



**SENATE FISCAL OFFICE
REPORT**

**GOVERNOR'S BUDGET
FY2016 AND FY2015 SUPPLEMENTAL**

2015-H-5900

BUDGET ANALYSIS

APRIL 28, 2015

Senate Committee on Finance

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EXECUTIVE SUMMARY

Executive Summary

The Governor's FY2016 Budget recommendation totals \$3,491.6 million in general revenue and \$8,627.6 million in all funds.

Expenditures by Source	FY2014 Final	FY2015 Enacted	FY2015 Governor	Change to		Change to
				Enacted	FY2016 Governor	Enacted
General Revenue	\$3,336.4	\$3,445.2	\$3,488.4	\$43.2	\$3,491.6	\$46.5
Federal Funds	2,676.2	3,086.5	3,140.5	54.0	3,003.1	(83.4)
Restricted Receipts	222.1	283.1	278.3	(4.8)	239.4	(43.7)
Other Funds	1,820.7	1,965.4	1,932.4	(33.1)	1,893.5	(72.0)
Total	\$8,055.4	\$8,780.2	\$8,839.5	\$59.3	\$8,627.6	(\$152.6)

Expenditures by Function						
General Government	\$1,456.8	\$1,513.4	\$1,511.8	(\$1.6)	\$1,394.0	(\$119.5)
Human Services	3,335.3	3,743.1	3,867.2	124.1	3,751.3	8.1
Education	2,287.4	2,360.9	2,354.0	(6.9)	2,399.6	38.6
Public Safety	490.5	528.8	540.7	11.9	525.1	(3.7)
Natural Resources	83.9	108.8	117.8	9.0	98.8	(9.9)
Transportation	401.5	525.1	447.9	(77.2)	458.9	(66.3)
Total	\$8,055.4	\$8,780.2	\$8,839.5	\$59.3	\$8,627.6	(\$152.6)

FTE Authorization **15,100.3** **15,086.0** **15,100.7** **14.7** **15,119.4** **33.4**

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

The Governor's FY2016 Budget closes the anticipated \$190.4 million current services operating deficit through a combination of revenue increases and expenditure reductions. The proposed budget relies upon reductions to the Medicaid program, state debt restructuring and refinancing, general obligation revenue transfers from several quasi-public agencies, and assumptions of streamlined efficiencies and savings in state government operations and personnel to close this deficit while increasing spending for initiatives throughout all levels of public education, and makes investments to improve the business climate.

FY2016 Deficit Solution	
Projected deficit (July)	(\$172.9)
Nov REC/CEC	(23.7)
Current services adjustments	6.2
Projected Deficit (January)	(\$190.4)

Budget Initiatives	
Expenditure Reductions	118.1
Transfers and Other Operational Changes	58.4
Tax and Fee Changes	14.3
Projected Ending Balance	\$0.6

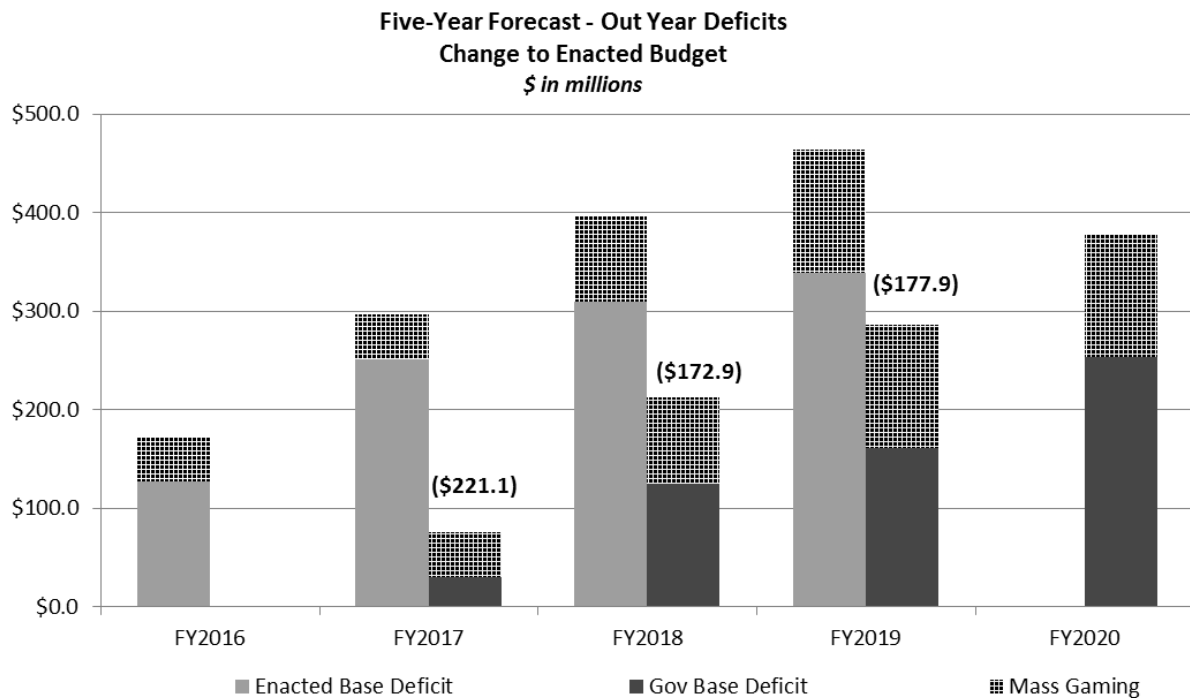
\$ in millions. Totals may vary due to rounding.

