or bad debt) and the hospital's "Medicaid shortfall" (the difference between the cost of care provided to Medicaid beneficiaries and Medicaid reimbursements).

Graduate Medical Education (Section 15). The article raises the ceiling on general revenue funding for the Graduate Medical Education Program from \$1.5 million to \$2.5 million. It provides that payments be made annually. The Budget includes \$2.0 million in general revenue (\$4.0 million all funds) for this fund.

This program supports medical education programs at hospitals that provide inpatient care to at least 25,000 indigent patients each year, have a Level 1 Trauma Center, and provide medical education to at least 250 interns and residents per year. Rhode Island Hospital is currently the only hospital that meets these criteria.

Long term care rebalancing – Eligibility (Section 16). OHHS is authorized to adopt clinical and/or functional criteria for admission to a nursing facility, hospital, or intermediate care facility for individuals with developmental disabilities. Those eligible on June 30, 2015, are grandfathered into their current benefits.

This language enables OHHS to pursue more stringent application of its current policy regarding activities of daily living (ADL) eligibility for long term care. It will also enable the Office to pursue expansion of the home and health pilot, which provides non-medical services and support to adults and children at risk for homelessness.

Long term care rebalancing – Payments for Elderly Home and Community-Based Services (Sections 16 and 19). The act authorizes OHHS to pursue reforms that increase access to homemaker, personal care, assisted living, adult supportive care homes, and adult day services. It authorizes OHHS to:

- Develop payment strategies designed to incentivize specific quality and health outcomes
- Develop payments that are acuity-based and tied to level of beneficiary need
- Expand services to those at risk for Medicaid-funded long-term care; development of Medicaid certification standards for adult supportive care homes

The article authorizes OHHS to change the financial eligibility criteria for long-term services and supports to enable beneficiaries receiving home and community waiver services to have the resources to continue living in their communities.

It also authorizes OHHS to obtain any state plan or waiver authorities required to maximize federal funds available to support home and community transition and stabilization services.

Assessment and Coordination Unit (Section 17). This article eliminates the Assessment and Coordination Unit of the Department of Human Services, which had previously conducted assessments and determined care plans for applicants for long term care. The unit also established financial eligibility for long-term care, performed discharge planning, and tracked service utilization and monitored outcomes.

Long Term Care – Mandatory Enrollment in Managed Care (Section 18). The article removes language that requires recipients of long term care to be given the choice of fee-for-service or managed care delivery systems. Under the current Medicaid program, recipients of LTSS are enrolled in Medicaid managed care but are allowed to opt-out into the fee-for-service program. This article removes this opt-out provision and requires enrollment in managed care.

Long Term Care – Floor for Managed Care Rates (Section 18). This article creates a floor for Medicaid nursing home rates whereby nursing homes must be reimbursed under the Integrated Care Initiative an amount no less than they would be paid for the same care in Medicaid fee-for-service. Managed care organizations are not required, however, to use the same payment methodology. The article allows that the requirement for a rate floor may be waived by a nursing facility.

Secretary – Responsibilities (Section 20). The Secretary is authorized to undertake all actions required to implement initiatives included in the enacted Budget. The Secretary is also given authority to direct the operation of UHIP, including the coordination with HealthSource RI as required. A biennial review of Medicaid eligibility criteria for one or more populations is required by this article.

Children's Cabinet (Section 21). In an effort to increase and improve coordination between various state agencies (and potentially other stakeholders as membership is not limited to those identified in the proposal), this article modifies the composition of the Children's Cabinet and requires the Cabinet to draft a five-year statewide plan to integrate the State's child service system by December 1, 2015. It emphasizes the use of data and sharing of data between state agencies and outside research partners as part of this effort. Furthermore, the article directs OHHS to provide staff support to the Cabinet while preparing the statewide plan.

Membership will include the directors of the following: Department of Administration, OHHS, Department of Children, Youth, and Families, Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals, and Department of Health, Department of Human Services, Department of Labor and Training. Membership will also include the Governor (or his or her designee), the Commissioner of Post-secondary Education, the Commissioner of Elementary and Secondary Education, and the Child Advocate.

Analyst's Note: The Cabinet, which was created in 1991, convened at the discretion of the Governor on an ad hoc basis under prior administrations. According to the Department of Children, Youth, and Families, the Cabinet last convened in the early 2000s and has yet to do so again since the establishment of the Executive Office of Health and Human Services as the State's umbrella health and human service agency.

Additionally, a similar proposal was introduced by the Senate on February 26, 2015. Senate resolution S-0485 requests that the Governor convene the Children's Cabinet as soon as practicable with the goal of improving outcomes for children and families served by the State. This resolution was passed by the Senate on March 19, 2015.

Resolutions. The article includes the following resolutions, which grant OHHS the required General Assembly approval of initiatives contained in the FY2016 Budget.

- (a) Nursing Facility Payment Rates and Incentive Program (\$8.7 million general revenue savings).**
This article reduces nursing home rates by 2.0 percent, suspends the annual rate COLA, and delays the phase-in of the new payment methodology. It also establishes a Nursing Home Incentive Program whereby participating nursing homes are eligible to obtain performance-based federally-matched payments that are in addition to existing reimbursements for services.
- (b) Medicaid Hospital Payment Rates, Incentive Program (\$11.1 million general revenue savings).**
Hospital rates paid through both the fee-for-service system and through managed care organizations are reduced 2.5 percent by this article. The article also provides the authority for the suspension of the scheduled rate increase for inpatient and outpatient hospital services in FY2016 in both the fee-for-service and managed care environments. Finally, the article establishes a Hospital Incentive Program whereby participating hospitals are eligible to obtain performance-based federally-matched payments that are made in addition to existing reimbursements for services.

- (c) Pilot a Hospital-Based Accountable Care Organization (\$3.0 million general revenue savings).** This initiative engages an established provider network that includes hospitals, physicians, and other providers, to provide care for a defined population for a set, per-person rate.

In the proposal for this initiative currently under consideration, CharterCare and its parent company Prospect Medical Holdings will coordinate the care of 25,000 Medicaid individuals in coordination with Medicaid managed care organizations. CharterCare will receive 95.0 percent of the current capitation rate to care for this population, with the State saving the remaining 5.0 percent. In this full-risk arrangement, CharterCare will be responsible for providing all of the population's healthcare needs, including primary care, physician services, hospital care, behavioral health services and social services and for achieving better patient outcomes, higher patient satisfaction and cost reduction.

CharterCare, whose network includes hospitals Roger Williams Medical Center and Our Lady of Fatima, extended care facility Elmhurst, and CharterCare Home health services, St. Joseph Health Centers and 18 dental operatories. Thundermist Health Centers have expressed an interest in becoming partners in the core network of this ACO.

- (d) Medicaid Managed Care Contracts (\$5.6 million general revenue savings).** This initiative includes a rate cut to Medicaid managed care capitation rates (\$2.8 million), a reduction in the rates paid for administrative costs (\$1.0 million), and an increase in the risk assumed by the managed care organizations in their agreements with State (\$1.8 million).
- (e) Long Term Care Arrangements (\$3.0 million net total general revenue savings).** The Medicaid program proposes to reform its long term supports and services continuum of care. A set of initiatives will streamline and standardize internal processes, make home and community-based services (HCBS) more accessible as an alternative to nursing home care, incentivize HCBS and assisted living providers to care for those with more complex needs.
- (f) Integrated Care Initiative – Enrollment.** OHHS proposes to establish mandatory managed care enrollment for Medicaid beneficiaries receiving long term services and supports through the Integrated Care Initiative. This article authorizes OHHS to pursue the required waiver authority for this initiative.
- (g) Behavioral Health – Coordinated Care Management for SPMI (\$3.0 million general revenue savings).** The Budget includes savings from a behavioral health-based accountable care organization for those with severe and persistent mental illness (SPMI). Mental health providers, including The Providence Center and partner Care New England, will provide comprehensive, coordinated and integrated behavioral healthcare to between 3,000 and 4,000 adults with SPMI. For a single bundled rate, providers will provide all levels of behavioral health services, including community-based services, outpatient care, partial hospitalization, crisis stabilization, emergency room engagement, and diversion, and inpatient services.

This initiative seeks to implement a new payment mechanism by January 1, 2016. The initiative assumes 10,500 individuals will be involved in the program and savings of 3.0 percent.

Community Health Teams and Targeted Services (\$1.0 million general revenue savings). OHHS will scale up the pilot program currently run by the RI Care Transformation Collaborative. This primary care-based accountable care organization identifies high-risk patients and cares for them using the medical home model for a single bundled rate in which the team is at full-risk for the cost of care.

In a second initiative, current community health team efforts will be scaled up for savings. Here, inter-disciplinary community health teams of nurses, pharmacists, nutritionists, social workers, and behavioral and mental health providers care for high-risk patients. This model is currently

being piloting in South County and Pawtucket; this initiative includes 6 additional teams, each servicing 500 high utilizing members.

- (h) Home and Health Stabilization Services (\$1.8 million general revenue savings).** The Health Begins with a Home initiative will make an organized set of Medicaid-funded health and home-stabilization services available to members of certain at-risk populations through care teams. This is a hybrid benefit that incorporates medical care coordination with community treatment. Services can include home stabilization interventions such as locating a home, managing a household, financial counseling, homemaking, with health service supports such as disease and medication management, substance abuse counseling, relapse prevention and self-care.

Target populations include Medicaid-eligible children and youth with behavioral health needs in the custody of DCYF, adults who are homeless or at risk of homelessness, and persons transitioning from institutional care who have a history of homelessness.

- (i) STOP Program (\$500,000 general revenue savings).** This initiative achieves savings through a 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 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 1,000 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 are authorized to transport inebriated individuals to an alternative treatment center where licensed clinical staff and peer specialists will be utilized.

- (j) Medicaid Eligibility Criteria - Expansion First (\$1.5 million general revenue savings).** This initiative changes internal processes to ensure that those eligible for Medicaid through Medicaid expansion are enrolled through this channel, where federal support is 100.0 percent, before they are found to be eligible through the aged, blind, and disabled categories, where federal support is approximately 50.0 percent.

- (k) Long-term Care Eligibility Criteria (\$500,000 general revenue savings).** OHHS will restrict eligibility for the level of care that requires institutional care to three activities of daily living, aligning its program with the eligibility criteria used in Massachusetts and Connecticut.

- (l) Alternate Payment Arrangements (\$500,000 general revenue savings).** This article allows for the reform of payments to providers of adult day services for individuals who require supervised daily care and who often have some level of dementia and multiple chronic conditions. Rather than flat per-diem rates, provider payments will be tiered according to the level of care required by an individual. In this way, OHHS hopes to incentivize providers to build a fuller range of services to meet more complex needs and increase the ability of individuals to remain at home longer.

- (m) Behavioral Healthcare Services Reform.** OHHS, in partnership with BHDDH, will implement at least one population-based pilot for the care of those with chronic behavioral health conditions. This pilot is to be implemented by September 1, 2015.

- (n) Payment Methodology for Services to Adults with Developmental Disabilities.** The article authorizes the reform of payment methodology and /or rates for adult DD services.

- (o) **Section 1115 Waiver Authorities.** This article permits OHHS to pursue programs previously authorized through its 1115 Global Wavier.
- (p) **ACA Opportunities.** The final section grants OHHS the authority to pursue all opportunities and requirements established under the Patient Protection and Affordable Care Act (ACA).

Article 6: Relating to Education

The Article modifies the Full-Day Kindergarten Accessibility Act to require that all districts provide full-day kindergarten by August 2016. The Article also eliminates the one-time, start-up funding provided through the Full-Day Kindergarten Accessibility Act and replaces that funding with aid provided through the education funding formula. The aid is intended to support costs associated with transitioning from a half-day to a full-day program.

FISCAL IMPACT

The Article reduces FY2016 expenditures by eliminating the one-time, start-up funding provided through the Full-Day Kindergarten Accessibility Act (\$250,000); however, the impact of allowing districts to keep the full-day kindergarten aid regardless of implementation is somewhere between \$1.0 million and \$0. The Budget includes \$1.2 million for new full-day kindergarten programs, partially offset by the savings from the Full-Day Kindergarten Accessibility Act. Previously, districts would only have received the formula aid if a full-day program was implemented. If none of the districts transition in FY2016, those districts will still receive the funding and the fiscal impact of this Article would be \$1.0 million. If all of them transition, the fiscal impact of the Article is \$0.

ANALYSIS AND BACKGROUND

Full-Day Kindergarten Formula Aid

In the past, full-day kindergarten aid was provided through the education aid formula only upon implementation of a full-day program; however, Article 6 allows districts to receive the funding regardless of implementation for use toward costs associated with transitioning from a half-day to a full-day program, such as capital updates to provide additional classrooms and the purchase of desks and materials. The full-day kindergarten aid is based on the March 2015 enrollment of half-day students multiplied by two and subject to the funding formula transition rates.

Full-Day Kindergarten Accessibility Act

The Full-Day Kindergarten Accessibility Act was passed in 2012 to provide one-time, startup funding on a competitive basis for public school districts preparing to implement full-day programs. This article deletes the legislative finding that specifies the Act does not mandate school districts to operate a full-day program, and adds, in a different section, the requirement that all school districts offer full-day kindergarten to every eligible student beginning in August 2016 in order to qualify for state education aid. The article does not provide a definition of “state education aid”; however, the language refers to any education aid provided through Title 16 of the general laws, which provides state funding for education programs such as the funding formula, school construction aid, and teachers’ retirement. The Article also sunsets the funding provided through the Full-Day Kindergarten Accessibility Act at the end of FY2015.

All the districts in the State provided full-day kindergarten programs in FY2015, except for the following districts: Coventry, Cranston, East Greenwich, North Kingstown, Tiverton, and Warwick.

Article 7: Relating to Higher Education Assistance Authority

This article eliminates the Rhode Island Higher Education Assistance Authority (RIHEAA), effective July 1, 2015, or upon approval of the U.S. Department of Education, whichever is later. Its powers and programs are transferred to a newly-created Division of Higher Education Assistance (DHEA) within the Office of the Postsecondary Commissioner (OPC) and to the Office of the General Treasurer. The Commissioner of Postsecondary Education will serve as DHEA's Executive Director, and DHEA will be governed by the Council on Postsecondary Education. DHEA will assume all the rights, assets, programs and obligations of RIHEAA, including its role as a Guaranty Agency for the Federal Family Education Loan Program (FFELP). RIHEAA's Tuition Savings Program will be transferred to the Office of the General Treasurer.

The article further specifies that reserve funds shall be used for financial aid-related activities pursuant to federal statutes and regulations governing the use of those funds.

The article also provides that the commissioner of postsecondary education shall allocate annually the appropriation for need-based scholarships and grants, with the lesser of 20.0 percent or \$2.0 million distributed to qualified students attending participating independent, non-profit higher education institutions in Rhode Island. The remainder of the funds shall be limited to public higher education institutions in Rhode Island (URI, RIC, and CCRI). The commissioner must submit a plan of how the need-based scholarships and grant funds will be allocated to each public institution receiving funds and to the students attending independent, non-profit institutions as part of the annual budget submission.

FISCAL IMPACT

The impact of the transfer will shift 10.0 FTE positions (RIHEAA currently has a 22.0 FTE authorization) and \$18.3 million from RIHEAA to OPC. Of the \$18.3 million being transferred, \$7.4 million is from the Tuition Savings Program (other funds) and \$10.9 million is from the Guaranty Agency (federal funds), including \$4.0 million from the Guaranty Agency reserve fund. Seventeen FTE positions of the 22.0 FTE position authorization are currently filled as of the payroll period ending June 13, 2015.

ANALYSIS AND BACKGROUND

The Rhode Island Higher Education Assistance Authority (RIHEAA) 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 four major programs:

The Scholarship and Grant Program: The Scholarship and Grant Program is a need-based program that uses data submitted on the Free Application for Federal Student Aid (FAFSA) to determine eligibility. This program will be transferred to the Office of the Postsecondary Commissioner, Division of Higher Education Assistance.

The CollegeBoundfund (CBf) Program: This program includes the CollegeBoundfund, the Academic Promise Scholarship Program, CollegeBoundfund Baby, and the CollegeBoundfund 5&10 Matching Grant Program. The CollegeBoundfund (CBf) is a "qualified state tuition program" under section 529 of the IRS code. These programs will be transferred to the Office of the General Treasurer.

The Loan Program: This program includes the Federal Family Education Loan Program (FFELP) and the Health Professions Contract Program. New loans under the FFELP program are gradually being phased out due to a change in federal laws, but the program will continue to pursue loan collections activities, including enrollment and repayment status management, default aversion activities, default collection activities, financial aid awareness and related outreach activities. In addition, changes in federal law will reduce the amount the agency will receive from default aversion activities. This program will be transferred to the Office of the Postsecondary Commissioner, Division of Higher Education Assistance.

WaytoGo Web Portal Program: RIHEAA initiated the WaytogoRI web portal, which is free to all Rhode Island residents, all elementary and secondary schools (public, private and parochial) and postsecondary institutions. WaytogoRI allows students, parents, and educators to explore education and career options, plan and prepare for college and careers, and conduct college and career searches. WaytogoRI also supports Individual Learning Plans (ILPs), which are required for all Rhode Island public school students from grades 6-12, and allows for e-transcripts. This program will be transferred to the Office of the Postsecondary Commissioner, Division of Higher Education Assistance.

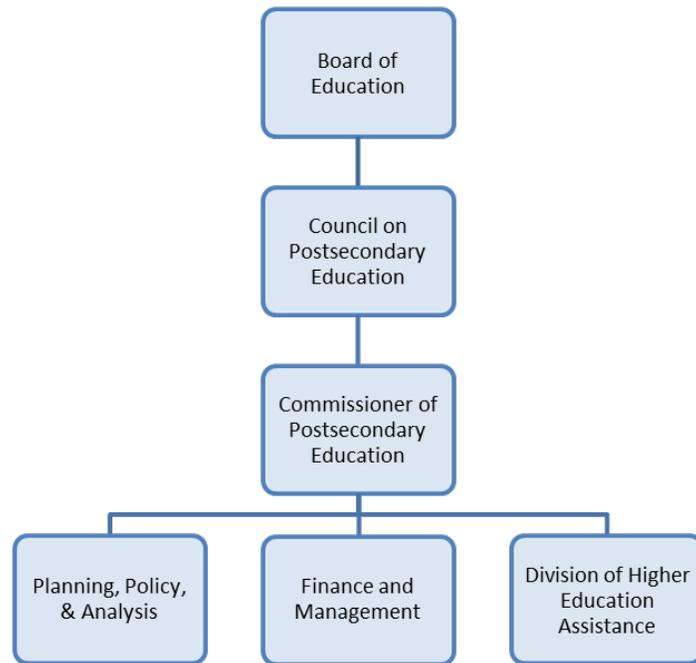
ADDITIONAL BACKGROUND

Article 14 of the FY2015 Budget as Enacted included a provision that required the Governor to include a proposal for the transfer of Higher Education Assistance Authority's program to appropriate agencies within state government in the FY2016 budget recommendation. Article 7 fulfills this requirement.

RIHEAA's ability to continue as a stand-alone agency is jeopardized by 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.

Also, the Ryan-Murray budget agreement, passed by Congress in December 2013, reduces the compensation that the agency receives from rehabilitating loans from the FFELP program. The reduced fees began on July 1, 2014, reducing the agency's funding derived from the rehabilitation of defaulted student loans by approximately 50.0 percent. Based on projections provided by RIHEAA, the guaranty portion of the agency will experience a loss by FY2020.

RIHEAA's role as a guaranty agency in the FFELP is its single largest activity; approximately 75.0 percent of the Authority's employees are funded by guaranty agency revenue. RIHEAA's guaranty 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 would constitute a substantive activity for the Authority.



Article 8: Relating to Municipalities

This article imposes a deadline for Newport, Jamestown, or any municipality requesting reimbursement from the Division of Municipal Finance for Newport Bridge tolls paid by police, fire, ambulance service, or the school department as required during the course of duty. The deadline is September 30th of the fiscal year following the fiscal year for which reimbursement is being requested.

This article also allows municipalities to borrow funds from the Efficient Buildings Fund administered by the Rhode Island Infrastructure Bank (formerly Clean Water Finance Agency) or the School Building Authority Capital Fund, administered by the Rhode Island Health and Educational Building Corporation, for the period July 1, 2015, through June 20, 2016, without voter approval. As 2015 is not a year in which a general election will be held, this allows communities to seek funding without voter approval to avoid the costs of a special election in FY2016.

FISCAL IMPACT

There is no fiscal impact from the article.

ANALYSIS AND BACKGROUND

Toll Reimbursement Program

Per RIGL 24-12-26, personnel of police, fire, and ambulance services for the City of Newport and the Town of Jamestown are reimbursed if they are required to pay a toll for use of the Newport Bridge during the course of their duty. Upon presentment of receipts for the payment of the toll to the Town of Jamestown or the City of Newport, such personnel are reimbursed for all charges on an annual basis by the respective municipality, who in turn shall be reimbursed for all payments made by the State.

No request for reimbursement has been made by either the Town of Jamestown or the City of Newport since FY2012, and there is currently no deadline by which the municipality has to make its claim. The State proposes to include a deadline date of September 30th to submit a request for reimbursement for the previous fiscal year (ending June 30th). The State also proposes the same deadline for use of the Mount Hope Bridge and the Sakonnet River Bridge; however, no tolls exist on those bridges at this time.

For both FY2015 and FY2016, \$5,000 in general revenue is included in the Department of Revenue budget, Division of Municipal Finance, for toll reimbursement to municipalities.

Efficient Buildings Fund

Article 14 authorizes the Rhode Island Infrastructure Bank (RIIB), formerly the Rhode Island Clean Water Finance Agency, to establish the efficient building fund and, in consultation with the Office of Energy Resources, develop a priority list and provide technical, funding and administrative assistance to public entities for energy efficiency and renewable energy upgrades to public buildings and infrastructure. Local governments would be authorized to issue limited obligations payable solely from the energy efficiency savings pledged as payment.

The FY2016 Budget includes a one-time transfer to the RIIB of \$3.0 million from Regional Greenhouse Gas Initiative (RGGI) proceeds.

School Building Authority Capital Fund

Article 9 establishes a School Building Authority Capital Fund (Capital Fund) to be held in trust and administered by RIHEBC. The Article requires certain monies be deposited into the Capital Fund, including but not limited to:

- The difference between the annual housing aid appropriations and the housing aid commitment amounts from the fund in a given year,
- Loan repayments, bond refinance interest savings,
- Interest earnings,
- Bond proceeds, and
- Administrative fees, less operating costs.

As part of the budget process, the Governor must specify the amount included in the budget recommendation that the Authority may commit to new projects in the next fiscal year, as well as funding for one-time or limited costs incurred by the Department that would be paid from the Capital Fund. The General Assembly must subsequently authorize the maximum amount that may be committed to new projects. Financing from the Capital Fund shall not exceed the useful life of the project being financed.

The Article allows cities and towns to borrow up to \$500,000 without voter approval despite city charter provisions to the contrary; and exempts construction pay-as-you-go grants from General Assembly approval through enabling legislation. As with bonds issued by RIHEBC in current law, the issue of school building authority capital funds would not require passage of an enabling act by the General Assembly.

The Budget includes a one-time appropriation of \$20.0 million in new general revenue to capitalize the School Building Authority Capital Fund.

Article 9: Relating to School Building Authority Capital Fund

This article creates a School Building Authority at the Department of Elementary and Secondary Education and a School Building Authority Capital Fund (Capital Fund) at the Rhode Island Health and Education Building Corporation (RIHEBC). The Article is intended to reduce reliance on borrowing, focus resources on projects with the most urgent need, and reduce excess capacity. The Article also requires the prioritization of projects for both the Capital Fund and the school housing program, and local education agencies (LEAs) receiving capital funds to develop and implement asset protection plans.

FISCAL IMPACT

This article has no direct fiscal impact; however, the Budget includes a one-time appropriation of \$20.0 million in general revenue to capitalize the School Building Authority Capital Fund.

ANALYSIS AND BACKGROUND

School Building Authority

The article designates the Department of Elementary and Secondary Education (Department) as the State's School Building Authority (Authority). The Authority will oversee two distinct funding mechanisms for school facilities: the foundation program, as currently enumerated in RIGL 16-7-35 through 16-7-47, and the school building authority capital fund, as created through this article. The Article charges the Department with implementing a system of state funding for school facilities; conducting a needs survey of each district in the state, including charter schools, every five years; and developing a project priority system for both programs.

Pursuant to the article, the Authority is responsible for promulgating the rules and regulations establishing the application process for the new Capital Fund, and for establishing project evaluation criteria, in consultation with the Advisory Board. The priorities are to be reviewed a minimum of every five years.

The Authority is also responsible for recommending policies to reduce borrowing for school construction; using a formal enrollment projection model; encouraging districts to maximize available space in and around the district; and, collecting a clearinghouse of prototypical school plans. Furthermore, the Authority must maintain internal controls to ensure that LEAs have adequate asset protection plans in place for all district buildings, not just for buildings that are built or renovated with state aid. The article requires that every LEA develop and implement an asset protection plan for every school building, not only those built or renovated with housing aid or capital funds, in order to be eligible for School Building Authority Capital Funds.

The Authority may offer additional incentive points, however, the incentive for an individual category may not exceed two additional points and the combine total of incentive points may not exceed five percentage points.

Pursuant to the article, the Rhode Island Health and Educational Building Corporation (RIHEBC) will fund the Department's one-time or limited costs associated with the Authority and the Advisory Board. The Authority is required to report the amount sought for expenses in the next fiscal year to the Governor, the chairs of Senate and House Finance Committees, and the Senate and House Fiscal Advisors by October 1 of each year.

The Council on Elementary and Secondary Education (Council) will continue to approve school construction applications for the existing foundation program and, pursuant to the article, will also approve applications for the new Capital Fund.

School Building Authority Advisory Board

The article establishes the School Building Authority Advisory Board (Advisory Board) to advise the Authority on the best use of funds, including identifying statewide investment priorities and criteria for project approval. The Board would be comprised of the following seven members:

- The General Treasurer
- The Director of the Department of Administration, serving as chair
- A member of the Governor's staff
- Four members of the public, appointed by the Governor, with expertise in education and/or construction, real estate, or finance. At least one of the public members must represent a local education agency (LEA). The public members are not subject to an advice and consent process.

School Building Authority Capital Fund

The article establishes a School Building Authority Capital Fund (Capital Fund) to be held in trust and administered by RIHEBC. The article requires certain monies be deposited into the Capital Fund, including but not limited to:

- The difference between the annual housing aid appropriations and the housing aid commitment amounts from the fund in a given year,
- Loan repayments, bond refinance interest savings,
- Interest earnings,
- Bond proceeds, and
- Administrative fees, less operating costs.

As part of the budget process, the Governor must specify the amount included in the budget recommendation that the Authority may commit to new projects in the next fiscal year, as well as funding for one-time or limited costs incurred by the Department that would be paid from the Capital Fund. The General Assembly must subsequently authorize the maximum amount that may be committed to new projects. Financing from the Capital Fund shall not exceed the useful life of the project being financed.

The article allows cities and towns to borrow up to \$500,000 without voter approval despite city charter provisions to the contrary; and exempts construction pay-as-you-go grants from General Assembly approval through enabling legislation. As with bonds issued by RIHEBC in current law, the issue of school building authority capital funds would not require passage of an enabling act by the General Assembly.

Under current law, RIHEBC must submit an annual report to the Governor within four months after the close of the each fiscal year. The article adds the Speaker of the House, the President of the Senate, and the Secretary of State to the list of recipients, and adds a summary of applications received and loans provided through the Capital Fund to the information included in the report.

Rhode Island Health and Educational Building Corporation (RIHEBC)

Upon issuance of a project priority list, Rhode Island Health and Educational Building Corporation (RIHEBC) will award financial assistance to cities, towns and LEAs for approved projects. The repayment obligation of a city, town or LEA is consistent with the share ratio as provided in current law.

RIHEBC was created in 1967 through RIGL 45-38.1-4 to provide non-profit educational and healthcare providers with access to low-cost, affordable financing for capital projects through the sale of tax-exempt bonds. All of the powers of RIHEBC are vested in the five-member board of directors elected at the first meeting of the incorporators. Commencing in 1968, successor members are appointed by the Governor

for five-year terms. RIGL 45-38.1-4(f) provides that board members are entitled to receive compensation at a rate of \$50 per meeting up to \$1,500 annually. There is no advice and consent process for Board members under current law, or in the article.

Additional Background

In the *Public Schoolhouse Assessment*, published in FY2013, the Rhode Island Department of Elementary and Secondary Education (Department) analyzed data collected from the LEAs, including age, facility rating, enrollment, maintenance costs, and capital improvement expenditures. It was found that 70.0 percent of the State's schools were built 25 to 75 years ago, with an average age of 58 years. Through data analysis, GIS mapping, and inter-agency collaboration, the Department developed findings and recommendations to improve the financing, design, construction, and operation of school facilities in the State. When submitting the data, LEAs were asked to rate building conditions on a scale from 1 to 4, with 1 being in good condition, requiring general maintenance and minor repairs, and 4 being in poor condition, requiring major renovation and/or replacement. Based on the report, the total estimated cost to bring all 276 district schools up to good condition is \$1.8 billion. This estimate does not include the 16 public charter schools in existence in FY2012 or the 8 district career and technical centers.

Under the current school housing aid program, on average, approximately 40.0 percent of housing aid reimbursements fund bond interest rather than school improvements, due to the historical reliance on bonding. Due to the increasing cost of the program, the 2011 General Assembly enacted a moratorium limiting the approval of new projects to those necessitated by immediate health and safety reasons. Once the moratorium expires on May 1, 2015, a backlog of new project proposals are anticipated. While the precise cost of these proposals is unknown, the cost of the existing housing aid program is expected increase substantially over time. Approvals from the Board of Education for Necessity of School Construction projects have ranged from \$22.0 million under the moratorium in FY2011 to \$265.0 million in FY2007, averaging \$74.8 million per year. This article proposes a new Capital Fund with a one-time appropriation of \$20.0 million to begin preparing for the anticipated growth in school renovation and construction projects.

Article 10: Relating to Making Revised Appropriations in Support of FY2015

This article makes revised appropriations for general revenues, federal, restricted, and other funds as well as revises authorized FTE levels for each agency and department for FY2015.

Specifically, Article 10 permits the General Treasurer to pay up to the maximum debt service due for the I-195 Redevelopment District Commission loan from the state appropriation for debt service. This article also transfers \$6.4 million of bond premium from the RICAP fund to the Municipal Road and Bridge Revolving Fund. Lastly, the article eliminates the requirement that the Rhode Island Higher Education Assistance Authority (RIHEAA) fund \$4.1 million in need based scholarships from the Guaranty Agency Reserve in FY2015.

APPROPRIATIONS

The article decreases the total FY2015 appropriations by \$49.0 million, the bulk of which is attributable to a decrease in expenditures from other fund sources by \$45.7 million. The article outlines funding changes at the program level by fund for each department.

| Expenditures by Source | FY2014 Final | FY2015 Enacted | FY2015 Revised | Change to Enacted | % Change |
|------------------------|------------------|------------------|------------------|-------------------|--------------|
| General Revenue | \$3,336.4 | \$3,445.2 | \$3,476.6 | \$31.5 | 0.9% |
| Federal Funds | 2,676.2 | 3,086.5 | 3,051.2 | (35.3) | -1.1% |
| Restricted Receipts | 222.1 | 283.1 | 283.6 | 0.6 | 0.2% |
| Other Funds | 1,820.7 | 1,965.4 | 1,919.7 | (45.7) | -2.3% |
| Total | \$8,055.4 | \$8,780.2 | \$8,731.2 | (\$49.0) | -0.6% |

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

INTERNAL SERVICE ACCOUNTS

Article 10 authorizes the State Controller to establish 12 specific internal service accounts to reimburse costs for work or other services performed by certain departments or agencies for any other department or agency. Reimbursements may only be made up to an expenditure cap, as set in this article. The changes in these accounts are intended to bring the budgeted expenditures more closely in line with actual costs.

| Internal Service Account | FY2015 Enacted | FY2015 Revised |
|---|----------------------|----------------------|
| State Assessed Fringe Benefits | \$37,123,794 | \$37,581,962 |
| Administration Central Utilities | 14,244,902 | 16,936,000 |
| State Central Mail | 5,617,173 | 6,000,840 |
| State Telecommunications | 4,080,029 | 4,088,455 |
| State Automotive Fleet | 13,733,063 | 13,813,802 |
| Surplus Property | 2,500 | 2,500 |
| Health Insurance | 250,127,757 | 250,334,337 |
| Other Post-Employment Benefits | 63,934,483 | 63,934,483 |
| Capital Police | 1,060,301 | 1,221,139 |
| Corrections Central Distribution Center | 6,739,558 | 6,778,130 |
| Correctional Industries | 7,704,793 | 7,276,321 |
| Secretary of State Records Center | 882,436 | 874,022 |
| Total | \$405,250,789 | \$408,841,991 |

FTE POSITION CAP AND APPROVAL

The article establishes the authorized number of full-time equivalent (FTE) positions for each state department and agency for FY2015. Departments and agencies may not exceed the number of authorized

FTE positions shown, in any pay period. Statewide, the Budget authorizes a net increase of 14.7 FTE positions above the FY2015 Budget as Enacted. The following changes are included:

| FTE Position Authorization | | | |
|-----------------------------------|-----------------------|-----------------------|--------------------------|
| Function | FY2015 Enacted | FY2015 Revised | Change to Enacted |
| General Government | 2,298.7 | 2,307.7 | 9.0 |
| Human Services | 3,744.0 | 3,744.0 | - |
| Education | 3,890.3 | 3,896.0 | 5.7 |
| Public Safety | 3,221.6 | 3,221.6 | - |
| Natural Resources | 428.0 | 428.0 | - |
| Transportation | 752.6 | 752.6 | - |
| Higher Ed. Sponsored Research | 750.8 | 750.8 | - |
| Total | 15,086.0 | 15,100.7 | 14.7 |

Major FTE changes include:

- **An increase of 5.0 FTE positions in the Executive Office of Commerce:** This reflects an increase of 5.0 FTE new positions for the Office of the Secretary. The five new positions include 1.0 Secretary of Commerce, 1.0 Deputy Director, 1.0 Chief of Strategic Planning and Monitoring, 1.0 Director of Communications, and 1.0 Chief Implementation Aide.
- **An increase of 4.0 FTE positions in the Department of Business Regulation:** The Budget adds 4.0 FTE principal policy associate positions in the Office of the Health Insurance Commissioner. The principal policy associates will have primary oversight for the adoption of value-based care paradigm payment models among commercial payers under the auspices of the Office of Health Insurance Commissioner.
- **An increase of 2.2 FTE positions in Public Higher Education:** This reflects an increase of 2.2 unspecified FTE positions within the Office of the Postsecondary Commissioner.

Article 11: Relating to Revenues

This article makes a number of changes to sources of state revenue, including taxes and fees.

- Increases the excise tax by \$0.25 on individual packs of cigarettes, from \$3.50 to \$3.75.
- Expands the definition of hotel to include vacation rentals, online hotel resellers, and unlicensed rentals such as those listed on the Airbnb.com website.
- Transfers hotel taxes from general revenue to the Rhode Island Commerce Corporation to support marketing and tourism programs.
- Applies the real estate conveyance tax to sales of controlling interests in a business entity that holds real property.
- Expands the sales tax exemption on commercial energy for manufacturers to all businesses.
- Exempts Social Security benefits from the State's income tax for individuals whose adjusted gross income (AGI) is \$80,000 a year or less, or for couples with incomes at \$100,000 a year or less.
- Permanently sets current excise and sales tax rates on alcohol.
- Increases the allowable amount of earned income tax credits from 10.0 percent to 12.5 percent.
- Eliminates the 2.0 percent surcharge on net patient services revenue generated by outpatient health care facilities and imaging services
- Reduces the minimum corporate tax amount by \$50, from \$500 to \$450.
- Allows three new tax credits, aimed at improving the economy and encouraging college graduates to find and maintain employment in Rhode Island, to be credited against personal income tax liabilities.
- Authorizes the Division of Taxation to enter into performance-based contracts with third-party vendors to enforce taxpayer compliance and payment.
- Implements a managed audit program within the Division of Taxation permitting businesses to perform self-audits.
- Amends the State and Newport grand net terminal income shares, adding 1.9 percentage points to the Newport Grand share and reducing the state general revenue share by this rate to increase funding available to Newport Grand for marketing efforts.
- Sunsets the Enterprise Zone Wage tax credit, which provides employment-based tax incentives for businesses located in certain defined areas of the state

FISCAL IMPACT

The article decreases general revenue by \$37.1 million for FY2016. The table on the following page itemizes the impact of each initiative.

| Article 11 Revenue Changes | FY2016 |
|--|-----------------|
| Expansion | |
| Increase Excise Tax on Cigarettes | \$7.1 |
| Hotel Tax Changes | 3.3 |
| Controlling Interest Transfer Tax | 0.7 |
| Reductions, Exemptions, and Modifications | |
| Eliminate Sales Tax on Commercial Energy | (24.4) |
| Income Tax Exemption on Taxable Social Security Benefits | (9.4) |
| Alcohol Tax Restructure | (7.9) |
| Increase Allowable Earned Income Tax Credit | (3.1) |
| Eliminate Surcharges on Net Patient Revenues for Imaging Service | (2.3) |
| Minimum Corporate Tax Reduction | (1.6) |
| New Personal Income Tax Credits | (1.0) |
| Enforcement | |
| Increased Collections from Tax Compliance Contract | 1.8 |
| Taxation Self-Audit Program | 0.5 |
| Other Revenue Changes | |
| Lottery Marketing Expenses | (0.8) |
| Sunset Enterprise Zone Wage Tax Credits | Informational |
| Total | (\$37.1) |

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

ANALYSIS AND BACKGROUND

This article makes a number of changes impacting general revenue collections, including: expands the existing tax base, makes exemptions to certain personal and business tax liabilities, and enhances Taxation enforcement activities. Each change is summarized below.

EXPANSION

Increase Excise Tax on Cigarettes

\$7.1 million

The article includes a \$0.25 per pack increase in the excise tax on cigarettes, which raises the tax from \$3.50 to \$3.75 per pack of twenty, or to the equivalent of \$0.19 per cigarette. Total retail price will increase by \$0.29 (which adds approximately \$0.04 per pack due to minimum markup laws for wholesalers and retailers), from \$8.88 to \$9.17 per individual pack. The additional excise tax and associated sales taxes will generate an additional \$7.1 million in revenue above the projections from the FY2015 enacted level. This amount also includes an increase from floor stock taxes assessed on existing stocks of cigarettes that are in inventory at midnight on July 31, 2015. Cigarettes purchased in Rhode Island would be priced similarly to those in Connecticut, and remain approximately \$0.53 cheaper than those sold in Massachusetts.

Numerous states, including Rhode Island, include some minimum pricing provisions related to the sale of cigarettes. These minimums can impact the end price as much or more than tobacco taxes. Thus, when comparing cigarette taxes between states, the average total price per pack should also be accounted for to capture the impacts of tobacco tax rates, minimum pricing and markup provisions, and applicable sales taxes. The following table compares the current end price of a pack of cigarettes to the new increase, and outlines Rhode Island's markups compared to neighboring states.

Impact of Cigarette Excise Increase and Regional State Comparison

| | Rhode Island | | | Massachusetts | | Connecticut | | |
|-----------------------------------|---------------|---------------|-------------|---------------|-------|---------------|------|------|
| | Prior | Current | Change | | | | | |
| Base Price per Pack in \$ | \$4.12 | \$4.12 | | \$3.61 | | \$4.12 | | |
| Excise Tax in \$ | 3.50 | 3.75 | 0.25 | 3.51 | | 3.40 | | |
| Subtotal base price + Excise | 7.62 | 7.87 | 0.25 | 7.12 | | 7.52 | | |
| Wholesale Markup | 2.0% | 0.15 | 0.16 | 0.01 | 2.0% | 0.14 | 6.5% | 0.49 |
| Wholesale Cartage | 0.75% | 0.06 | 0.06 | 0.00 | 0.75% | 0.05 | 0.0% | 0.00 |
| Retail Markup | 6.0% | 0.47 | 0.49 | 0.02 | 25.0% | 1.83 | 8.0% | 0.64 |
| Total Base Cost | 8.30 | 8.57 | 0.27 | 9.15 | | 8.65 | | |
| Sales Tax | 7.0% | 0.58 | 0.60 | 0.02 | 6.25% | 0.57 | 6.4% | 0.55 |
| Total Price per Pack in \$ | \$8.88 | \$9.17 | 0.29 | \$9.72 | | \$9.20 | | |

Note: The Office of Revenue Analysis calculated base price per pack using available data on states' websites. No base price for CT was available, so it was assumed that CT would have the same base price as RI.

Hotel Tax Changes and Tourism Funding**\$3.3 million**

Article 11 expands the hotel tax base (increasing revenue from sales, hotel, and local occupancy taxes), redistributes the 5.0 percent hotel tax revenue, and allocates a portion of the hotel tax revenue to fund tourism and marketing programs at the Commerce Corporation. The definition of hotels for purposes of taxation is expanded to include houses, condominiums, or other residences regardless of the number of rooms used and/or advertised for rent for occupancy (such as those listed on Airbnb.com). Prior to this change, rental accommodations with less than three rooms were exempt. It also expands the definition to include room resellers. Room resellers have authority from a hotel to arrange accommodations and include sellers of travel packages, such as Expedia, Inc. or Priceline.com. The Budget includes additional sales tax revenue from the base expansion and reduces hotel tax revenue based on the new distribution formula, a net change of \$3.3 million in general revenue.

FY2016 Lodging Tax Changes

| Source | General Revenue |
|---|--------------------|
| Vacation Home Rentals and B&Bs | \$5,422,316 |
| Online Room Resellers | 820,662 |
| Lodging Rental Revenues (Airbnb) | 851,512 |
| Subtotal | \$7,094,490 |
| Reallocation of General Revenue to Commerce | 3,776,447 |
| Total | \$3,318,043 |

Note: General revenue is generated from sales tax collections; the Budget shifts hotel tax revenue, which previously was allocated to the Statewide tourism district and state general revenue, to the Commerce Corporation.

Tax Base Expansion

Online Room Resellers: Room resellers have authority from a hotel to arrange accommodations, including sellers of travel packages, such as Expedia, Inc. or Priceline.com. Article 11 requires room resellers to register annually with the Division of Taxation to obtain a retail business permit and to collect the sales and use taxes and hotel taxes. Resellers currently remit taxes to the hotel based on the wholesale cost of the room, not the actual cost to the end consumer, effectively allowing these resellers to pay less in taxes than a direct seller. Article 11 requires sales tax to be calculated upon the amount of rental and other fees paid by the occupant to the room reseller, less the amount of any rental or other fees paid by the reseller to the hotel. The hotel will then remit taxes upon the amount of rental and fees paid to the hotel by the reseller or occupant.

Unlicensed Rentals: Article 11 also expands lodging taxes to the short-term rental of unlicensed lodging accommodations, such as those listed on the Airbnb.com website. ORA tracked data available on the Airbnb.com website for one month to determine occupancy rates (assuming that if a room at the beginning of the month was no longer listed as available, it was determined to be occupied); for summer and holidays, ORA assumed an occupancy rate of 100.0 percent. ORA calculated the availability of unlicensed rentals for weekends, summer, and holidays, and applied the occupancy rates to the available rental days for each category: 61, 170, and 122 days, respectively.

Vacation Rentals: A house, condominium, or other resident dwelling is exempt from the 5.0 percent state hotel tax if the house, condominium, or resident dwelling is rented in its entirety. The Budget specifically includes this description to differentiate between an unlicensed rental of a single bedroom and the rental of a vacation home or condo. This type of rental is not exempt from the 7.0 percent sales and 1.0 percent local occupancy taxes.

The expansion of the hotel tax base will increase net revenue to municipalities by \$1.3 million through the 5.0 percent hotel tax share and 1.0 percent local occupancy tax.

Tourism Funding to Commerce Corporation

Each fiscal year, the Commerce Corporation is required to spend no less than the hotel tax revenues it receives on the promotion and marketing of Rhode Island as a destination for tourists or businesses. The Budget redirects \$5.0 million in new and existing hotel tax proceeds to enhance statewide tourism and to promote Rhode Island as a vacation and leisure destination.

The following table outlines the redistribution of the 5.0 percent hotel tax revenue, including the shift to Commerce Corporation.

| Recipient | FY2016 Reallocation of 5.0% Hotel Tax Revenues | | | | |
|---|--|---------------------------------|-----------------------------|---------------------------------|--|
| | Previous Allocation | | Enacted Budget ¹ | | Full Year Allocation Difference from Current Law |
| | State Hotel Tax Share | Amount of State Hotel Tax | State Hotel Tax Share | Amount of State Hotel Tax | |
| Aquidneck Island District | 47% | \$2,893,084 | 45% | \$2,864,581 | (\$28,503) |
| Statewide District | 47% | 130,544 | - | - | (130,544) |
| All Other Districts | 47% | 1,778,772 | 45% | 1,761,430 | (17,342) |
| Providence Convention Center Authority | 31% | 1,391,336 | 30% | 1,263,753 | (127,583) |
| Warwick Department of Economic Development | 31% | 729,608 | 30% | 725,333 | (4,275) |
| Providence/Warwick Convention & Visitors Bureau ² | 23/7/12% | 2,172,656 | 23/6.2/12% | 2,166,154 | (6,502) |
| RI Convention Center Authority ³ | 30% | 316,906 | 15% | 189,928 | (126,978) |
| Municipalities | 25% | 4,000,819 | 25% | 4,299,421 | 298,602 |
| State General Revenue | 21% | 3,645,903 | - | - | (3,645,903) |
| RI Commerce Corporation | 0% | - | 27.9% | 4,983,438 | 4,983,438 |

¹Rates are based on the combined effective rate of the allocation change taking place in the middle of the fiscal year.

²Shares of state hotel tax revenue are received as follows: 23.0% is for rooms rented in Providence and Warwick, 12.0% is rooms rented at the Omni Providence, and 7.0% (current) or 5.0% (Budget) is room rentals in the rest of the State.

³Despite the loss in hotel tax revenue share to 0.0%, the RI Convention Center Authority will still receive funds in FY2016 since the redistribution takes place in the middle of the fiscal year.

Source: Office of Revenue Analysis

More information on the hotel tax changes can be found in the Lodging (Hotel) Tax Changes and Statewide Marketing report in the Special Reports section of this publication.

Controlling Interest Transfer Tax**\$695,970**

The article includes \$695,970 in additional revenue for the assessment of a conveyance tax on sales of controlling interests in a business that holds real property. Rhode Island assesses a real estate conveyance tax of \$2.30 per \$500 of the price paid on certain sales involving real estate. Previously, the owner of a business could sell the ownership of a business entity that owns a real property such as a building, without paying the transfer tax on the value of the building. The Budget requires that under such sales, the owner must pay the transfer tax based on the value of the property.

REDUCTIONS, EXEMPTIONS, AND MODIFICATIONS**Eliminate Sales Tax on Commercial Energy****(\$24.4 million)**

Article 11 expands the current sales tax exemption on electricity, natural gas, and heating fuels used in the manufacturing process to consumption of these utilities by all businesses. Total revenue impact for elimination of sales taxes on utilities is estimated at \$24.4 million in FY2016.

Income Tax Exemption on Taxable Social Security Benefits**(\$9.4 million)**

The article exempts Social Security benefits from the State's income tax for individuals whose adjusted gross income (AGI) is \$80,000 a year or less, and for joint filers couples whose AGI is \$100,000 a year or less. Rhode Island personal income taxes are based on federal AGI (the basis of income subject to federal income taxes) and any additional modifications the State allows that reduce federal AGI. The standard deduction and personal exemption amounts, which are set annually by the Division of Taxation, are then deducted from the state taxable amount to determine taxable income. This is estimated to reduce revenues by \$9.3 million in FY2016. The Budget also schedules annual increases in the AGI dollar amount to coincide with changes in inflation.

Social Security Exemption: 5-Year Revenue Impact

| | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 |
|--|----------------|-----------------|-----------------|-----------------|-----------------|
| Tax Foregone on Taxable Retirement Income by RI Residents | (\$7.7) | (\$16.2) | (\$16.7) | (\$17.1) | (\$17.4) |
| Tax Foregone on Taxable Retirement Income by Non-Residents | (1.6) | (3.3) | (3.4) | (3.5) | (3.6) |
| Total Revenue Impact | (\$9.4) | (\$19.5) | (\$20.2) | (\$20.7) | (\$20.9) |

\$ in millions

Source: Office of Revenue Analysis

Alcohol Tax Restructure**(\$7.9 million)**

This article permanently reinstates the current alcohol sales and excise tax rates. The FY2014 Budget as Enacted created a temporary sales tax exemption on purchases of wine and spirits and increased excise taxes on beer, wine, and spirits. Originally part of a pilot program established in the FY2014 Budget as Enacted, the changes were set to sunset on June 30, 2015. The change maintains the current excise tax increases on beer, spirits, and wine. The Budget includes a decrease in sales tax of \$14.3 million, offset by an increase of \$6.4 million in excise tax, a net decrease of \$7.9 million.

| | Alcohol Tax Rates | | | | |
|--|-------------------|-----------------|------------|--------------------------|------------|
| | Per Unit | Prior to FY2014 | | Current/Permanent Change | |
| | | Sales Tax | Excise Tax | Sales Tax | Excise Tax |
| Beer | Barrel | 7.0% | \$3.00 | 7.0% | \$3.30 |
| Still Wines (Entirely RI Grown) | Gallon | 7.0% | 0.30 | - | 0.30 |
| Still Wines | Gallon | 7.0% | 0.60 | - | 1.40 |
| Sparkling Wines | Gallon | 7.0% | 0.75 | - | 0.75 |
| Whiskey, Rum, Gin, Spirits, Cordials, Etc. | Gallon | 7.0% | 3.75 | - | 5.40 |
| Whiskey, Rum, Gin, Etc. (≤ 30 Proof) | Gallon | 7.0% | 1.10 | - | 1.10 |
| Ethyl Alcohol (Beverage Use) | Gallon | 7.0% | 7.50 | 7.0% | 7.50 |
| Ethyl Alcohol (Non-Beverage Use) | Gallon | 7.0% | 0.08 | 7.0% | 0.08 |

Increase Allowable Earned Income Tax Credit**(\$3.1 million)**

The Budget modifies the calculation of the earned income tax credit (EITC), authorizing eligible taxpayers to claim 12.5 percent of the allowable federal credit EITC amount beginning TY2016, up from 10.0 percent in TY2015. The changes are expected to reduce revenues by \$3.1 million in FY2016.

Changes to Earned Income Tax Credit - Sample Taxpayer Impact

| | TY2015 | TY2016 |
|--------------------------------------|--------------|--------------|
| Income* | \$39,131 | \$39,131 |
| Maximum EITC | 3,359 | 3,359 |
| Allowable Federal Credit Amount | 10.0% | 12.5% |
| Deduction Allowable from RI Tax Owed | 336 | 420 |
| Refundable Amount | 100% | 100% |
| Total Refunded to Taxpayer | \$336 | \$420 |

*Single filer, one qualifying child.

Note: TY2016 income amount reflects TY2015 limit as this income level is set annually by the IRS.

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

Eliminate Surcharges on Net Patient Revenues for Imaging Services**(\$2.3 million)**

The Budget eliminates the 2.0 percent surcharge on net patient services revenue generated by outpatient healthcare facilities and imaging services providers. The Budget reflects a total reduction of \$2.3 million for this change.

| Surcharge Item | FY2016 |
|-----------------------|----------------|
| Imaging Services | (\$1.5) |
| Outpatient Healthcare | (0.7) |
| Total | (\$2.3) |

\$ in millions

Under current law, Rhode Island imposes a monthly surcharge of 2.0 percent upon the net patient revenue received by every outpatient health care facility and every imaging services provider. Additionally, any outpatient health care facility or imaging services provider which fails to pay the surcharge within the time required is assessed a penalty of 10.0 percent plus interest on any overdue amount.

Minimum Corporate Tax Reduction**(\$1.6 million)**

Article 11 reduces the minimum corporate tax from \$500 to \$450. Corporations are required to remit the corporate tax of 7.0 percent (TY2015) on net income or the minimum tax amount, whichever is greater. Rhode Island will no longer have the highest minimum corporate tax in New England. The Budget decreases revenue by \$1.6 million in FY2016 for this change.

| Regional Comparison | |
|---------------------|-------------|
| State | Minimum Tax |
| Massachusetts | \$456 |
| Rhode Island | 450 |
| Connecticut | 250 |
| Vermont | 250 |
| Maine | - |
| New Hampshire | - |

New Personal Income Tax Credits**(\$1.0 million)**

Article 11 allows three new tax credits, established through Article 19, against personal income tax liabilities: the Stay Invested in RI Wavemaker Fellowship; the Rebuild RI Tax Credit; and, the Rhode Island Qualified Jobs Incentive Program. The Budget includes a decrease of \$1.0 million in general revenue for the Rhode Island Qualified Jobs Incentive Program only. *More information on these programs can be found in the summary of Article 19 of this publication.*

Stay Invested in RI Wavemaker Fellowship: Article 19 establishes a competitive Stay Invested in RI Wavemaker Fund to provide tax credits against the taxpayers' tax liability but shall not exceed 100.0 percent of the educational loan expenses incurred and paid by a taxpayer during a twelve month period for up to four consecutive years. The amount of the tax credit depends upon the degree earned by the taxpayer, from up to \$1,000 for an associate's degree and up to \$6,000 for a graduate or post-graduate degree. Approximately 70.0 percent of the eligible candidates must be either a permanent Rhode Island resident or a graduate of a school in Rhode Island where the student loan debt occurred.

To receive a reimbursement award eligible candidates must:

- Undergo a competitive application process, which is not defined in the authorizing language but will be determined through rules and regulations by the Commerce Corporation; and,
- Reside and be employed in the state with a career in the life, natural, or environmental sciences, computer technology, advanced mathematics or finance, engineering, industrial design, or other technological field, medicine or a field that promotes the State's economic strategic plan as determined by the Commerce Corporation during the period of eligibility in receiving the loan repayment.

The Rhode Island Commerce Corporation operating budget includes \$1.8 million to fund the Stay Invested in RI Wavemaker program. This funding is separate and distinct from the general revenue appropriations to the Executive Office of Commerce.

Rebuild RI Tax Credit: Rebuild Rhode Island Tax Credit: The Rebuild RI tax credit program allows the Commerce Corporation to grant tax credits to developers up to \$15.0 million per development project to promote development of commercial and residential real estate. Developers apply for these credits to the Commerce Corporation board, and if approved, may redeem these credits against certain state business tax liabilities.

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

Commerce. Prior to assignment of the credit, the State will have the right to redeem (purchase) the credits at 90.0 percent of the credit value.

Rhode Island New Qualified Jobs Incentive: Article 19 authorizes the creation of the Rhode Island New Qualified Jobs Incentive Act of 2015, an incentive program for businesses to enter into an “incentive agreement” with the Rhode Island Commerce Corporation from 2015 through 2018 to receive a base tax credit of \$2,500 per new full-time job. A full-time job is defined as one in which an employee works at least 35 hours per week, earns at least the median hourly wage in the state, and has wages earned subject to withholding tax. The number of new jobs required to be created by the business is based on a graduated scale depending on the number of existing full time employees the business possesses at the date of application of the credit. The program may provide the eligible business a tax credit not to exceed ten years.

In addition to the base credit, if the business is located in a “Hope Community”, or operates in a targeted industry, or is located in a transit oriented development area, or is an out-of-state business that relocates a business unit or creates a “significant number” of new full-time jobs, a credit of up to \$7,500 per new full-time job can be awarded if the business enters into an “incentive agreement” with the Rhode Island Commerce Corporation from 2015 through 2018.

ENFORCEMENT

Increased Collections from Tax Compliance Contract

\$1.8 million

The Budget includes \$1.8 million for enhanced collection of owed taxes, interest, fines, and penalties. The proposal allows the Division of Taxation to enter into performance-based contracts with third-party vendors to assist in developing new compliance programs. The Division of Taxation lacks resources to expand and enhance compliance programs. Using an outside vendor will allow Taxation to accelerate current compliance programs while creating new compliance initiatives. Examples of potential projects include using data collected by Taxation to identify fraudulent refund requests and implement a more data-driven audit selection.

Taxation manages four programs which compare RI taxpayer data to data collected by the Internal Revenue Service (IRS). When there is a discrepancy, Taxation sends out a notice billing the taxpayer for owed taxes. Taxation estimated the number of notices which would be sent out by the contracted vendor and applied the most recent collections rate for each program. This initiative is anticipated to increase personal income taxes by \$962,500 and increase collections of fines and penalties by \$787,500.

Taxation Self-Audit Program

\$500,000

The Budget institutes an audit program within the Division of Taxation permitting businesses to perform self-audits. This type of audit would replace the traditional field-audit program, which allows the Division of Taxation to dedicate auditing resources to other Division programs. Businesses enter into an agreement with the Division to perform self-audits and voluntarily declare unreported or underreported sales or use taxes and receive reduced interest and penalties on those underpaid taxes. Pennsylvania recently implemented a similar program. During the first full year, \$10.0 million in new revenue was generated. Based on a ratio of the State’s comparable population and revenue data to that of Pennsylvania, the Office of Management and Budget expects the Rhode Island program to generate \$500,000. The Budget reflects the increased revenues.

OTHER REVENUE CHANGES

Newport Grand Marketing Expenses

(\$760,000)

The Budget amends the State and Newport Grand net terminal income shares for FY2016 and FY2017, adding 1.9 percentage points to the Newport Grand share. The impact is expected to reduce general revenue to the State by \$760,000 in FY2016.

The 2014 Budget as Enacted 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 2.25 percent enhanced share increase to aid in operations of the casino in both FY2014 and again in FY2015. Unlike the last two years, the funds garnered by the 1.9 percent enhanced share must be applied exclusively to the marketing expenditures, as approved by the Lottery. If the funds are not used for Lottery-approved marketing, they must be returned to the State.

Sunset Enterprise Zone Wage Tax Credit

Informational

The Budget discontinues the enterprise zone wage tax credit effective July 1, 2015, which provides employment-based tax incentives for businesses located in certain defined areas of the state. Credits are now limited to businesses certified before this date. Foregone revenue based on the number of currently qualified businesses will total \$356,347 in FY2016. Fewer than 10 taxpayers have claimed the credit annually over the past 5 years.

| Enterprise Zone Wage Tax Credits | | |
|---|------------------|---------------|
| Business Corporations | | |
| Fiscal Year | Taxpayers | Amount |
| 2011 | 6 | \$370,000 |
| 2012 | 6 | 320,000 |
| 2013 | 7 | 508,607 |
| 2014* | 3 | 546,328 |
| 2015* | 6 | 548,987 |

**Estimates provided in the 2014 Tax Expenditures Report.*

Source: Office of Revenue Analysis.

Qualified businesses in an enterprise zone are eligible for the Enterprise Zone Wage tax credit equal to 50.0 percent of wages paid to newly-hired workers, capped at \$2,500 per worker (75.0 percent of wages paid capped at \$5,000 if the newly hired worker resides in a designated Enterprise Zone). Enterprise zones are economically distressed areas, or more specifically, United States Bureau of the Census divisions, in need of expansion of business and industry. To be eligible, companies with 20 or more employees must hire at least 5.0 percent more employees than the previous year. For companies with less than 20 employees, they must hire at least 1 new employee. The credits may be carried forward for up to 3 years. A business can get the credit as many times as it meets the criteria to earn it.

Article 12: Relating to State Police Pensions

This article creates a pension trust fund for State Police troopers hired prior to 1987 who are currently receiving benefits through a pay-as-you-go (pay-go) system. Members' benefits will remain unchanged; but the proposal transitions the current system to a more traditional retirement fund whereby contributions are amortized, in this case, over 18 years. The Budget uses one-time funding from the Google settlement to seed the fund. Leveraging this investment at a 7.5 percent rate of return will achieve \$157.2 million general revenue savings over the 77-year life of the plan.

FISCAL IMPACT

The Budget includes an initial deposit of \$31.7 million in FY2016, including \$15.0 million in Google forfeiture funds and \$16.5 million in general revenue. On average, the State pays benefits of \$17.6 million in general revenue per year; thus, this proposal would save approximately \$1.0 million in FY2016.

The schedule continues with an appropriation of \$16.5 million in general revenue per year from FY2016 through FY2033, at which point the trust will be fully funded. The State would realize general revenue savings in each of the first five years, and would save \$157.2 million in general revenue overall based on rate of return assumptions.

Fiscal Impact of Pension Trust Deposit Schedule

| Fiscal Year | Estimated Payments to Beneficiaries | Proposed State Contributions | General Revenue Balance (Savings) |
|-------------|-------------------------------------|------------------------------|-----------------------------------|
| 2016 | \$17,872,862 | \$31,743,504 | (\$1,129,358) |
| 2017 | 17,642,128 | 16,496,804 | (1,145,324) |
| 2018 | 17,401,106 | 16,496,804 | (904,302) |
| 2019 | 17,149,895 | 16,496,804 | (653,091) |
| 2020 | 16,888,212 | 16,496,804 | (391,408) |
| 2021 | 16,642,566 | 16,496,804 | (145,762) |
| 2022 | 16,415,701 | 16,496,804 | 81,103 |
| 2023 | 16,148,070 | 16,496,804 | 348,734 |
| 2024 | 15,836,146 | 16,496,804 | 660,658 |

Note: Savings will decline over the first five years of the establishment of the trust. After that point, general revenue payments into the trust will exceed the projected pay-go payments through year 18, at which point the trust

ANALYSIS AND BACKGROUND

Pay-as-you-go-pensions, typically known as “pay-go” pensions, are unfunded defined benefit plans paid out to retirees either directly from current workers' contributions or state general revenue as the benefits are due, rather than paid from a pre-funded account or trust. Rhode Island State Police (RISP) troopers include those who were hired prior to July 1, 1987, completed twenty years of service before they were eligible to retire, and must have retired upon the completion of their twenty-fifth year of service. The current Superintendent of the State Police is the remaining member to be added to this cohort upon his retirement. Pensions for troopers hired after 1987 are managed by the ERSRI.

This pension plan is typically funded annually through the Department of Public Safety general revenue budget and payments to retirees have increased over time as more retirements occur. On average, the State distributed \$17.6 million to approximately 275 beneficiaries over the last four years.

To fund the plan and ensure its sustainability and affordability, the Budget establishes a pay-go trust to allow the State to make contributions in amounts which will reduce the annual liability associated with the current pay-go system. The Budget seeds the trust in FY2016 with \$15.0 million in Google forfeiture

funds and \$16.5 million general revenue. If the State makes the proposed contributions for the next 18 years, realizes an annual rate of return on the contributions of 7.50 percent, and life expectancy is consistent with the most recent actuarial valuation for the trust, the liability for the pay-as-you-go retirement benefits will be advance funded. Proceeds are expected to save the State \$157.2 million over the 80-year life of the trust, with the bulk of the savings incurred in the latter years.

Google Forfeiture Funds

On August 24, 2011, Google, Inc. reached a settlement agreement with the United States Department of Justice (DOJ) to forfeit \$500.0 million for allowing online Canadian pharmacies to place advertisements through its AdWords program, targeting U.S. consumers. The forfeiture, one of the largest ever in the United States, represents the gross revenue received by Google as a result of Canadian pharmacies advertising through Google's AdWords program, plus gross revenue made by Canadian pharmacies from their sales to U.S. consumers.

Rhode Island received a \$230.0 million share of this award for State and local law enforcement agencies that helped investigate Google's role in placing the online ads for illegal pharmacies. Of the total award, the State directly received \$110.0 million, of which \$60.0 million was allocated to the Office of the Attorney General, \$45.0 million allocated to the State Police, and \$5.0 million to the Rhode Island National Guard. The City of East Providence and Town of North Providence each received \$60.0 million.

The Department of Justice (DOJ) requires that the funds forfeited as a result of this matter need to be approved and expended in accordance with DOJ guidelines. These funds have significant restrictions and are allowed to be used for law enforcement purposes only. While pension liability is not specifically acknowledged in DOJ guidelines, precedent has been set for using Google forfeiture funds toward unfunded pension liabilities as a permissible use. In 2013, the DOJ approved use of these funds in two communities, elevating their police pension funds out of critical status.

Article 13: Relating to Restricted Receipt Accounts

This article exempts three new and four existing restricted receipt accounts from the 10.0 percent indirect cost recovery provisions under RIGL 35-4-27. The proposed exemptions would impact the “Miscellaneous Donations/Grants from Non-Profits” account and the “State Loan Repayment Match” account in the Department of Health; the “Rhode Island Health Benefits Exchange” account in the Department of Administration; the “Defined Contribution – Administration - RR” account in General Treasury; the “Rhode Island Judiciary Technology Surcharge” account in Judiciary; the “Davies – National School Breakfast and Lunch Program” account in the Department of Elementary and Secondary Education; and, the Jobs Tax Credit Redemption Fund in the Department of Revenue.

The article also repeals RIGL 35-6-1 (d) that requires the State Controller to transfer general revenue receipts in excess of adopted estimates to the Employees’ Retirement System of Rhode Island (ERSRI). Repealing the statute allows the excess revenues to be deposited into the general fund.

FISCAL IMPACT

The Budget decreases general revenue by \$58,510 for adjustments to several restricted receipt accounts that were not correctly reflected in the Governor’s budget. Article 13 exempts three new and four existing restricted receipt accounts from the 10.0 percent indirect cost recovery provisions under RIGL 35-4-27, three of which were not accounted for in the Governor’s budget. The correction reflects decreases from the following accounts: proposed exemptions would impact the “Miscellaneous Donations/Grants from Non-Profits” account and the “State Loan Repayment Match” account in the Department of Health; the “Rhode Island Health Benefits Exchange” account in the Department of Administration; and, the “Rhode Island Judiciary Technology Surcharge” account in Judiciary.

ANALYSIS AND BACKGROUND

The following accounts are exempt from the indirect cost recovery provisions under RIGL 35-4-27:

Miscellaneous Donations/Grants from Non-Profits: This is a new account to capture all private grant funds the Department of Health receives to support specific activities. Previously, when the Department received these donations and grants, the funds were deposited as general revenues across a number of accounts. The fiscal impact of this proposal is indeterminable at this time, because the Department does not presently have donations to place into the account.

State Loan Repayment Match: This is an existing account in the Department of Health used to support the repayment of student loans for healthcare professionals that meet certain criteria. The Department receives donations from various sources including non-profit organizations to support this action, such as the RI Foundation, Delta Dental of Rhode Island Fund, and United Healthcare Community Plan.

Rhode Island Health Benefits Exchange Account: This is a new account established in the Department of Administration to fund personnel and operations of the Health Benefits Exchange (HealthSource RI). The Budget imposes a Health Reform Assessment on health insurance carriers (Article 18) and uses the proceeds to finance the HealthSource RI personnel and operations.

The Defined Contribution – Administration – RR Account: This account was established as a separate account in the Office of the General Treasury to administer the Defined Contribution Program. Under Internal Revenue Service regulations, the Defined Contribution Program must be separate from the Employees’ Retirement System and, therefore, cannot be funded through the State Retirement Trust. Funds received into this account are generated by the \$8.00 participant fee charged to approximately 31,090 state and municipal employees. The fee is collected by TIAA-CREF and transferred to the restricted receipt account.

Rhode Island Judiciary Technology Surcharge Account: This restricted receipt account was established by P. L. 2014 Chapter 34 and 42 for the purpose of collecting a new \$25.00 technology surcharge for each case filed in the state court system. The fees collected are used by the Judiciary in support of its technology infrastructure and case management system.

Davies – National School Breakfast and Lunch Program: This is an existing program under the Department of Elementary and Secondary Education. The Davies Career and Technical School receives federal funds from the United States Department of Agriculture to cover the annual operating and maintenance costs associated with the breakfast and lunch program at Davies. The federal Office of Management and Budget circular (OMB Circular A-87 revised May 2004) prohibits an indirect cost recovery charge on the federal funds if the charge does not directly benefit the school breakfast and lunch program.

Jobs Tax Credit Redemption Fund: This account is in the Department of Revenue. The Jobs Tax Credit Redemption Fund will receive funds via companies participating in the tax credit program created by the Rhode Island New Qualified Jobs Incentive Act. The Division of Taxation is required to “segregate” the withholding taxes collected from the earnings paid for the new full-time jobs and deposit these taxes into a restricted receipt account to be called The Jobs Tax Credit Redemption Fund. Monies deposited into this account will be used to pay for the redemption of tax credits awarded to businesses by the Rhode Island Commerce Corporation. This action will forgo revenue to the general fund but the amount is indeterminable at this time.

Article 14: Relating to Infrastructure Bank

This article renames the Clean Water Finance Agency (CWFA) the Rhode Island Infrastructure Bank (RIIB), as of September 1, 2015, and expands the agency's functions to include the administration of a residential and commercial Property Assessed Clean Energy program, as expanded to include commercial properties; a new Efficient Buildings Fund; a potential brownfields revolving fund; and a storm water loan program for private commercial borrowers, consistent with changes to the federal program.

FISCAL IMPACT

The article has no determinable fiscal impact on the State; however, savings could be realized through increased energy efficiency programs in public buildings and more favorable borrowing rates for projects. The article is also expected to increase jobs in the construction and energy industries.

Analyst's Note: While the law changes in the article do not have a specific fiscal impact, the Budget provides a one-time transfer of \$3.0 million from Regional Greenhouse Gas Initiative (RGGI) proceeds to the RIIB in FY2016.

ANALYSIS AND BACKGROUND

The goals of this article are to centralize management of new and existing green infrastructure financing opportunities; create a marketable brand that maximizes economic growth, job creation, and a better business climate; build upon the CWFA's existing fiscal success; and create a long-term policy framework focused on addressing Rhode Island's energy needs through cost effective and environmentally-conscious policies.

RHODE ISLAND CLEAN WATER FINANCE AGENCY

Sections 16 and 17 of the article rename the Rhode Island Clean Water Agency (RICWFA) as the Rhode Island Infrastructure Bank (RIIB). The Rhode Island Clean Water Finance Agency was created in 1989 through RIGL 46-12.2 to administer revolving loan funds to provide low-cost financing for the construction of facilities and projects for the abatement of pollution caused by wastewater. In 1993, the Agency's powers were expanded to include the administration of the Safe Drinking Water Revolving Fund. In 2013, the Agency's powers were expanded to include the administration of the Municipal Road and Bridge Revolving fund. The article expands the RIIB's powers to include the administration of programs to facilitate renewable energy and energy efficiency, to support infrastructure improvements, and to encourage job and business growth in Rhode Island.

Pursuant to current law, the powers of the RICWFA are vested in a five-member Board of Directors. Four of the Board members are appointed by the Governor, subject to the advice and consent of the Senate. In making these appointments the Governor must give due consideration to persons skilled in law, finance, and public administration; furthermore, the Governor must give due consideration to a recommendation by the General Treasurer for one of the positions. The General Treasurer, or a designee, serves on the Board as an ex-officio member. Board members must be residents of Rhode Island and are not compensated for their service.

The amended article creates a Green Infrastructure Advisory Council, instead of adding the Commerce Secretary and the Director of the Department of Environmental Management. The Advisory Council will advise the Board of Directors on advances related to green infrastructure, energy efficiency, and renewable energy, and make recommendation for new programs and updates to existing programs. The Advisory Council will also help to ensure communication and coordination across the different programs. The Advisory Council will consist of the Executive Director and the chairperson of RIIB, the Secretary of Commerce, the Director of DEM, the Commissioner of the Office of Energy Resources, the Director of the Department of Health, the Director of DOT, and the Executive Director of RI Housing.

The article expands the definition of “approved project”, as used in the chapter, from projects that have been issued a certificate of approval by the Department of Environmental Management to include certain projects water pollution abatement not included on Department’s priority list. This language is also used to expand the statutory definition of “certificate of approval”. The article also empowers RIIB to provide financial assistance to project “funded outside” the clean water and the drinking state revolving funds. The expansion will allow RIIB to fund certain projects that may not meet the strict federal requirements for Clean Water projects.

Analyst’s Note: While DEM has regulations in place that have allowed such projects to receive funding on a limited basis, the Department of Health does not and has not taken action to promulgate regulations.

The section defines “corporation” to include bodies politic, societies, associations, and political subdivisions of the state. “State” is not defined in the chapter. Instead of “energy efficiency savings”, as provided in the original draft, the amended article defines “projected energy savings” as savings derived from upgrades to public buildings: private buildings are not included in the definition. The change provides a more specific identification of the savings be used to leverage the loan. The definition will be further clarified through regulation.

The powers of the RIIB are expanded to include those necessary to effectuate the PACE program, and to be the sole issuer of Qualified Energy Conservation Bonds (QECBs). QECBs enable qualified state, tribal, and local government issuers to borrow money at subsidized interest rates to fund energy conservation projects. The United States Department of the Treasury subsidizes the issuer’s borrowing costs. Rhode Island received two allowances, including \$11.9 million to the State and about \$500,000 to Providence, which have not been used. Making RIIB the sole issuer with ensure coordination among projects and move the program forward.

The article provides that any restrictions or regulation found in charters, other laws, or ordinances governing the power of a municipality to lease or sell property would not apply to leases or sales made with the RIIB. This appears to loosen restrictions on municipal borrowing to encourage access to the funds. In order to allow municipalities to participate in the efficient buildings fund, the article allows the chief executive or city or town council to lease, lend, grant, or convey to the RIIB any real or personal property, including public roads and other property devoted to public use, to the RIIB without advertisement or formality. Any trust agreements between a municipality and an insurance company, bank, trust company, or other financial institution will continue to be subject to the applicable voter approval requirements.

The amended article empowers the RIIB, pursuant to a recommendation from Commerce Corporation, to designate a commercial project as high priority and provide the project with financial assistance.

BROWNFIELDS REVOLVING LOAN FUND

The Article establishes a Brownfields Revolving Fund at the Rhode Island Infrastructure Bank (RIIB). The Article allows individuals, corporations, municipalities, or state entities to borrow funds brownfields projects. The Department of Environmental Management (DEM), in consultation with the Rhode Island Commerce Corporation (Corporation), will promulgate rules and regulation for project evaluation and the application process. Upon issuance of a project priority list by DEM, the RIIB will award financial assistance. The expenses of DEM may be paid with revolving fund resources as authorized by the General Assembly. This language was modeled on the Municipal Road and Bridge Fund. Pursuant to the Article, RIIB must submit an annual report on its fiscal-year activities to the Governor, the Speaker of the House, the President of the Senate, and the Secretary of State.

Analyst's Note: Commerce has a small brownfields revolving fund. The funds will be transferred pursuant to MOU. Apparently, the federal EPA is not happy with how Commerce has been managing the program because no one in-house is administering the program. It is done through a contract attorney. EPA has new funding available to seed brownfields revolving funds and it is expected that RI will have a better chance of receiving the new funding if a new program is established.

PROPERTY ASSESSED CLEAN ENERGY – RESIDENTIAL PROGRAM

Sections 8 and 9 of the article rename and expand the Property Assessed Clean Energy – Residential Program to include commercial properties. The Property Assessed Clean Energy (PACE) program is a voluntary financing mechanism that allows property owners to access affordable, long-term financing for energy upgrades on their property. The current residential program provides financing for energy upgrades through a special assessment tied to the property. Unlike a loan, when a transfer of ownership of the property takes place, the PACE assessment obligation stays with the property, not the property owner.

In the amended article, the priority of the PACE assessment lien is revised to make liens on residential property subordinate to all liens in existence at the time the PACE loan is made, instead of the time the loan is created. For commercial properties the PACE lien is senior to all liens in existence at the time the PACE loan is made, subject to the consent of the senior mortgage holder on the property. The consent language is new. The amendment also clarifies that that PACE loan is junior to municipal tax liens: this was unclear in the original article.

When a buyer purchases a property with PACE lien, the lien stays in place; however, any delinquencies have to be paid by the date of the sale: the balance of the lien is subject to the terms of the original PACE lien.

The article specifies in the legislative findings section of the statute that PACE financing can be used for renewable energy and energy efficiency upgrades including system reliability upgrades, alternative fuel infrastructure upgrades, as well as other environmental and health and safety upgrades.

The article requires RIIB, in consultation with the Office of Energy Resources, to promulgate regulations establishing application requirements, procedures, and project parameters for the PACE program. The RIIB is also responsible for promulgating the forms and agreements necessary to effectuate the program.

Analyst's Note: It appears that the RIIB is managing this program not simply acting as a bank. There is not a department creating a project priority list for the RIIB to fund. However, the intent of the program is for the loans to be made through private banks.

THE EFFICIENT BUILDINGS FUND

Section 18 authorizes the RIIB to establish the efficient building fund and review and approve all projects. The amendment empowers the Office of Energy Resources to promulgate rules and regulations establishing the project priority list and to issue the project priority list. RIIB will promulgate rules and regulation to effectuate the program and provide technical, funding and administrative assistance to public entities for energy efficiency and renewable energy upgrades to public buildings and infrastructure. Local governments would be authorized to issue limited obligations payable solely from the projected energy savings of the project.

The article provides that “to the extent possible” RIIB must encourage the use of project labor agreements and local hiring on funded projects for projects over \$10.0 million and local hiring on all projects.

The amendment allows financial assistance to be provided for retrofitting school buildings without requiring the local share calculated through the share ratio in the school housing program but does require coordination with the Department of Elementary and Secondary Education for such assistance.

Furthermore, the obligations of the local government cannot exceed projected energy savings of the project.

UTILITY BASE RATE FOR DEMAND SIDE MANAGEMENT AND RENEWABLES

Section 6 of the article extends the period of implementation for demand side charges for electric companies by five years: the original article extended the program for 21 years; and for gas companies by six years, instead of 22 years in the original draft. The electrical charge was implemented in January 1, 2008, and the gas charge was implemented on January 1, 2007; the Article aligns the expiration of both charges. The charges fund programs such as the EnergyWise Home Assessments to provide rebates on replace inefficient lighting and appliances, and the ENERGY STAR® products and lighting programs. This article extends the sunset of the charge from 2018 to 2029. Demand-side management involves reducing electricity use through programs that promote electric energy efficiency or conservation, or more efficient management of electric energy loads. The article does not change the 10-year period for the charge associated with the renewable energy programs.

Under current law up to 2.0 percent of the demand-side management funds may be used for program costs as allocated by the Public Utilities Commission (PUC). The article amends the distribution of the 2.0 percent to allocate 50.0 percent of the funds to each the PUC and the Office of Energy Resources. Current law provides 60.0 percent to the PUC.

Analyst's Note: No objections were raised about this change in the Finance Committee hearing and the Office of Energy Resources has indicated that they have not heard of any objections.

The article would require each electric and gas distribution company, except the Pascoag Utility District and the Block Island Power Company, to remit 2.0 percent of 2014 demand side charge collections charge to the RIIB, instead of the 5.0 percent of the monthly proceeds of the current demand side included in the original article. These charges would be deposited into a separate account to be used only to secure debt or prevent a default incurred in connection with the efficient buildings fund, as established in Section 18 of this article. After all the loans and bonds related to the efficient buildings funds have been repaid, the balance of the loan balance reserve fund, plus accrued interest, would be returned to the distribution companies to be used for energy efficiency programs.

Analyst's Note: The 2.0 percent of the 2014 demand side collections is about \$2.0 million.

RENEWABLE ENERGY DEVELOPMENT FUND

The Renewable Energy Development Fund was created in 2004 to increase the supply of New England General Information System (NE-GIS) certificates. Electricity providers may purchase these certificates from generators, allowing them to directly support the renewable market without having to directly supply clean energy. The NE-GIS maintains and tracks the number of the Renewable Energy Certificates (RECs). The Rhode Island Commerce Corporation administers the fund.

The Renewable Energy Development Fund is supported alternative compliance payments which are payments of fifty dollars (\$50.00) per megawatt-hour of renewable energy obligation, in 2003 dollars, adjusted annually up or down by the consumer price index, which may be made in lieu of meeting the renewable energy standards defined in statute.

The Renewable Energy Development Fund is used for the specific purposes set forth in the statute such as stimulating investment in renewable energy and establishing a renewable energy program. The Article expands the uses to include commercial and residential property assessed clean energy (PACE) projects, and limits the use for development of new energy sources for Rhode Island to renewable sources. The Article also requires that applications for the use of the fund must be reviewed by RI Commerce Corporation in consultation with the Office of Energy Resources and RIIB. Only the Commerce Corporation can use the renewable energy development funds for administrative costs, and that amount is

limited to a maximum of 10.0 percent of fund income. Previous drafts of the article allowed both the Corporation and RIIB access to the administrative funds.

Analyst's Note: Requiring the consultation between entities is intended to ensure coordination with the PACE. The Renewable Energy Fund resources cover about 30.0 percent of a project, with 30.0 percent covered by other incentives, such as tax breaks, and 30.0 percent is financed, perhaps through the PACE program.

Article 15: Relating to Government Reorganization

This article makes the following changes to the organization of state government:

- Establishes a veteran's court to address the special needs of defendants who have served in the United States armed forces.
- Adds several senior level agency positions in various agencies as state employees in the unclassified service.
- Extends the time period to July 2015 for the Department of Administration to conduct a public hearing to determine the salaries of state agency directors and to refer the proposed salaries to the General Assembly by August 30, 2015.
- Changes the organizational functions of Rhode Island Department of Transportation (RIDOT) by establishing a project management-based program and an asset management system. The Director of RIDOT will appoint a chief operating officer to oversee day-to-day operations of the department; and allows the Director to establish divisions that he/she deems necessary to carry out the responsibilities of the department.

FISCAL IMPACT

The Budget adds \$224,293 in general revenue to fund personnel costs for a new associate judge position which will be assigned to proceed over the veteran's court.

ANALYSIS AND BACKGROUND

Veterans' Court: Establishes a veteran's court to address the special needs of defendants who have served in the United States armed forces. The intent of the court is to integrate support and treatment plans with the judicial process which will result in jail diversion, possible reduction of charges, or alternatives in sentencing. The chief of the district court will establish a separate veteran's treatment court calendar for hearings, trial, and disposition of offenses and assign staff as needed. The Budget adds \$224,293 in general revenue to fund personnel costs for a new associate judge position which will be assigned to proceed over the veteran's court.

Unclassified Positions: The article amends RIGL 36-4-2 concerning the Merit System. The Merit System refers to the statutes and rules governing the process of promoting and hiring government employees based on their ability to perform a job. The amendment adds several senior level agency positions as state employees in the unclassified service, including:

- Deputy director, chief of staff, public information officer, and legislative/policy director within the Departments of Administration.
- Director, deputy director, administrative assistant, senior policy analyst, a chief strategic planning monitoring, and evaluation positions employed under HealthSource RI.
- Executive director and deputy director in the Department of Health.
- Executive director and communications director in the Department of Labor and Training.
- Chief operating officer, administrator/division of project management, administrator/division of planning, chief of staff, communications director, legislative director, and policy director in the Department of Transportation.
- Chief of staff in the Department of Children, Youth, and Families.
- Secretary, deputy secretary, chief of staff, communications director, legislative director, and policy director in the Executive Office of Commerce.

The article includes a caveat that any unclassified position added by the General Assembly after January 1, 2015, and is occupied by a person in the classified service on June 30, 2015, shall remain in the classified service until the position becomes vacant. This item will not impact any collective bargaining agreement.

Director Salaries: The article amends RIGL 36-4-16.4 extending the time period April 30, 2015, to July 2015, for the Department of Administration to conduct a public hearing to determine the salaries of state agency directors and to refer the proposed salaries to the General Assembly by August 30, 2015. The salaries may take effect in 30 days unless formally rejected by the General Assembly. The change is only effective in 2015.

RIDOT Structure: This article changes the organizational functions of RIDOT by establishing a project management-based program and an asset management system. The Director of RIDOT will appoint a chief operating officer to oversee day-to-day operations of the department.

The article also allows the Director to establish divisions that he/she deems necessary to carry out the responsibilities of the department, including:

- Division of Finance
- Division of Planning
- Division of Project Management
- Division of Operations and Maintenance
- Division of Civil Rights; Office of Safety
- Office of External Affairs; Office of Legal; Office of Personnel
- Office of Information Services

The article also requires RIDOT to report annually, no later than March 31, on the status of its 10-year transportation plan to the Speaker of the House, the President of the Senate, and the House and Senate fiscal advisors.

Article 16: Relating to Bays, Rivers and Watersheds

This article eliminates the Bay, Rivers, and Watersheds Coordination Team and creates the Bays, Rivers and Watersheds Fund, a restricted receipt account within the Department of Environmental Management (DEM). DEM is empowered to use the funds to further the purposes of The Comprehensive Watershed and Marine Monitoring Act of 2004, Water Pollution, and the Resilient Rhode Island Act of 2014 – Climate Change Coordination Council, subject to appropriation by the General Assembly. The article further expands The Comprehensive Watershed and Marine Monitoring Act of 2004 to include freshwater habitats and environmental problems that may arise from climate change.

FISCAL IMPACT

The Budget does not specify savings or reduce the Department's FTE cap. Information provided by the Budget Office, however, states that, as a result of this article, 2.0 FTE positions associated the BRWCT will be eliminated and responsibilities associated with this article will be performed by full-time employees in DEM, resulting in the shift of some personnel costs from general revenue to restricted receipts.

ANALYSIS AND BACKGROUND

This article repeals the enabling statute for the Rhode Island Bays, Rivers, and Watersheds Coordination Team (BRWCT) and creates the Bays, Rivers, and Watersheds Fund (BRWF), a restricted receipt account within DEM. The use of the restricted receipt account is limited to the purposes of The Comprehensive Watershed and Marine Monitoring Act (RIGL 46-23.2-1); Water Pollution (RIGL 46-12); and, the Resilient Rhode Island Act of 2014 – Climate Change Coordination Council (RIGL 46-6.2).

The BRWCT was established in 2004, pursuant to RIGL 46-31-3, to coordinate the development and implementation of system-level policies and plans for the management, preservation, restoration, and monitoring of the bays, rivers, and watersheds; and to promote sustainable economic development of businesses that rely directly or indirectly on the bays, rivers, and watersheds. The BRWCT is funded with receipts from septage disposal fees, totaling about \$400,000 annually, collected pursuant to RIGL 46-12.11. A disposal fee of \$1.00 per every 100 gallons of septage delivered to a disposal facility is paid by septage transporters and collected by disposal facility operators. In addition, an annual distribution of \$250,000 from the Oil Spill Prevention, Administration, and Response (OSPAR) Fund, provided pursuant to RIGL 46-12.7-13, is provided to the BRWCT. The OSPAR Fund is supported by a fee of \$0.05 per barrel of petroleum brought into Narragansett Bay. The article would require all these funds to be deposited into the BRWF restricted receipt account and would transfer the responsibility for research, development, and monitoring of marine pollution associated with the OSPAR funds to DEM. The article also extends the period for the Rhode Island environmental monitoring collaborative to review and update the statewide monitoring strategy from three to five years: the BRWCT is not a member of this collaborative.

The FY2015 Annual Work Plan for the BRWCT reports that the funds allocated to the team are used for operating expenses for the Office of the Chair totaling \$246,453, including \$242,703 in personnel costs for 2.0 FTE positions. An additional \$20,500 is budgeted for three advisory committees including the RI Environmental Monitoring Collaborative (\$15,000), Integrated Stormwater and Wastewater Management Planning (\$5,000), and the Narragansett Bay Science Advisory Committee (\$500). The work plan provides a total of \$890,000 in project funding to support the five systems level plan (SLP) priorities that have formed the basis of the BRWCT work plan since FY2013. The priority areas include:

- Manage stormwater
- Sustain baseline water monitoring programs and databases

- Sustain and advance Rhode Island’s maritime ports and economic sectors
- Foster climate resiliency
- Conduct science for estuarine and ocean management

The article eliminates the Office of the Chair and allows DEM to use the funds for the purposes enumerated in the following statutes:

- The Comprehensive Watershed and Marine Monitoring Act, as amended to extend to freshwater habitats and environmental monitoring, instead of only marine habitats and monitoring
- Water Pollution
- The Resilient Rhode Island Act of 2014 – Climate Change Coordination Council

The BRWCT was established within the Office of the Governor; however, the offices of the chair and the budget of the coordination team are currently located within DEM. The chair is selected from outside the member agencies and appointed by the Governor, with the advice and consent of the Senate. The BRWCT consists of representatives from the Department of Environmental Management (DEM), the Water Resources Board, the Rhode Island Rivers Council, the Rhode Island Commerce Corporation, the Narragansett Bay Commission, the Coastal Resources Management Council, and the Division of Planning. Instead of making decisions about the use of funds through the team, the article empowers the Director of DEM to decide how the funds are used, within the delineated purposes and subject to appropriation by the General Assembly.

Article 17: Relating to Human Services – Child Care – State Subsidies

This article permits the Department of Human Services (DHS) to increase the maximum reimbursement rate paid to all child care providers in the State’s Child Care Assistance Program (CCAP), by 3.0 percent. In addition to the aforementioned 3.0 percent increase, certified family providers and unlicensed providers also receive an additional \$10.00 per week for infants and toddlers (up to age 3).

The article also requires the Department of Labor and Training (DLT) to conduct or certify an independent survey of weekly child care rates in Rhode Island by June 30, 2016, and triennially thereafter. DHS and DLT will jointly determine the survey criteria, and the results of this survey will be forwarded to DHS.

FISCAL IMPACT

The Budget adds \$1.7 million in general revenue (\$2.2 million all funds) to increase child care rates for licensed child care, certified family, and license-exempt providers.

ANALYSIS AND BACKGROUND

Based upon the results of the May 2015 Caseload Estimating Conference and the continuation of the Back to Work RI Child Care program, which provides short term child care assistance to parents engaged in approved work-preparedness and training activities, the Budget provides funding for an average of 8,629 subsidies per cycle (or every two weeks as subsidies are typically paid on a biweekly basis). These subsidies are projected to cost an average of \$7,100 per year, at a total all funds cost of \$61.3 million (\$11.4 million in general revenue) in FY2016, reflecting the increase in provider rates.

Child Care Benefit and Provider Rate

CCAP provides child care subsidies to low income families and participants in the Rhode Island Works Program. Prior to this increase, the amount of the weekly subsidy was set by statute (RIGL 40-6.2-1.1, last updated in 2008) to be the average of the 75th percentile of the weekly market rates for child care in 2002 and 2004. However, the subsidy amount is not automatically updated each year and has not been increased to reflect the increased cost of child care; as a result, the *average* cost of care at a licensed child care center for infants and preschoolers in 2014 (\$233 and \$184, respectively) now exceeds the subsidy amount, based upon data provided by RI Kids Count.

The table below provides a comparison between the current maximum rates and the new maximum rates, which are effective as of July 1, 2015, by child care provider type and age group for licensed child care centers and certified family providers.

| Licensed and Certified Child Care Provider Rates | Infant and Toddler (up to age 3) | Preschool (up to 1st grade) | School Age (up to age 13) |
|---|---|--|--------------------------------------|
| Certified Family Provider - Current | \$155.00 | \$150.00 | \$142.00 |
| Certified Family Provider - New | 165.30* | 154.50 | 146.26 |
| Licensed Child Care Center - Current | 188.00 | 157.00 | 142.00 |
| Licensed Child Care Center - New | 193.64 | 161.71 | 146.26 |

*\$10 rate increase plus 3% increase

Source: Department of Human Services and Senate Fiscal Office calculations.

The amount of each family’s subsidy is based on the number of hours worked, the age of the child, and the care setting. The provider can invoice the State up to the amount of the approved subsidy, minus the family’s co-pay. Child care assistance providers agree to accept the payment from the State and the

family's co-pay as payment-in-full, and are not permitted to charge parents the difference between the subsidy/co-pay and the provider's private pay rates.

Eligibility Requirements

Families with income under 180 percent of the federal poverty level (FPL), \$36,162 per year for a family of three, and who work a minimum of 20 hours per week, or are engaged in approved work training activities are eligible to receive a child care subsidy (income-based eligibility).¹ Families who receive cash assistance through the Rhode Island Works program are also eligible (categorical eligibility). Eligibility is temporarily extended through September 30, 2016, for current program participants whose income increases to 225 percent FPL.

Child Care Assistance Program - 2015 Income Eligibility Thresholds

| Maximum Annual Income | Family of 2 | Family of 3 | Family of 4 | Family of 5 |
|------------------------------|--------------------|--------------------|--------------------|--------------------|
| 100% FPL | \$15,930 | \$20,090 | \$24,250 | \$28,410 |
| 125% FPL | 19,913 | 25,113 | 30,313 | 35,513 |
| 150% FPL | 23,895 | 30,135 | 36,375 | 42,615 |
| 180% FPL | 28,674 | 36,162 | 43,650 | 51,138 |
| 225% FPL | 35,843 | 45,203 | 54,563 | 63,923 |

Families earning more than 100 percent or more of the FPL pay a weekly co-payment (as a percentage of their income), which varies based on their income and family size. The co-payment is based on the size of the family, not the number of children receiving a subsidy. For example, a family of 3 earning between 100 and 125 percent FPL will contribute up to \$10.00 week, which will vary depending upon actual income.

Child Care Assistance Program - 2015 Maximum Weekly Co-Pay

| Maximum Annual Income | % of income | Family of 2 | Family of 3 | Family of 4 | Family of 5 |
|------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 100% FPL | 0.0% | \$0 | \$0 | \$0 | \$0 |
| 125% FPL | 2.0% | 8 | 10 | 11 | 13 |
| 150% FPL | 5.0% | 23 | 29 | 34 | 40 |
| 180% FPL | 8.0% | 44 | 55 | 66 | 77 |
| 225% FPL | 14.0% | 95 | 120 | 144 | 169 |

¹ Families must also have less than \$10,000 in liquid resources to qualify.

Article 18: Relating to Health Reform Assessment and Health Benefit Exchange

This article establishes HealthSource RI (HSRI), the State's health insurance marketplace, in statute. It authorizes the Department of Administration (DOA) to assess individual and small group health and dental insurance plans sold through the marketplace in order to fund HSRI operations. Though not explicit in the article, the assessment is intended to begin with calendar year 2016 plans.

Rhode Island is one of the last states to establish a financing mechanism for its state-based exchange. The assessment established by Article 18 assesses only plans sold through the exchange, making the mechanism similar to that of California, Minnesota, and Washington.

FISCAL IMPACT

The assessment authorized by this article is anticipated to raise \$3.6 million in FY2016. The anticipated revenue is based on HSRI's enrollment estimates and will fund HSRI's FY2016 budget as presented in the table below. In order to fully fund HSRI's \$6.2 million operating costs, however, the budget supplements this assessment revenue with \$2.6 million in general revenue.

| Enrollment | Current | FY2016 | |
|--------------------------------------|---------|--------------------|--------|
| | | Estimate | Change |
| Small Group | 3,282 | 10,515 | 220.4% |
| Individual | 30,001 | 31,866 | 6.2% |
| CY2016 Assessment | | 3.5% | |
| FY2016 Assessment Revenue | | | |
| Small Group Market | | \$1,087,168 | |
| Individual Market | | 2,467,548 | |
| Total Assessment Revenue (Half Year) | | \$3,554,716 | |
| General Revenue | | 2,625,841 | |
| HSRI Budget | | \$6,180,557 | |

Analyst's Note: Assessment revenue is a function of both plan enrollment and the cost of insurance premiums. Unpredictability and fluctuation of either will impact the revenue generated. The financing of HSRI is also complicated by the lack of historical data regarding enrollment, premiums, and operating costs.

Though the Governor's proposed health reform assessment built this uncertainty into its financing mechanism and allowed the assessment to be set with consideration to the enrollment levels, premium increases and operating costs, the budget's assessment pegs the assessment rate to that of the federal exchange and does not allow this flexibility.

Estimated FY2016 revenue assumes a 3.0 percent premium increase over 2015 rates. In their recently submitted rate requests, however, carriers have requested increases in the individuals market of over 10.0 percent and in the small group market of over 5.0 percent. Should OHIC approve these increases, revenue from the assessment will increase approximately \$400,000.

ANALYSIS AND BACKGROUND

Article 18's health reform assessment raises revenue through a fee on insurers that sell insurance products through HSRI. The fee conforms to the fee that the federal government levies on insurers offering products on the federal exchange, healthcare.gov. Though the assessment rate of 3.5 percent in CY2016 will be assessed on insurers selling through HSRI, insurers will then allocate their respective portion of

the assessment across their entire books of business- on all plans they sell both on and off of the exchange- in accordance with the existing insurance rate-setting process. Thus, the effective rate and average impact on health insurance plans sold in CY2016 both inside and outside of HSRI will be as follows:

| CY2016 | Individual | Small Group |
|--|-------------------|--------------------|
| Assessment Rate on HSRI Plans | 3.5% | 3.5% |
| Effective Rate When Allocated Across All Plans | 2.9% | 0.6% |
| Average Assessment per Plan | \$127 | \$35 |

The assessment authorized by this article is in addition to the existing taxes and fees assessed by both the State and federal government on small group and individual health insurance policies. Currently, the State levies on health insurance premiums a gross premiums tax, a children’s health assessment, and child and adult immunization assessments. The federal government levies a Patient-Centered Outcomes Research Institute fee and a reinsurance program fee, both introduced by the Affordable Care Act. According to Blue Cross Blue Shield of RI, its annual small group premiums in 2015 include an average of \$432 in federal and state taxes and fees. The new health reform assessment proposed in this article would be in addition to these other taxes and fees.

Revenue from the assessment is deposited as restricted receipts and is capped at the amount that would be able to be raised if HSRI plans were sold through the federal exchange. If the assessment generates revenue in excess of HSRI’s budget, the article allows for the revision of HSRI’s budget. The article authorizes HSRI to pursue opportunities to partner with other states to achieve economies of scale and lower costs.

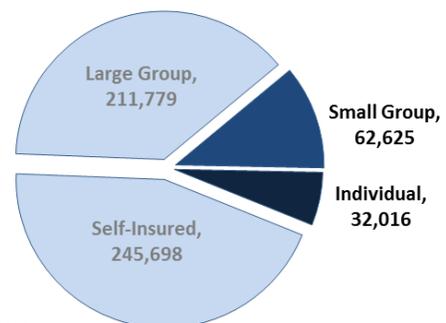
In addition to authorizing an assessment on HSRI plans, Article 18 includes the following:

- Insurers offering plans through HSRI are required to offer at least one individual plan at each coverage level that excludes coverage for elective abortions.
- Though existing only through executive order since its beginning in 2011, this article establishes HSRI in statute as a division within DOA.
- A publicly-available audit of HSRI’s performance and/or finances is to be performed annually by the State Bureau of Audits or a firm qualified in performance audits. An annual audit is also required by the Centers for Medicare and Medicaid Services (CMS).
- HSRI is to report monthly to the House Finance Committee and Senate Finance Committee on enrollment, premium costs by insurer, and subsidies received, along with call center data. Reporting is to begin in July 2015.

HealthSource RI

As part of the Affordable Care Act (ACA) and national health care reform, the Rhode Island Health Benefits Exchange was created by Executive Order in 2011 as a federally-funded program within the Office of the Governor. The FY2014 Budget as Enacted transferred the program to the Department of Administration. Rhode Island’s health benefits exchange, HSRI, became operational in October 2013 and is an online marketplace for individual and small group health insurance and an avenue through which Rhode Islanders can access federal health insurance subsidies. As of February 23, 2015, 30,001 individuals were enrolled in plans sold through the individual HSRI market and 3,282 enrolled in plans

HealthSource RI offers insurance to individuals and small employers, about 17% of the commercial market



As of April 2014
Source: RI Office of the Health Insurance Commissioner

sold through HSRI's Small Business Health Options Program (SHOP).

More than just an online health insurance marketplace, HealthSource RI is envisioned as a driver of healthcare reform through negotiating lower-cost insurance options for individuals and small businesses, increasing accountability through new quality measures for plans and providers, and providing industry-wide transparency of costs and prices. It will allow for broader regulatory authority over the health insurance market and will support larger health care system reform goals.

HealthSource RI is a marketplace for individuals and small group (defined as 1-50 employees) health insurance. The individual and small group markets together make up about 17.0 percent of the State's entire commercial health insurance market.

To date, HSRI has been awarded a total of \$152.6 million in federal grants. Federal funds in FY2016 will be used for further design, development and implementation of the system as use of federal funds for operations is precluded after CY2014.

| | FY2013 | FY2014 | FY2015 | FY2016 |
|------------------------|---------------|---------------|----------------|----------------|
| HealthSource RI | Actual | Actual | Revised | Enacted |
| Federal Funds | \$21.8 | \$47.3 | \$52.5 | \$24.7 |
| General Revenue | - | - | - | 2.6 |
| Restricted Receipts | - | - | - | 3.6 |
| Total | \$21.8 | \$47.3 | \$52.5 | \$30.9 |

\$ in millions.

Health Insurance Marketplaces: Update and Options

In June 2015, the U.S. Supreme Court upheld access to federal subsidies for insurance purchased through the federal marketplace. This ruling, *King v. Burwell*, leaves open the option for Rhode Island to transition to another type of marketplace without loss of the federal subsidies which over 25,000 Rhode Islanders use to purchase health insurance.

In the past year, many state-based exchanges have experienced financial shortfalls due to large and unexpected IT costs and lower than estimated enrollment. More than half of these exchanges have found that fees and assessments rates set for CY2015 plans will be insufficient to cover operational costs, and fees are being raised for CY2016 plans.

A current profile of state marketplaces follows.

| Type of Marketplace | Description | Comments |
|---|---|--|
| State-based Marketplace (14 States) | States running a State-based Marketplace are responsible for performing all Marketplace functions. Consumers in these states apply for and enroll in coverage through Marketplace websites established and maintained by the states. | <i>Rhode Island runs this type of exchange. It is the only model where states operate their own IT platforms.</i> |
| Federally-supported State-based Marketplace (3 States) | States with this type of Marketplace are responsible for performing all Marketplace functions, except that the state will rely on the Federally-facilitated Marketplace IT platform. Consumers in these states apply for and enroll in coverage through healthcare.gov. | <i>Nevada, New Mexico and Oregon transitioned to this type after their state-based marketplaces struggled. Minnesota and Vermont, two other state-based marketplaces, are considering a similar move.</i> |
| State-Partnership Marketplace (7 States) | States entering into a Partnership Marketplace may administer in-person consumer assistance functions and HHS will perform the remaining Marketplace functions. Consumers in states with a Partnership Marketplace apply for and enroll in coverage through healthcare.gov. | <i>Three states (possibly a fourth) are currently transitioning to this model after experiencing continued financing difficulties with their state-based marketplaces. Users are required to pay feds a 3.5 percent fee.</i> |
| Federally-facilitated Marketplace (27 States) | In a Federally-facilitated Marketplace, HHS performs all Marketplace functions. Consumers in states with a Federally-facilitated Marketplace apply for and enroll in coverage through healthcare.gov. | <i>Users are required to pay the feds a 3.5 percent fee.</i> |

Source: The Commonwealth Fund with comments by the Senate Fiscal Office

The models above are listed by degree of state autonomy, with the state-based marketplace offering the most state control and the federally-facilitated marketplace offering no state control and outsourcing all functions to the federal government.

The federally-supported state-based marketplace model was not originally envisioned by the Affordable Care Act but rather created by special arrangement between Idaho and Centers for Medicare and Medicaid Services in 2013. Other states have since adopted this model which maintains local control over insurance exchange functions and marketplace oversight but outsources IT function to the Feds. States with federally-supported state-based marketplaces are not required to pay the 3.5 percent user fee for using healthcare.gov in 2015 but are free to set (and retain) their own user fees.

The option for the State to transition from a state-based exchange to the federal exchange remains open. HSRI reports that the State would incur one-time costs of \$2.7 million in both FY2017 and FY2018 to transition to the federal exchange. Ongoing costs associated with the federal exchange include a 3.5 percent federal assessment on policies sold within the exchange, which totals \$8.6 million at enrollment levels assumed for FY2017 and FY2018, as well as \$240,000 in ongoing state costs.

Article 19: Relating to Commerce Corporation and Economic Development

This article authorizes several new tax incentives and economic capital programs to be administered through the Rhode Island Commerce Corporation (Commerce Corporation) to promote and expand economic development opportunities in the State. In addition, Article 19 amends the Innovate Rhode Island Small Business Program under RIGL 42-64.16, and authorizes a new Rhode Island New Qualified Jobs Incentive.

FISCAL IMPACT

Tax Credit Incentives

The Budget includes \$1.0 million in general revenue for the Rebuild Rhode Island Tax Credit Fund in FY2016 to pay the redemption of tax credits or to reimburse the State for tax credits applied to a taxpayer's liability. In addition, the out-year foregone revenue will total \$65.3 million from FY2017 to FY2020. Tax increment financing foregoes new tax revenue generated by new economic activity.

Tax Stabilization Incentive

There is no fiscal impact in FY2016; however, the Governor plans to establish a fund for reimbursements in FY2017. It is estimated that this fund will cover costs for two years. Beyond that, funds would be available subject to appropriation.

Economic Development Incentives

The Budget includes \$42.3 million in general revenue to create and fund the several Economic Development Initiatives established by this article.

ANALYSIS AND BACKGROUND

The 2013 General Assembly created the Executive Office of Commerce headed by a new Secretary of Commerce. The General Assembly intended to have the Executive Office of Commerce become the State's lead agency for economic development and to ensure commerce is consistently promoted throughout the state and that the Secretary of Commerce be responsible for unifying and directing functions that relate to the state's economy. The authorizing legislation states in part; *"to promote the economic viability of the Rhode Island economy, and ensure the efficient use of all available resources by the departments/divisions responsible for the regulation of growth within the state and the provision of labor and training programs serving all Rhode Islanders, and to provide and promote and encourage the preservation, expansion and sound development of new and existing industry, business, commerce, agriculture, tourism, recreational, and renewable energy facilities, promoting thereby the economic development of the state and the general welfare of its citizens."*

The article provides standardized program reporting requirements to the General Assembly, provides a standard definition to the term "gap" financing, and institutes a standard sunset provision prohibiting the issuance of credits, grants, loans or incentives after December 21, 2018. The article authorizes the Commerce Corporation to promulgate the rules and regulations to administer the programs contained in the article.

To that end, the Budget includes various incentives, business assistance, and development programs to create, expand, and assist businesses.

Rebuild Rhode Island Tax Credit: The Rebuild RI tax credit program allows the Commerce Corporation to grant tax credits to promote development of commercial and residential real estate. Developers apply

for these credits to the Commerce Corporation board, and if approved, may redeem these credits against certain state business tax liabilities.

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

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

The article:

- Outlines administration of the program and requires the Commerce Secretary to provide a written report to the Commerce Corporation board outlining the recommendation to allocate tax credits. The report will include analysis by the Office of Management and Budget, ensuring the total credits recommended do not exceed revenue capacity of the State, and procedures for claiming the tax credit.
- Caps the maximum credit amount allowed to a single development project at \$15.0 million.
- Establishes reporting requirements for applicants (developers), due August 1st of each year to the Commerce Corporation. The Commerce Corporation is required to report this information, along with identifying information about the applicant, to the Governor and General Assembly leaders, and staff. Beginning October 1, 2016, the Division of Taxation must report information on total approved projects for the prior fiscal year; and by November 1 of each year, must report comprehensive information on all issued Rebuild RI credits.
- Sunsets the program on December 31, 2018. No credits will be authorized after this date. If any surplus exists in the account over the amounts necessary to cover fund incentives in a fiscal year, the director of the Department of Revenue may transfer this surplus to the general fund.

In order to qualify to the credit, a company must:

- Commit at least 20.0 percent of the total project cost in capital or equity investments at a qualified business facility at which it will employ at least 25 full-time employees in retained full-time jobs after construction, or any additional number of jobs deemed appropriate by the Commerce Corporation.
- Demonstrate a financing gap through an inability to obtain any other public or private funding, and that, without the tax credit, the project will not be accomplished.
- Demonstrate that the real estate project is a new or rehabilitated development, residential project, mixed use project, or located in a Hope Community, defined as a municipality for which the five-year average percentage of families with income below the federal poverty level exceeds the state five-year average percentage as most recently reported by the U.S. Department of Commerce, Bureau of the Census. (Currently, this would include Providence, Central Falls, West Warwick, Pawtucket, and Woonsocket.)

The project must fulfill the State's policy and planning objectives and must be a:

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

In addition, the article has a different procedure for redevelopers of historic properties who seek to take advantage of the Rebuild RI tax credit program. This program is intended to continue the redevelopment of historic properties, similar to the historic structure tax credit program, which will sunset June 30, 2016. The Division of Taxation, along with the Commerce Corporation, is responsible for determining eligibility for these tax credits. The total historic structures tax credit (HSTC) award is capped at 15.0 percent of the annual amount appropriated for Rebuild RI in any fiscal year to applicants seeking Rebuild RI tax credits.

The Commerce Corporation will establish which industries qualify for the credit, manage the rules and procedures to apply for the credit, and establish provisions for tax credit applicants to be charged an administrative fee.

The following table shows the estimated five-year impact.

| Revenue | 5-Year Projected Revenue Impact | | | | | 5-Year Total |
|--|---------------------------------|----------------|-----------------|-----------------|-----------------|-----------------|
| | *FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | |
| Personal Income Tax | - | (\$3.0) | (\$5.9) | (\$8.3) | (\$10.7) | (\$27.9) |
| Business Corporations Tax | - | (0.2) | (0.5) | (0.6) | (0.8) | (2.2) |
| Insurance Companies Gross Premiums Tax | - | (3.4) | (6.5) | (9.2) | (12.0) | (31.1) |
| Financial Institutions Tax | - | (0.5) | (0.9) | (1.2) | (1.6) | (4.1) |
| Total | - | (\$7.1) | (\$13.7) | (\$19.4) | (\$25.1) | (\$65.3) |

**The provisions of this credit take effect upon passage of the enacted budget; however, there are no plans to issue credits in FY2016.
\$ in millions*

Tax Increment Financing (TIF): Tax increment financing (TIF) is a financing mechanism whereby a developer is reimbursed for development project expenses for up to 75.0 percent of new (incremental) state revenue directly realized from businesses operating in a qualifying TIF area (as established in the agreement). Article 19 allows the Commerce Corporation to enter into a TIF agreement, in which, in exchange for the tax increment reimbursement, the developer agrees to perform any work or undertaking necessary for a development project. The article establishes a restricted receipt account (the TIF fund) to which the Division of Taxation will segregate tax revenue, or in some cases, payments in lieu of taxes (PILOT), from the TIF area to pay for the promised incentives.

TIF agreements are defined as an agreement between the Commerce Corporation and a real estate developer, under which, in exchange for the tax liability exemption, the developer agrees to undertake all necessary work for the project. This type of work may include the clearance, development, redevelopment, construction, or rehabilitation of any commercial, industrial, or residential structure. Qualified structures also include a preexisting, municipally-owned stadium of 10,000 seats or greater or utilities within a qualifying TIF area. The agreement will obligate the State to pay back new revenue for up to 20 years and up to 30.0 percent of the total project cost. One caveat is that “significant taxpayers” (undefined in the legislation) may instead be required to contribute to a payment-in-lieu-of-taxes (PILOT) fund, to be established by the Commerce Corporation for TIF redevelopment projects. These payments will be up to 75.0 percent of the amount that would normally be due to the State. The Commerce Corporation is permitted to issue revenue bonds secured by this fund without legislative approval.

This initiative allows the Commerce Corporation to enter into an agreement to close a demonstrable financing gap for a redevelopment project, funded by a rebate of new tax revenue generated by this

project. The State is required to pay, or exempt in some cases, the developer's business and sales taxes directly realized from new business operations up to 75.0 percent of the amount that would otherwise be due to the State. For example, if a new hotel is developed under this program, the State will forego up to 75.0 percent of sales tax revenue that would have been generated by sales tax on room rentals; instead, the Division of Taxation will pass through revenues from the business to the developer.

Designation of a qualified TIF area is determined by the Commerce Corporation, defined as a redevelopment given priority because of its potential to generate jobs or housing units. The Commerce Corporation is required to take into account, but not limited to, the following factors in determining if the redevelopment project is a priority:

- Generates or preserves manufacturing jobs;
- Promotes (unspecified) targeted industries; location in a port or airport district;
- Located in an industrial or research park; location in a transit-oriented development area;
- Located in a Hope Community;
- Located in a designated redevelopment area; or,
- Located in a community within land approved for closure under the federal military Base Realignment and Closure (BRAC) commission.

The Commerce Corporation is solely authorized to enter into TIF agreements, and to specify the amount of award up to 30.0 percent of the total cost of the project. Developers entering into a TIF agreement are not required to disclose this agreement to any entity aside from the Commerce Corporation. Developers may use revenue made available through the TIF to secure financing, such as a loan; and, notice of award use needs to be filed with the Commerce Corporation. Once the TIF agreement is in place, the payment amount is binding. Through the rulemaking process, the Commerce Corporation will impose fees on developers for administration of the program.

Analyst Note: This article allows Commerce to enter into a TIF agreement with a pre-existing municipally-owned stadium and specifically notes that public infrastructure, a pre-existing municipally owned stadium of 10,000 seats or more, or utilities, are exempt from a 30.0 percent cap on reimbursements.

The article establishes the following reporting requirements:

- Beginning September 1, 2016, the Commerce Corporation shall report annually the name, address, and incentive amount of each agreement entered into during the previous state fiscal year to the Division of Taxation.
- Beginning December 1, 2016, the Division of Taxation is required annually to provide the Governor with the sum, if any, to be appropriated to fund the program. The Governor will include this cost as part of the budget appropriations process.
- Beginning January 1, 2017, the Commerce Corporation will report to the Governor, the Speaker of the House, the President of the Senate, the chairpersons of the House and Senate Finance Committees, and the House and Senate fiscal advisors, the address and incentive amount of each agreement entered into during the previous state fiscal year as well as any determination regarding measurable economic impacts of each and every agreement (for example, job creation or attraction of new industry to the State).

The Division of Taxation is authorized and empowered to set aside the annual incremental revenues allocated under a TIF agreement and transfer such amounts for deposit in a restricted account known as the TIF fund. The TIF fund will be used solely to pay for TIF incentives. The director of the Department of Revenue will annually determine if a surplus exists in the TIF fund over amounts necessary to fund TIF incentives in a fiscal year and may authorize the General Treasurer to transfer any surplus to the

general fund. The unexpended balance of such sum of money received and appropriated for the TIF fund remaining in the treasury at the close of each fiscal year will be reappropriated for the same account for the ensuing year.

Tax Stabilization Incentive

The article authorizes the Tax Stabilization Incentive Program whereby municipalities can apply to the Rhode Island Commerce Corporation for partial reimbursement of personal/and or real estate tax revenue forgone due to the granting of a tax stabilization agreement by that community for a qualified construction or rehabilitation project. The Corporation will provide a partial reimbursement of no more than 10.0 percent of the property tax revenue that would have otherwise been collected.

Under this program a community can grant a stabilization agreement for the rehabilitation of an existing structure where the total cost of development budget exceeds 50.0 percent of the adjusted basis in the property, or for a new construction project that begins within twelve months of the approval of the tax stabilization agreement, and the project is completed within 36 months. The qualifying property must be used or intended to be used for offices or commercial enterprises or residential purposes. The terms of the stabilization agreements must be for a minimum of twelve years; and reimbursements will cease upon any termination of the underlying tax stabilization agreement or upon exhaustion of funds appropriated to the reimbursement fund.

The capital investment may include any capital investment made or acquired within twenty-four months prior to the date of the community's application to the Commerce Corporation so long as the amount of capital investment made or acquired by the business, any affiliate of the business, or any owner after the date of application equals at least 50.0 percent of the amount of capital investment.

The stabilization agreement granted by the community can also include furnishings and machinery, apparatus, or equipment for the operation of the business (personal property).

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

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

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

A Hope Community is defined as a community where family poverty level exceeds the state median. Currently, Providence, Central Falls, West Warwick, Pawtucket, and Woonsocket meet this definition. A qualified community is defined as any community that is not a Hope Community.

There is no fiscal impact in FY2016; however, the Governor plans to establish a \$500,000 fund for reimbursements in FY2017 using funds that will become available from debt refinancing. It is estimated that this fund will cover costs for two years. The Governor's Office states beyond that, funds would be available subject to appropriation.

Regulatory Reform Incentive

State Building and Fire Code Initiative: The article authorizes capital investment projects receiving incentives from the Rhode Island Commerce Corporation to bypass local building and fire codes. Projects

would be subject to state building and fire codes, and required inspections would be conducted by the State Building Commissioner. The Budget includes \$250,000 in general revenue to develop office space and to reimburse local communities for lost permit and inspection fees.

ECONOMIC DEVELOPMENT INCENTIVES

Article 19 authorizes several Economic Development Initiatives under the Executive Office of Commerce in addition to the Rebuild RI Tax Credit Program. The FY2016 Budget as Enacted includes \$42.3 million in general revenue to fund these new programs, which are:

I-195 Development Fund: The article authorizes an I-195 Development Fund to serve as a catalyst for real estate development on the former highway land. The Budget includes \$25.0 million in general revenue in FY2016 to capitalize this fund. Additional resources from federal programs, private contributions, loan repayments, and from the sale of assets and collateral can be deposited into this Fund. The I-195 Redevelopment District Commission will be sole administrator of the Fund. The article contains language stipulating that I-195 Development Funds cannot be expended to finance a stadium or a facility primarily used for sports.

Additional resources from federal programs, private contributions, loan repayments, and from the sale of assets and collateral can be deposited into this Fund. The I-195 Redevelopment District Commission will be sole administrator of the Fund to be used to:

| I-195 Redevelopment District | # of Parcels |
|-------------------------------------|---------------------|
| Total number of parcels | 21 |
| Parcels dedicated for park land | 3 |
| Parcels under agreement | 2 |
| Number of parcels remaining | 16 |

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

Analyst Note: There is language in the article stipulating that I-195 Development Funds cannot be expended to finance a stadium or a facility primarily used for sports

Small Business Assistance Program: The article establishes a state-backed Small Business Assistance Program to help small businesses under (200 employees) gain access to capital. The Budget includes \$5.4 million in general revenue in FY2016 to capitalize this initiative, but sets the maximum grant at \$750,000 that the Commerce Corporation may provide to an applicant. According to the Executive Office of Commerce, this program will offer more operating flexibility than the current Small Business Loan Fund, which is subject to federal regulations from the U.S. Economic Development Administration. The Commerce Corporation is authorized to partner with a private lending institution to administer the applications and program. Approximately 10.0 percent of the funds will be allocated for “micro loans” of \$2,000 to \$25,000. The loans may be used to:

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

First Wave Closing Fund: The article authorizes the First Wave Closing Fund program to attract, expand, or retain businesses, and create jobs in the state, by providing a “gap financing” mechanism to close deals on projects. The proposed statute defines “gap financing” as the portion of the project cost that remains to be financed after all other sources of capital have been considered or the amount that the State may invest

in a project to gain a competitive advantage over another state. The Budget includes \$5.0 million in general revenue in FY2016 to capitalize this fund.

One particular note, the article contains no language establishing thresholds on the amount a particular project can receive. The Commerce Corporation will promulgate regulations establishing criteria to approve awards from the First Wave Closing Fund. Before making an award, the Commerce Corporation shall consider such factors, such as:

- The economic impact benefit of the project to the state
- The amount of “gap financing” required to complete the project closing
- The strategic importance of the project
- The quality of the industry and jobs created by the project
- Competitive offers regarding the project from another state or country

Awards may be in the form of a loan, conditional grant or other form of investment as determined by the Commerce Corporation board. Funds awarded will be used to provide working capital; or be used for construction costs, assistance to purchase structures or real estate, purchasing equipment, permanent financing, or for other purposes as authorized by the Commerce Corporation. According to Commerce, this type of business assistance program exists in at least two dozen states, including New Jersey.

Stay Invested in RI Wavemaker Fellowship: The article establishes a competitive Stay Invested in RI Wavemaker Fund to provide tax credits against the taxpayers’ tax liability but shall not exceed 100.0 percent of the educational loan expenses incurred and paid by a taxpayer during a twelve month period for up to four consecutive years. The amount of the tax credit depends upon the degree earned by the taxpayer, i.e. \$1,000 for an associate degree up to \$6,000 for a graduate or post-graduate degree. Approximately 70.0 percent of the eligible candidates must be either a permanent Rhode Island resident or a graduate of a school in Rhode Island where the student loan debt occurred.

To receive a reimbursement award eligible candidates must:

- Undergo a competitive application process which is not defined in the authorizing language
- Reside and be employed in the state with a career in the life, natural, or environmental sciences, computer technology, advanced mathematics or finance, engineering, industrial design, or other technological field, medicine or a field that promotes the state’s economic strategic plan that is determined by the Commerce Corporation during the period of eligibility in receiving the loan repayment

The Rhode Island Commerce Corporation operating budget includes \$1.8 million to fund the Stay Invested in RI Wavemaker program. This funding is separate and distinct from the general revenue appropriations to the Executive Office of Commerce.

Anchor Institution Tax Credit: The article establishes the Anchor Institution Tax Credit program to entice businesses that supply component goods or services to existing Rhode Island companies to relocate to the State. The amount of the credit shall be based on criteria created by the Commerce Corporation, and include factors such as:

- The number, types, and compensation of jobs created
- The industry sector of the business
- Whether the relocation benefits an area designated as a “Hope Community”, which under the legislation would include Providence, Central Falls, West Warwick, Pawtucket, and Woonsocket

The Budget includes \$1.8 million in general revenue to fund this initiative in FY2016. The appropriation will be used to pay the actual “credit.” The Rhode Island business will redeem the tax credit to the

Division of Taxation. The Division of Taxation will redeem the tax credit in exchange for payment by the State, subject to annual appropriation by the General Assembly.

Main Street RI Streetscape Improvement Program: The article authorizes a statewide Main Street Rhode Island Streetscape Improvement Fund. The Budget includes \$1.0 million in general revenue to fund this initiative in FY2016. The purpose of the program is to provide loans, matching grants, or other forms of financing to upgrade streetscapes in local business districts.

Analyst Note: Several components of the program are not specified in the authorizing language. Specifically: there is no language delineating who or what entity may receive the funding (individual, entity, or community awards); award limits are not stated; and, there is no language indicating whether the program will be a revolving or perpetual loan program, or will it require annual appropriations or whether it will become an internal program of the Commerce Corporation.

Competitive Sector Cluster Grants: The article authorizes a new Competitive Sector Cluster Fund to provide matching grants to start or improve industry sector partnerships or “clusters” to exchange technology and share personnel resources. The Budget includes \$750,000 in general revenue in FY2016 to support this fund. Clusters are created by pooling labor forces, collaborative problem solving, and sharing technology. The fund will be divided into two sub-grant programs. They are:

- Startup and technical assistance grants between \$75,000 to \$250,000 to eligible in-state or regional organizations to support or enable the development of an industry cluster
- Competitive program grants between \$100,000 to \$500,000 to support activities to overcome identified problems that impede the cluster growth or effectiveness

Innovation Voucher and Network Program: The article establishes an Innovation Voucher and Innovation Network program. The Budget includes \$500,000 in general revenue for the program in FY2016.

- The Voucher Program will provide financial assistance to small businesses (under 500 employees) to purchase research and development technical assistance from state or regional higher education institutions, or other providers. The award amounts to business will range from \$5,000 to \$50,000
- The Innovation Network Program will provide matching fund grants to small businesses in industry sectors and in an amount to be determined by the Commerce Corporation. Small business will use these funds to access technical assistance, obtain business operating space, and to access capital from private and non-profit organizations. Grants will be issued only when matched with private or non-profit funds

Innovate Rhode Island Small Business Program

The article amends the Innovate Rhode Island Small Business Program under RIGL 42-64.16. The Innovate Rhode Island Small Business Program was created under the FY2014 Budget as Enacted to enhance job creation and economic development in the State. The program is administered by the Rhode Island Science and Technology Advisory Council (STAC) located at the Rhode Island Commerce Corporation. The article increases the amount of the Phase I and Phase II matching grant from \$100,000 to \$150,000 to assist eligible businesses to offset costs associated with applying to the United States Small Business Administration for Small Business Innovation Research (SBIR) grants or Small Business Technology Transfer Research (SBTTR) grants and commercialize their technology and research. The Budget includes \$1.0 million in general revenue within the Executive Office of Commerce to fund the program.

Rhode Island New Qualified Jobs Incentive

The article authorizes the creation of the Rhode Island New Qualified Jobs Incentive Act of 2015, an incentive program for businesses to enter into an “incentive agreement” with the Rhode Island Commerce

Corporation from 2015 through 2018 to receive a base tax credit of \$2,500 per new full-time job, where a full-time job is one in which an employee works at least 35 hours per week, earns at least the median hourly wage in the state, and has wages earned subject to withholding tax. The number of new jobs to be created by the business is on a graduated scale depending on the number of existing full time employees the business possesses at the date of application of the credit. The program may provide the eligible business a tax credit not to exceed ten years.

In addition to the base credit, if the business is located in a “Hope Community”, or operates in a targeted industry, or is located in a transit oriented development area, or is an out-of-state business that relocates a business unit or creates a “significant number” of new full-time jobs, a credit of up to \$7,500 per new full-time job can be awarded if the business enters into an “incentive agreement” with the Rhode Island Commerce Corporation from 2015 through 2018.

Article 20: Relating to Professional Licenses

This article eliminates licensing requirements for 27 professional licenses issued by the Department of Business Regulation (DBR), Department of Health (DOH), Department of Elementary and Secondary Education (RIDE), and the Department of Environmental Management (DEM).

FISCAL IMPACT

Eliminating the licensing and associated fees reduces revenue by \$273,336 in FY2016 and \$118,051 in FY2017. The difference in revenue between fiscal years is attributable to the biennial renewal schedule of some professional licenses issued by the Department of Health.

ANALYSIS AND BACKGROUND

Based upon the results of a review conducted by the Office of Regulatory Reform (ORR), this article eliminates licensing requirements for 27 professional licenses issued by DBR, DOH, RIDE, and DEM. This proposal is part of a larger effort undertaken by ORR to repeal unnecessary, duplicative, or burdensome regulatory requirements.

Article 20: Eliminated Licensing Requirements

| Licensure Category | Department | Licensing Fee |
|---|----------------------------|----------------------|
| Auctioneer/Auctioneer Apprentice | Business Regulation | \$600/75 |
| Professional Kickboxer | Business Regulation | N/A |
| Line Cleaner | Business Regulation | 50 |
| Fur Buyer | Environmental Mgmt. | 10 |
| Athletic Coach Permit | Elementary & Secondary Ed. | 100 |
| Acupuncture Assistant | Health | 310 |
| Audiologist Support Person | Health | 50 |
| Barber Apprentice | Health | 50 |
| Barber Demonstrator's Permit | Health | N/A |
| Barber Instructor | Health | 25 |
| Clinical Histologic Technician | Health | 60 |
| Clinical Laboratory Scientist | Health | 60 |
| Clinical Laboratory Technician | Health | 60 |
| Cytotechnologist | Health | 75 |
| Electrologist Apprentice | Health | 50 |
| Electrologist Instructor | Health | 25 |
| Esthetician Demonstrator's Permit | Health | N/A |
| Esthetician Instructor | Health | 25 |
| Hairdresser/Cosmetologist Demonstrator's Permit | Health | N/A |
| Hairdresser/Cosmetologist Instructor | Health | 25 |
| Manicurist Demonstrator's Permit | Health | N/A |
| Manicurist Instructor | Health | 25 |
| Orthotist | Health | 120 |
| Prosthetist | Health | 120 |
| Radiologist Assistant | Health | 85 |
| Sanitarian | Health | 25 |
| Speech-Language Pathologist Support | Health | 50 late fee |

ORR worked with these agencies to identify which professional licenses are burdensome, unnecessary due to other requirements that demonstrate professional competence, if there were a small number of license holders, or whether the occupation is licensed in Connecticut and Massachusetts.

With the exception of RIDE, agencies impacted by this proposal may perform additional inspections or services for these licensees, however, some of these inspections or other services assess a separate fee. This is the case with barber apprentices, demonstrators, and instructors who may be employed in a barber shop, which is regulated, licensed, and assessed a fee (\$170.00) separately from the individuals impacted by these proposals. In addition, some of the licensees who work in facilities that may require inspection, administrative support, or other services from departments will still be required to work under a licensed professional. For example, within DOH, barber and electrologist apprentices work under the guidance and supervision of licensed barbers and electrologists, whose licensure requirements remain unchanged.

Of the 27 licensure categories eliminated, 7 (line cleaners, clinical laboratory scientists, cytotechnologists, clinical laboratory technicians, clinical histologic technicians, orthotists, and prosthetists) are not licensed in Connecticut or Massachusetts.

According to ORR, this assessment was a collaborative process in which agencies and ORR achieved consensus on eliminating each of the aforementioned licensure types. Additionally, ORR requested agencies determine what staffing, if any, was responsible for licensure of the impacted professions to determine whether or not FTE positions could be eliminated entirely, or reallocated to staff other functions within the departments (specifically to other licensing or regulatory functions). However, ORR was unable to collect this data from DEM, RIDE, DBR, and DOH.

In addition to eliminating the aforementioned licensure requirements, this article also establishes additional criteria for specific professions or establishments, including:

- Directs the Department of Elementary and Secondary Education (RIDE) to establish rules and regulations regarding First Aid requirements for athletic coaches.
- Requires radiologist assistants obtain certification from the American Registry of Radiologic Technicians, or by a comparable national certifying board as approved by the Director of Health.
- Establishes personnel qualification requirements for staff at laboratory facilities or lab stations. This change will impact clinical laboratory science practitioner, scientists, technologists, and technicians and will require these professionals to complete a nationally-recognized certification examination. The Director of Health possesses the authority to determine which examinations qualify and may also establish alternative criteria through regulation for individuals who meet federal requirements. If these requirements are not met, the Director of Health may assess fines upon the laboratory, or suspend or revoke its license.

Article 21: Relating to Pensions

This article amends the statutes pertaining to the State and Municipal Retirement Systems (ERSRI and MERS) pursuant to the pension settlement agreement of 2015. The article makes several changes to the benefits including cost of living adjustments, annual accruals, retirement age, as well as changes to the state contribution to the defined contribution plans for certain employees.

FISCAL IMPACT

There is no fiscal impact in FY2016. The impact in FY2017 will require \$12.6 million from general revenue.

ANALYSIS AND BACKGROUND

Highlights of the settlement agreement include:

- The legislation provides a one-time 2.0 percent cost-of-living-adjustment (COLA) payable immediately on the first \$25,000 of pension benefit, payable to applicable retirees who retired before June 30, 2012, but does not impact the indexing of the \$25,000 for future years. In addition, the legislation provides two one-time \$500 stipends payable to all retirees who retired before July 1, 2015. One is payable 60 days after the settlement agreement is enacted and the second is payable one year later.
- The COLA payment is still contingent on the individual plan being 80.0 percent funded. However, under article 21, every 4th year, if the COLA has been suspended for three consecutive years, the COLA may occur even if the plan is less than 80.0 percent funded.
- For current retirees/beneficiaries who retired on or before July 1, 2015, the \$25,000 COLA cap will be increased to \$30,000 (indexed) for any COLA payable based on the every fourth year provision (any COLA suspended based on less than 80.0 percent funding ratio). The COLA formula will become 50.0 percent of the COLA using the previous 5-year average of investment returns, with a maximum increase of 4.0 percent; and 50.0 percent of the previous Schedule B COLA, which is the previous year's CPI-U with a maximum increase of 3.0 percent, for a total maximum increase of 3.5 percent.
- State Workers, Teachers, and General MERS active members with more than 10-years of service but less than 20-years of service as of June 30, 2012, will receive an additional employer contribution of 0.25 percent if they had 10-15-years of service or 0.50 percent if they had 15-20-years of service.
- State Workers, Teachers, and General MERS active members with more than 20-years of service as of June 30, 2012, will receive future accruals at 2.0 percent per year and will no longer contribute into the defined contribution plan. These State Workers and Teachers will pay a higher member contribution rate of 11.0 percent of pay. For general MERS members, the member contribution rate will be 8.25 percent or 9.25 percent of pay depending on whether the unit has a COLA provision.
- All current and future state workers, teachers, and general MERS active members will be eligible to retire with full benefits at the earlier of their current Rhode Island Retirement Security Act of 2011 (RIRSA) date or upon the attainment of age 65 with 30 years of service, age 64 with 31 years of service, age 63 with 32 years of service, or age 62 with 33 years of service.
- The Early retirement reduction for employees who choose to retire before eligible for full unreduced benefits will be based on the following schedule: 9.0 percent for year 1, 8.0 percent for year 2, 7.0 percent for each year thereafter.
- For MERS Fire current and future members can retire with full benefits at the earlier of their current RIRSA retirement age or at the attainment of age 50 with at least 25 years of service or the attainment

of any age and 27 years of service. Members will pay an additional 2.0 percent member contribution rate beginning July 1, 2015.

- For MERS Fire active members (including future hires), who retire after July 1, 2015, and after attaining age 57 with 30 years of service will have a benefit equal to the greater of their current benefit or one calculated based on a 2.25 percent multiplier for all years of service.
- For MERS and for the local employer portion of the Teacher contributions, the Unfunded Actuarial Accrued Liability will be re-amortized back 4 additional years to 25. For MERS employers only, there will be a one-time option before August 1, 2015, to remain under the current amortization schedule of 21 years.
- For members who will be impacted by the RIRSA part-time anti-spiking rule, if the highest 5-year average calculation is less than the \$35,000 indexed, the pension will be based on the greater of the following: (1) highest 10 year average earnings, or (2) highest 5-year earnings with an indexed \$35,000 cap.
- For Correctional officers active as of June 30, 2012 with fewer than 25 years of service as of that date, the benefit accrual will be 3.0 percent per year for years 31-35.

Article 22: Relating to Public Transit

This Article allows the Rhode Island Public Transit Authority (RIPTA) to require elderly and disabled residents who earn below 200.0 percent of the federal poverty level to start paying half-fare to ride RIPTA buses; they currently pay nothing. Elderly and disabled residents with incomes above the federal poverty income level, currently paying half-fare, will be required to pay full-fare during peak hours. Special service routes, such as the express summer beach bus from Central Falls, Cranston, North Providence, Providence, Pawtucket and Woonsocket, will not be discounted for any rider. This change will put Rhode Island in line with 48 other states.

FISCAL IMPACT

RIPTA estimates that the implementation of this Article will generate between \$2.0 million and \$3.5 million per year. The FY2016 Budget includes revenue of \$1.75 million, representing a half year of revenue from this proposal.

ANALYSIS AND BACKGROUND

Currently, the Senior/Disabled Pass Program allows low-income persons with a disability, or low-income persons age 65 and older, the opportunity to ride free of charge on a RIPTA bus with a RIPTA no-fare bus pass. All other persons age 65 and older, or persons with a disability, pay half-fare from 7:00 to 9:00 am and from 3:00 to 6:00 pm on weekdays, and pay half-price at all other times, with the presentation of a RIPTA Senior/Disabled Pass, or a Medicare ID card.

Effective October 1, 2015, RIPTA will be allowed to charge half-fare (currently \$1.00) per one-way trip to any person who meets the means test criteria as defined by the Rhode Island Department Human Services and who is either sixty-five (65) years of age, or over, or who is disabled; provided; however, that under no circumstances will fares or charges for special services routes, such as the express summer beach bus, be discounted. These riders currently do not pay any fare.

Any person who is either sixty-five years of age, or over, who is disabled, who does not satisfy the means test criteria as defined by the Department of Human Services, shall only be required to pay one-half (1/2) fare or charge for bus rides during off-peak hours but will not be eligible for a reduction during peak hours.

“Peak hours,” “off-peak hours,” and “special service routes” will be determined annually by RIPTA. RIPTA, in conjunction with the Department of Human Services will establish an advisory committee comprised of senior/persons with disabilities and users of the Authority’s services to assist in implementation of this section.

| | Article 22 Fare Changes | | Aged or Disabled | |
|------------|-----------------------------|-----------|------------------|-----------|
| | Low-Income Aged or Disabled | | Peak | Off Peak |
| | Peak | Off-Peak | Peak | Off Peak |
| Current | free | free | half-fare | half-fare |
| Article 22 | half-fare | half-fare | full-fare | half-fare |

Article 23: Relating to Effective Date

This article provides that the Act will take effect on July 1, 2015, except as otherwise provided herein.



APPENDIX

Summary Tables

GENERAL REVENUE STATEMENT

| Opening Surplus | FY2014 | FY2015 Enacted | FY2015 Revised | FY2016 Enacted |
|----------------------------------|------------------------|------------------------|------------------------|------------------------|
| Free Surplus | \$104,119,715 | \$59,210,130 | \$67,806,737 | \$118,565,421 |
| Reappropriated Surplus | 7,052,524 | - | 7,378,665 | - |
| Subtotal | \$111,172,239 | \$59,210,130 | \$75,185,402 | \$118,565,421 |
| Revenues | | | | |
| Enacted/Actual/Estimated | \$3,430,262,416 | \$3,493,103,388 | \$3,493,103,388 | \$3,380,181,000 |
| November Revenue Estimate | - | - | 15,796,612 | (3,374,752) |
| Governor Changes | - | - | 901,649 | 220,315,859 |
| Assembly Changes | - | - | 121,164,941 | (53,365,642) |
| Total Revenues | \$3,430,262,416 | \$3,493,103,388 | \$3,630,966,590 | \$3,543,756,465 |
| To Cash Stabilization Fund | (\$106,031,464) | (\$106,569,406) | (\$110,963,200) | (\$109,869,657) |
| Total Available Resources | \$3,435,403,191 | \$3,445,744,113 | \$3,595,188,792 | \$3,552,452,229 |
| Expenditures | | | | |
| Actual/Enacted | \$3,336,423,288 | \$3,445,169,968 | \$3,445,169,968 | \$0 |
| Governor | - | - | (1,215,207) | 3,491,628,573 |
| Reappropriations | - | - | 7,378,665 | - |
| November Caseload Estimate | - | - | 37,048,209 | - |
| Assembly Changes | - | - | (11,758,264) | 60,360,165 |
| Total Expenditures | \$3,336,423,288 | \$3,445,169,968 | \$3,476,623,371 | \$3,551,988,738 |
| Total Surplus | \$98,979,903 | \$574,145 | \$118,565,421 | \$463,492 |
| Transfer to Other Funds | (\$23,794,501) | - | - | - |
| Reappropriations | (7,378,665) | - | - | - |
| Free Surplus | \$67,806,737 | \$574,145 | \$118,565,421 | \$463,492 |

ALL FUNDS EXPENDITURES

| General Government | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | FY2016 Enacted | Change from Enacted |
|--|-------------------------|-------------------------|-------------------------|-----------------------|-------------------------|------------------------|
| Administration | \$412,495,073 | \$425,765,956 | \$456,786,617 | \$31,020,661 | \$368,031,640 | (\$57,734,316) |
| Business Regulation | 12,249,226 | 12,976,430 | 13,817,345 | 840,915 | 14,620,512 | 1,644,082 |
| Labor and Training | 511,348,590 | 511,579,990 | 488,707,875 | (22,872,115) | 443,730,008 | (67,849,982) |
| Revenue | 422,287,255 | 460,214,642 | 447,477,238 | (12,737,404) | 423,207,249 | (37,007,393) |
| Legislature | 35,681,698 | 38,016,750 | 40,748,731 | 2,731,981 | 41,154,944 | 3,138,194 |
| Office of Commerce | - | - | 221,314 | 221,314 | 74,924,345 | 74,924,345 |
| Lieutenant Governor | 2,673,290 | 1,089,434 | 1,064,842 | (24,592) | 1,192,621 | 103,187 |
| Secretary of State | 6,668,513 | 8,366,955 | 7,935,146 | (431,809) | 7,986,884 | (380,071) |
| General Treasurer | 38,039,736 | 35,241,893 | 40,769,417 | 5,527,524 | 39,094,693 | 3,852,800 |
| Board of Elections | 1,573,262 | 4,145,127 | 4,656,199 | 511,072 | 1,818,305 | (2,326,822) |
| Ethics Commission | 1,541,741 | 1,581,205 | 1,618,883 | 37,678 | 1,644,876 | 63,671 |
| Office of the Governor | 3,975,744 | 4,527,562 | 4,655,727 | 128,165 | 4,903,467 | 375,905 |
| Commission for Human Rights | 1,489,579 | 1,480,179 | 1,542,465 | 62,286 | 1,548,010 | 67,831 |
| Public Utilities Commission | 6,823,882 | 8,459,886 | 8,430,886 | (29,000) | 8,684,685 | 224,799 |
| Total | \$1,456,847,589 | \$1,513,446,009 | \$1,518,432,685 | \$4,986,676 | \$1,432,542,239 | (\$80,903,770) |
| Human Services | | | | | | |
| Office of Health and Human Services | \$1,945,613,900 | \$2,391,411,846 | \$2,366,140,844 | (\$25,271,002) | \$2,387,903,953 | (\$3,507,893) |
| Children, Youth, and Families | 219,685,921 | 210,636,391 | 225,388,934 | 14,752,543 | 216,592,410 | 5,956,019 |
| Health | 108,576,130 | 122,645,570 | 125,993,525 | 3,347,955 | 121,401,905 | (1,243,665) |
| Human Services | 613,340,811 | 649,786,890 | 626,692,236 | (23,094,654) | 622,403,505 | (27,383,385) |
| BHDDH | 445,714,460 | 365,509,826 | 373,191,765 | 7,681,939 | 370,945,694 | 5,435,868 |
| Governor's Commission on Disabilities | 871,546 | 1,508,802 | 1,322,596 | (186,206) | 428,524 | (1,080,278) |
| Governor's Commission on the Deaf | 399,505 | 474,279 | 478,741 | 4,462 | 491,883 | 17,604 |
| Office of the Child Advocate | 583,702 | 661,817 | 683,154 | 21,337 | 717,273 | 55,456 |
| Office of the Mental Health Advocate | 485,005 | 495,010 | 506,078 | 11,068 | 508,251 | 13,241 |
| Total | \$3,335,270,980 | \$3,743,130,431 | \$3,720,397,873 | (\$22,732,558) | \$3,721,393,398 | (\$21,737,033) |
| Education | | | | | | |
| Elementary and Secondary Education | \$1,197,362,280 | \$1,246,096,357 | \$1,249,608,269 | \$3,511,912 | \$1,308,490,695 | \$62,394,338 |
| Public Higher Education | 1,061,770,203 | 1,080,789,192 | 1,075,676,716 | (5,112,476) | 1,090,159,436 | 9,370,244 |
| Council on the Arts | 2,280,949 | 2,914,959 | 2,972,986 | 58,027 | 4,036,698 | 1,121,739 |
| Atomic Energy Commission | 1,133,765 | 1,271,174 | 1,605,088 | 333,914 | 1,337,169 | 65,995 |
| Higher Education Assistance Authority | 22,873,672 | 23,946,961 | 15,832,630 | (8,114,331) | - | (23,946,961) |
| Historical Preservation and Heritage Comm. | 2,000,284 | 5,909,976 | 6,085,081 | 175,105 | 3,956,703 | (1,953,273) |
| Public Telecommunications Authority | - | - | - | - | - | - |
| Total | \$2,287,421,153 | \$2,360,928,619 | \$2,351,780,770 | (\$9,147,849) | \$2,407,980,701 | \$47,052,082 |
| Public Safety | | | | | | |
| Attorney General | \$31,009,997 | \$36,791,685 | \$39,992,612 | \$3,200,927 | \$34,035,317 | (\$2,756,368) |
| Corrections | 195,805,164 | 209,326,500 | 206,546,663 | (2,779,837) | 211,025,689 | 1,699,189 |
| Judiciary | 107,052,063 | 105,669,516 | 110,722,314 | 5,052,798 | 116,299,126 | 10,629,610 |
| Military Staff | 34,101,891 | 18,454,074 | 18,893,837 | 439,763 | 19,408,098 | 954,024 |
| Emergency Management Agency | - | 20,622,227 | 23,770,923 | 3,148,696 | 18,537,918 | (2,084,309) |
| Public Safety | 111,609,833 | 126,554,846 | 123,509,784 | (3,045,062) | 123,725,416 | (2,829,430) |
| Public Defender | 10,917,680 | 11,379,680 | 11,102,211 | (277,469) | 11,700,347 | 320,667 |
| Total | \$490,496,628 | \$528,798,528 | \$534,538,344 | \$5,739,816 | \$534,731,911 | \$5,933,383 |
| Natural Resources | | | | | | |
| Environmental Management | \$79,469,714 | \$103,811,527 | \$106,654,264 | \$2,842,737 | \$99,304,621 | (\$4,506,906) |
| Coastal Resources Management Council | 4,457,741 | 4,959,681 | 9,923,794 | 4,964,113 | 5,669,383 | 709,702 |
| Total | \$83,927,455 | \$108,771,208 | \$116,578,058 | \$7,806,850 | \$104,974,004 | (\$3,797,204) |
| Transportation | | | | | | |
| Transportation | \$401,479,015 | \$525,120,546 | \$489,454,123 | (\$35,666,423) | \$463,816,478 | (\$61,304,068) |
| Grand Total | \$ 8,055,442,820 | \$ 8,780,195,341 | \$ 8,731,181,853 | (\$49,013,488) | \$ 8,665,438,731 | (\$114,756,610) |

GENERAL REVENUE EXPENDITURES

| | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | FY2016 Enacted | Change from Enacted |
|--|------------------------|------------------------|------------------------|----------------------|------------------------|----------------------|
| General Government | | | | | | |
| Administration | \$259,268,901 | \$268,843,237 | \$250,073,307 | (\$18,769,930) | \$197,494,291 | (\$71,348,946) |
| Business Regulation | 8,526,389 | 9,013,477 | 8,802,653 | (210,824) | 9,236,495 | 223,018 |
| Labor and Training | 8,027,721 | 8,669,103 | 8,718,217 | 49,114 | 8,324,769 | (344,334) |
| Revenue | 99,768,361 | 107,798,690 | 107,304,673 | (494,017) | 113,198,446 | 5,399,756 |
| Legislature | 34,498,448 | 36,429,671 | 39,233,413 | 2,803,742 | 39,474,071 | 3,044,400 |
| Office of Commerce | - | - | 221,314 | 221,314 | 60,840,542 | 60,840,542 |
| Lieutenant Governor | 957,446 | 1,015,084 | 1,007,208 | (7,876) | 1,127,621 | 112,537 |
| Secretary of State | 6,196,251 | 7,337,203 | 7,296,007 | (41,196) | 6,951,530 | (385,673) |
| General Treasurer | 2,384,819 | 2,432,105 | 2,417,151 | (14,954) | 2,420,250 | (11,855) |
| Board of Elections | 1,573,262 | 4,145,127 | 4,656,199 | 511,072 | 1,818,305 | (2,326,822) |
| Ethics Commission | 1,541,741 | 1,581,205 | 1,618,883 | 37,678 | 1,644,876 | 63,671 |
| Office of the Governor | 3,975,744 | 4,527,562 | 4,655,727 | 128,165 | 4,903,467 | 375,905 |
| Commission for Human Rights | 1,138,859 | 1,193,083 | 1,231,773 | 38,690 | 1,252,174 | 59,091 |
| Total | \$427,857,942 | \$452,985,547 | \$437,236,525 | -\$15,749,022 | \$448,686,837 | (\$4,298,710) |
| Human Services | | | | | | |
| Office of Health and Human Services | \$839,589,446 | \$904,633,663 | \$926,069,661 | \$21,435,998 | \$909,934,065 | \$5,300,402 |
| Children, Youth, and Families | 154,719,224 | 148,707,146 | 159,341,580 | 10,634,434 | 152,587,731 | 3,880,585 |
| Health | 23,469,936 | 22,957,920 | 22,829,506 | (128,414) | 25,835,956 | 2,878,036 |
| Human Services | 92,107,740 | 96,328,781 | 94,847,483 | (1,481,298) | 98,271,683 | 1,942,902 |
| BHDDH | 200,160,407 | 167,536,873 | 173,300,573 | 5,763,700 | 172,488,711 | 4,951,838 |
| Governor's Commission on Disabilities | 339,529 | 358,275 | 357,141 | (1,134) | 383,056 | 24,781 |
| Governor's Commission on the Deaf | 375,549 | 394,279 | 398,741 | 4,462 | 411,883 | 17,604 |
| Office of the Child Advocate | 544,231 | 611,817 | 633,154 | 21,337 | 672,273 | 60,456 |
| Office of the Mental Health Advocate | 485,005 | 495,010 | 506,078 | 11,068 | 508,251 | 13,241 |
| Total | \$1,311,791,067 | \$1,342,023,764 | \$1,378,283,917 | \$36,260,153 | \$1,361,093,609 | \$19,069,845 |
| Education | | | | | | |
| Elementary and Secondary Education | \$959,927,061 | \$1,004,400,123 | \$1,002,758,930 | (\$1,641,193) | \$1,067,719,085 | \$63,318,962 |
| Public Higher Education | 179,174,880 | 190,954,911 | 188,230,069 | (2,724,842) | 196,304,956 | 5,350,045 |
| Council on the Arts | 1,310,474 | 1,483,075 | 1,491,068 | 7,993 | 1,863,052 | 379,977 |
| Atomic Energy Commission | 859,903 | 913,197 | 907,737 | (5,460) | 957,170 | 43,973 |
| Higher Education Assistance Authority | 4,333,323 | 147,000 | 147,000 | - | - | (147,000) |
| Historical Preservation and Heritage Comm. | 1,282,682 | 1,320,610 | 1,206,107 | (114,503) | 1,380,972 | 60,362 |
| Public Telecommunications Authority | - | - | - | - | - | - |
| Total | \$1,146,888,323 | \$1,199,218,916 | \$1,194,740,911 | (\$4,478,005) | \$1,268,225,235 | \$69,006,319 |
| Public Safety | | | | | | |
| Attorney General | \$23,235,530 | \$23,607,146 | \$24,360,068 | \$752,922 | \$25,193,210 | \$1,586,064 |
| Corrections | 188,152,167 | 187,745,480 | 196,263,428 | 8,517,948 | 200,225,250 | 12,479,770 |
| Judiciary | 91,551,391 | 91,636,668 | 94,058,445 | 2,421,777 | 96,031,046 | 4,394,378 |
| Military Staff | 3,461,473 | 1,842,096 | 2,164,935 | 322,839 | 2,065,434 | 223,338 |
| Emergency Management Agency | - | 1,959,858 | 1,861,076 | (98,782) | 1,766,002 | (193,856) |
| Public Safety | 96,048,576 | 95,294,034 | 98,287,230 | 2,993,196 | 97,060,493 | 1,766,459 |
| Public Defender | 10,742,068 | 11,130,816 | 10,948,671 | (182,145) | 11,621,977 | 491,161 |
| Total | \$413,191,205 | \$413,216,098 | \$427,943,853 | \$14,727,755 | \$433,963,412 | \$20,747,314 |
| Natural Resources | | | | | | |
| Environmental Management | \$34,534,163 | \$35,540,105 | \$36,105,322 | \$565,217 | \$37,586,385 | \$2,046,280 |
| Coastal Resources Management Council | 2,160,560 | 2,185,538 | 2,312,843 | 127,305 | 2,433,260 | 247,722 |
| Total | \$36,694,723 | \$37,725,643 | \$38,418,165 | \$692,522 | \$40,019,645 | \$2,294,002 |
| Grand Total | \$3,336,423,260 | \$3,445,169,968 | \$3,476,623,371 | \$31,453,403 | \$3,551,988,738 | \$106,818,770 |

FEDERAL FUNDS EXPENDITURES

| General Government | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from | | Change from Enacted |
|--|------------------------|------------------------|------------------------|-----------------------|------------------------|------------------------|
| | | | | Enacted | FY2016 Enacted | |
| Administration | \$72,702,362 | \$51,493,455 | \$89,252,942 | \$37,759,487 | \$43,302,629 | (\$8,190,826) |
| Business Regulation | 2,038,842 | 2,021,830 | 2,469,508 | 447,678 | 2,795,240 | 773,410 |
| Labor and Training | 72,019,823 | 42,183,672 | 51,882,281 | 9,698,609 | 38,164,061 | (4,019,611) |
| Revenue | 1,655,815 | 5,113,145 | 6,089,666 | 976,521 | 1,315,154 | (3,797,991) |
| Lieutenant Governor | 1,583,196 | 74,350 | 40,134 | (34,216) | 65,000 | (9,350) |
| Office of Commerce | - | - | - | - | 10,983,803 | 10,983,803 |
| Secretary of State | 16,040 | - | 34,123 | 34,123 | - | - |
| General Treasurer | 852,195 | 870,338 | 902,766 | 32,428 | 891,955 | 21,617 |
| Board of Elections | - | - | - | - | - | - |
| Public Utilities Commission | 207,575 | 87,733 | 87,733 | - | 90,000 | 2,267 |
| Commission for Human Rights | 350,720 | 287,096 | 310,692 | 23,596 | 295,836 | 8,740 |
| Total | \$151,426,568 | \$102,131,619 | \$151,069,845 | \$48,938,226 | \$97,903,678 | (\$4,227,941) |
| Human Services | | | | | | |
| Office of Health and Human Services | \$1,093,456,235 | \$1,470,870,303 | \$1,424,270,855 | (\$46,599,448) | \$1,462,232,758 | (\$8,637,545) |
| Children, Youth, and Families | 61,602,917 | 56,568,664 | 62,202,837 | 5,634,173 | 58,927,126 | 2,358,462 |
| Health | 55,777,861 | 65,094,393 | 69,625,405 | 4,531,012 | 65,752,434 | 658,041 |
| Human Services | 513,984,570 | 547,332,819 | 524,207,412 | (23,125,407) | 517,462,308 | (29,870,511) |
| BHDDH | 228,621,075 | 181,157,004 | 185,561,701 | 4,404,697 | 182,605,186 | 1,448,182 |
| Governor's Commission on Disabilities | 50,799 | 141,350 | 305,524 | 164,174 | 35,459 | (105,891) |
| Office of the Child Advocate | 39,471 | 50,000 | 50,000 | - | 45,000 | (5,000) |
| Total | \$1,953,532,928 | \$2,321,214,533 | \$2,266,223,734 | (\$54,990,799) | \$2,287,060,271 | (\$34,154,262) |
| Education | | | | | | |
| Elementary and Secondary Education | \$203,805,167 | \$208,495,934 | \$214,845,235 | \$6,349,301 | \$203,962,314 | (\$4,533,620) |
| Public Higher Education | 5,204,666 | 5,092,287 | 5,099,787 | 7,500 | 15,092,544 | 10,000,257 |
| Council on the Arts | 686,230 | 799,348 | 735,546 | (63,802) | 775,353 | (23,995) |
| Atomic Energy Commission | 12,301 | - | 351,171 | 351,171 | 54,699 | 54,699 |
| Higher Education Assistance Authority | 10,244,455 | 15,465,693 | 7,293,103 | (8,172,590) | - | (15,465,693) |
| Historical Preservation and Heritage Comm. | 522,900 | 2,183,588 | 2,259,795 | 76,207 | 2,075,393 | (108,195) |
| Total | \$220,475,719 | \$232,036,850 | \$230,584,637 | (\$1,452,213) | \$221,960,303 | (\$10,076,547) |
| Public Safety | | | | | | |
| Attorney General | \$1,648,980 | \$1,634,631 | \$2,679,629 | \$1,044,998 | \$1,291,777 | (\$342,854) |
| Corrections | 1,834,575 | 1,654,703 | 2,009,400 | 354,697 | 1,337,381 | (317,322) |
| Judiciary | 2,986,862 | 1,909,247 | 3,409,568 | 1,500,321 | 3,431,136 | 1,521,889 |
| Military Staff | 28,705,774 | 14,779,178 | 14,518,597 | (260,581) | 15,361,864 | 582,686 |
| Emergency Management Agency | - | 18,273,640 | 21,438,224 | 3,164,584 | 16,551,541 | (1,722,099) |
| Public Safety | 6,597,933 | 6,894,275 | 8,272,348 | 1,378,073 | 6,764,072 | (130,203) |
| Public Defender | 175,612 | 248,864 | 153,540 | (95,324) | 78,370 | (170,494) |
| Total | \$41,949,736 | \$45,394,538 | \$52,481,306 | \$7,086,768 | \$44,816,141 | (\$578,397) |
| Natural Resources | | | | | | |
| Environmental Management | \$22,231,819 | \$31,859,611 | \$34,034,773 | \$2,175,162 | \$29,307,477 | (\$2,552,134) |
| Coastal Resources Management Council | 2,127,181 | 1,774,143 | 7,110,951 | 5,336,808 | 2,614,348 | 840,205 |
| Total | \$24,359,000 | \$33,633,754 | \$41,145,724 | \$7,511,970 | \$31,921,825 | (\$1,711,929) |
| Transportation | | | | | | |
| Transportation | \$284,457,818 | \$352,114,755 | \$309,680,767 | (\$42,433,988) | \$263,615,422 | (\$88,499,333) |
| Grand Total | \$2,676,201,769 | \$3,086,526,049 | \$3,051,186,013 | (\$35,340,036) | \$2,947,277,640 | (\$139,248,409) |

RESTRICTED RECEIPTS EXPENDITURES

| General Government | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | FY2016 Enacted | Change from Enacted |
|--|----------------------|-----------------------|-----------------------|--------------------------------|-----------------------|--------------------------------|
| Administration | \$15,899,348 | \$36,398,746 | \$33,430,042 | (\$2,968,704) | \$28,853,407 | (\$7,545,339) |
| Business Regulation | 1,683,995 | 1,941,123 | 2,545,184 | 604,061 | 2,588,777 | 647,654 |
| Labor and Training | 36,675,422 | 41,540,583 | 51,418,162 | 9,877,579 | 21,495,150 | (20,045,433) |
| Revenue | 1,696,101 | 4,000,819 | 2,309,433 | (1,691,386) | 3,894,326 | (106,493) |
| Legislature | 1,183,250 | 1,587,079 | 1,515,318 | (71,761) | 1,680,873 | 93,794 |
| Office of Commerce | - | - | - | - | 2,800,000 | 2,800,000 |
| Lieutenant Governor | 132,648 | - | 17,500 | 17,500 | - | - |
| Secretary of State | 456,222 | 529,752 | 541,262 | 11,510 | 599,108 | 69,356 |
| General Treasurer | 34,602,288 | 31,718,842 | 37,230,506 | 5,511,664 | 35,263,670 | 3,544,828 |
| Public Utilities Commission | 6,616,307 | 8,372,153 | 8,343,153 | (29,000) | 8,594,685 | 222,532 |
| Total | \$98,945,581 | \$126,089,097 | \$137,350,560 | \$11,261,463 | \$105,769,996 | (\$20,319,101) |
| Human Services | | | | | | |
| Office of Health and Human Services | \$12,568,219 | \$15,907,880 | \$15,800,328 | (\$107,552) | \$15,737,130 | (\$170,750) |
| Children, Youth, and Families | 2,762,996 | 2,448,750 | 2,840,143 | 391,393 | 2,838,967 | 390,217 |
| Health | 29,272,149 | 34,593,257 | 33,469,564 | (1,123,693) | 29,813,515 | (4,779,742) |
| Human Services | 2,355,044 | 1,797,309 | 3,074,518 | 1,277,209 | 2,076,036 | 278,727 |
| BHDDH | 8,459,502 | 9,608,663 | 8,790,976 | (817,687) | 9,180,797 | (427,866) |
| Governor's Commission on Disabilities | 6,898 | 9,177 | 9,931 | 754 | 10,009 | 832 |
| Governor's Commission on the Deaf | 23,956 | 80,000 | 80,000 | - | 80,000 | - |
| Total | \$55,448,764 | \$64,445,036 | \$64,065,460 | (\$379,576) | \$59,736,454 | (\$4,708,582) |
| Education | | | | | | |
| Elementary and Secondary Education | \$25,529,786 | \$26,953,972 | \$27,384,533 | \$430,561 | \$28,948,926 | \$1,994,954 |
| Public Higher Education | 630,618 | 644,000 | 644,000 | - | 653,200 | 9,200 |
| Historical Preservation and Heritage Comm. | 45,108 | 434,910 | 428,630 | (6,280) | 428,630 | (6,280) |
| Total | \$26,205,512 | \$28,032,882 | \$28,457,163 | \$424,281 | \$30,030,756 | \$1,997,874 |
| Public Safety | | | | | | |
| Attorney General | \$5,900,916 | \$11,249,908 | \$12,702,915 | \$1,453,007 | \$7,250,330 | (\$3,999,578) |
| Corrections | 53,383 | 398,879 | 404,403 | 5,524 | 47,058 | (351,821) |
| Judiciary | 10,426,434 | 10,773,601 | 11,820,152 | 1,046,551 | 11,336,944 | 563,343 |
| Military Staff | 301,196 | 442,800 | 438,300 | (4,500) | 323,300 | (119,500) |
| Emergency Management Agency | - | 221,729 | 216,680 | (5,049) | 220,375 | (1,354) |
| Public Safety | 4,060,157 | 12,863,854 | 9,215,075 | (3,648,779) | 11,176,346 | (1,687,508) |
| Total | \$20,742,086 | \$35,950,771 | \$34,797,525 | (\$1,153,246) | \$30,354,353 | (\$5,596,418) |
| Natural Resources | | | | | | |
| Environmental Management | \$13,377,916 | \$15,934,989 | \$16,478,862 | \$543,873 | \$18,354,537 | \$2,419,548 |
| Coastal Resources Management Council | 170,000 | 250,000 | 250,000 | - | 250,000 | - |
| Total | \$13,547,916 | \$16,184,989 | \$16,728,862 | \$543,873 | \$18,604,537 | \$2,419,548 |
| Transportation | | | | | | |
| Transportation | \$7,202,773 | \$12,352,761 | \$2,250,000 | (\$10,102,761) | \$1,000,000 | (\$11,352,761) |
| Grand Total | \$222,092,632 | \$283,055,536 | \$283,649,570 | \$594,034 | \$245,496,096 | (\$37,559,440) |

OTHER FUNDS EXPENDITURES

| | FY2014 Actual | FY2015 Enacted | FY2015 Revised | Change from Enacted | FY2016 Enacted | Change from Enacted |
|--|-------------------------|-------------------------|-------------------------|------------------------|-------------------------|------------------------|
| General Government | | | | | | |
| Administration | \$64,624,462 | \$69,030,518 | \$84,030,326 | \$14,999,808 | \$98,381,313 | \$29,350,795 |
| Labor and Training | 394,625,624 | 419,186,632 | 376,689,215 | (42,497,417) | 375,746,028 | (43,440,604) |
| Revenue | 319,166,978 | 343,301,988 | 331,773,466 | (11,528,522) | 304,799,323 | (38,502,665) |
| Office of Commerce | - | - | - | - | 300,000 | 300,000 |
| Secretary of State | - | 500,000 | 63,754 | (436,246) | 436,246 | (63,754) |
| General Treasurer | 200,434 | 220,608 | 218,994 | (1,614) | 518,818 | 298,210 |
| Total | \$778,617,498 | \$832,239,746 | \$792,775,755 | (\$39,463,991) | \$780,181,728 | (\$52,058,018) |
| Human Services | | | | | | |
| Children, Youth, and Families | \$600,784 | \$2,911,831 | \$1,004,374 | (\$1,907,457) | \$2,238,586 | (\$673,245) |
| Health | 56,184 | - | 69,050 | 69,050 | - | - |
| Human Services | 4,893,457 | 4,327,981 | 4,562,823 | 234,842 | 4,593,478 | 265,497 |
| BHDDH | 8,473,476 | 7,207,286 | 5,538,515 | (1,668,771) | 6,671,000 | (536,286) |
| Governor's Commission on Disabilities | 474,320 | 1,000,000 | 650,000 | (350,000) | - | (1,000,000) |
| Total | \$14,498,221 | \$15,447,098 | \$11,824,762 | (\$3,622,336) | \$13,503,064 | (\$1,944,034) |
| Education | | | | | | |
| Elementary and Secondary Education | \$8,100,266 | \$6,246,328 | \$4,619,571 | (\$1,626,757) | \$7,860,370 | \$1,614,042 |
| Public Higher Education | 876,760,039 | 884,097,994 | 881,702,860 | (2,395,134) | 878,108,736 | (5,989,258) |
| Council on the Arts | 284,245 | 632,536 | 746,372 | 113,836 | 1,398,293 | 765,757 |
| Atomic Energy Commission | 261,561 | 357,977 | 346,180 | (11,797) | 325,300 | (32,677) |
| Higher Education Assistance Authority | 8,295,894 | 8,334,268 | 8,392,527 | 58,259 | - | (8,334,268) |
| Historical Preservation and Heritage Comm. | 149,594 | 1,970,868 | 2,190,549 | 219,681 | 71,708 | (1,899,160) |
| Public Telecommunications Authority | - | - | - | - | - | - |
| Total | \$893,851,599 | \$901,639,971 | \$897,998,059 | (\$3,641,912) | \$887,764,407 | (\$13,875,564) |
| Public Safety | | | | | | |
| Attorney General | \$224,571 | \$300,000 | \$250,000 | (\$50,000) | \$300,000 | \$0 |
| Corrections | 5,765,039 | 19,527,438 | 7,869,432 | (11,658,006) | 9,416,000 | (10,111,438) |
| Judiciary | 2,087,376 | 1,350,000 | 1,434,149 | 84,149 | 5,500,000 | 4,150,000 |
| Military Staff | 1,633,448 | 1,390,000 | 1,772,005 | 382,005 | 1,657,500 | 267,500 |
| Emergency Management Agency | - | 167,000 | 254,943 | 87,943 | - | (167,000) |
| Public Safety | 4,903,167 | 11,502,683 | 7,735,131 | (3,767,552) | 8,724,505 | (2,778,178) |
| Total | \$14,613,601 | \$34,237,121 | \$19,315,660 | (\$14,921,461) | \$25,598,005 | (\$8,639,116) |
| Natural Resources | | | | | | |
| Environmental Management | \$9,325,816 | \$20,476,822 | \$20,035,307 | (\$441,515) | \$14,056,222 | (\$6,420,600) |
| Coastal Resources Management Council | - | 750,000 | 250,000 | (500,000) | 371,775 | (378,225) |
| Total | \$9,325,816 | \$21,226,822 | \$20,285,307 | (\$941,515) | \$14,427,997 | (\$6,798,825) |
| Transportation | | | | | | |
| Transportation | \$109,818,424 | \$160,653,030 | \$177,523,356 | \$16,870,326 | \$199,201,056 | \$38,548,026 |
| Grand Total | \$ 1,820,725,159 | \$ 1,965,443,788 | \$ 1,919,722,899 | (\$45,720,889) | \$ 1,920,676,257 | (\$44,767,531) |

FULL-TIME EQUIVALENT POSITIONS

| | FY2015 Enacted | FY2015 Revised | Change to Enacted | FY2016 Enacted | Change to Enacted |
|---|-------------------|-------------------|----------------------|-------------------|----------------------|
| General Government | | | | | |
| Administration | 710.7 | 710.7 | - | 711.7 | 1.0 |
| Business Regulation | 94.0 | 98.0 | 4.0 | 98.0 | 4.0 |
| Executive Office of Commerce | - | 5.0 | 5.0 | 16.0 | 16.0 |
| Labor and Training | 410.0 | 410.0 | - | 410.0 | - |
| Revenue | 505.0 | 505.0 | - | 514.5 | 9.5 |
| Legislature | 298.5 | 298.5 | - | 298.5 | - |
| Lieutenant Governor | 8.0 | 8.0 | - | 8.0 | - |
| Secretary of State | 57.0 | 57.0 | - | 57.0 | - |
| General Treasurer | 83.0 | 83.0 | - | 84.0 | 1.0 |
| Board of Elections | 11.0 | 11.0 | - | 11.0 | - |
| Ethics Commission | 12.0 | 12.0 | - | 12.0 | - |
| Office of the Governor | 45.0 | 45.0 | - | 45.0 | - |
| Commission for Human Rights | 14.5 | 14.5 | - | 14.5 | - |
| Public Utilities Commission | 50.0 | 50.0 | - | 50.0 | - |
| Total | 2,298.7 | 2,307.7 | 9.0 | 2,330.2 | 31.5 |
| Human Services | | | | | |
| Office of Health and Human Services | 184.0 | 184.0 | - | 187.0 | 3.0 |
| Children, Youth, and Families | 670.5 | 672.5 | 2.0 | 672.5 | 2.0 |
| Health | 491.3 | 491.3 | - | 490.6 | (0.7) |
| Human Services | 959.1 | 959.1 | - | 959.1 | - |
| BHDDH | 1,422.4 | 1,420.4 | (2.0) | 1,421.4 | (1.0) |
| Office of the Child Advocate | 6.0 | 6.0 | - | 6.0 | - |
| Governor's Commission on the Deaf | 3.0 | 3.0 | - | 3.0 | - |
| Governor's Commission on Disabilities | 4.0 | 4.0 | - | 4.0 | - |
| Office of the Mental Health Advocate | 3.7 | 3.7 | - | 4.0 | 0.3 |
| Total | 3,744.0 | 3,744.0 | - | 3,747.6 | 3.6 |
| Education | | | | | |
| Elementary and Secondary Education | 340.9 | 344.4 | 3.5 | 337.4 | (3.5) |
| Public Higher Education | 3,496.2 | 3,498.4 | 2.2 | 3,513.4 | 17.2 |
| Council on the Arts | 6.0 | 6.0 | - | 8.6 | 2.6 |
| Atomic Energy Commission | 8.6 | 8.6 | - | 8.6 | - |
| Higher Education Assistance Authority | 22.0 | 22.0 | - | - | (22.0) |
| Historical Preservation and Heritage Commission | 16.6 | 16.6 | - | 16.6 | - |
| Total | 3,890.3 | 3,896.0 | 5.7 | 3,884.6 | (5.7) |
| Public Safety | | | | | |
| Attorney General | 236.1 | 236.1 | - | 236.1 | - |
| Corrections | 1,419.0 | 1,419.0 | - | 1,419.0 | - |
| Judiciary | 723.3 | 723.3 | - | 724.3 | 1.0 |
| Military Staff | 85.0 | 85.0 | - | 92.0 | 7.0 |
| Emergency Management | 32.0 | 32.0 | - | 32.0 | - |
| Public Safety | 633.2 | 633.2 | - | 633.2 | - |
| Public Defender | 93.0 | 93.0 | - | 93.0 | - |
| Total | 3,221.6 | 3,221.6 | - | 3,229.6 | 8.0 |
| Natural Resources | | | | | |
| Environmental Management | 399.0 | 399.0 | - | 399.0 | - |
| Coastal Resources Management Council | 29.0 | 29.0 | - | 29.0 | - |
| Total | 428.0 | 428.0 | - | 428.0 | - |
| Transportation | 752.6 | 752.6 | - | 752.6 | - |
| Higher Education Sponsored Research | | | | | |
| Office of Higher Education | 1.0 | 1.0 | - | 1.0 | - |
| CCRI | 94.0 | 94.0 | - | 89.0 | (5.0) |
| RIC | 82.0 | 82.0 | - | 82.0 | - |
| URI | 573.8 | 573.8 | - | 573.8 | - |
| Total | 750.8 | 750.8 | - | 745.8 | (5.0) |
| Grand Total | 15,086.0 | 15,100.7 | 14.7 | 15,118.4 | 32.4 |

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Children, Youth, and Families
Commission on Deaf and Hard of Hearing
Commission on Disabilities
Health
Human Services
Mental Health Advocate