FIVE-YEAR FORECAST

The Governor's FY2016 Budget estimates that the State will experience increasing deficits in each of the out years in its five-year forecast, with operating deficits that increase from \$2.5 million in FY2016 to \$376.7 million in FY2020. Despite the year-over-year increases in the State's projected operating deficit, the Governor's budget reduces the projected deficit from estimates included in the FY2015 Enacted Budget in FY2017 (\$221.1 million reduction), FY2018 (\$172.9 million reduction), and FY2019 (\$177.9 million reduction).

Contributors to the out year deficits include: relatively flat average annual general revenue growth (approximately 0.5 percent over the five years), coupled with a projected average annual increase in expenditures by 3.1 percent from FY2016 to FY2020. Specific drivers include the establishment of Massachusetts gaming facilities, which will negatively impact the State's general revenue receipts by an estimated \$119.0 million annually by FY2020, and continued implementation of the education aid funding formula which is expected to increase local aid in FY2020 by \$77.4 million above FY2016 levels recommended by the Governor.

Finally, the five-year forecast includes a total of \$138.3 million in additional general revenue beginning in FY2017 to replace declining federal financing for the expansion of Medicaid under the Affordable Care Act.



Revenue Changes

The Governor's FY2016 Budget proposal increases general revenue collections by an estimated \$60.9 million (1.8 percent) above the November 2014 revenue estimate, excluding the annually-enacted hospital license fee. The Governor includes \$156.1 million for the fee. New revenue initiatives include shifting reserve funds from quasi-public agencies to general revenue, enhanced tax compliance programs, tax base expansions, and tax decreases or exemptions for certain populations.

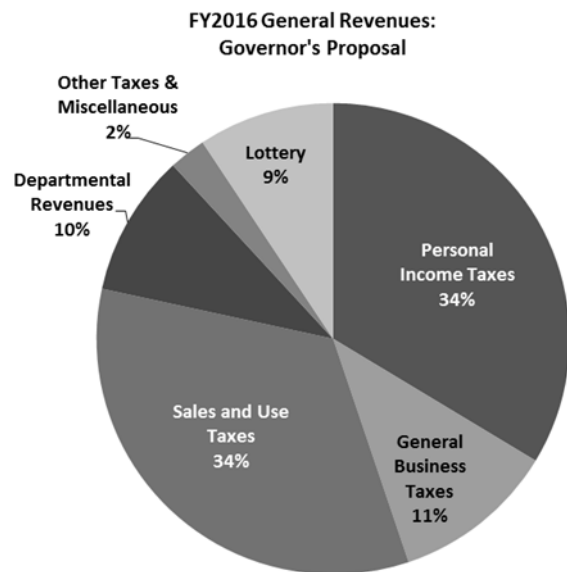
Transfers from Quasi-Public Agencies: The Governor transfers approximately \$19.0 million in excess bond proceeds from a tobacco bond settlement, as well as \$20.7 million in reserves from several quasi-public agencies, to offset debt service issued by the State on the agencies' behalf.

Suspend Transfer of Motor Vehicle Fees to RI Highway Maintenance Account: The Governor suspends the transfer of \$13.2 million in general revenue from motor vehicle license and registrations fees to the Rhode Island Highway Maintenance Account (RIHMA) within the Transportation Infrastructure Fund. The FY2015 Budget as Enacted shifted these funds to the RIHMA to be used by the Department of Transportation for highway, road, and bridge maintenance expenses. The scheduled transfers would resume in FY2017.

State Property Tax on Second Homes: The Governor proposes a statewide property tax on non-owner occupied residences and vacant residential land valued at greater than \$1.0 million. The proposed tax rate of \$2.50 per \$1,000 of total assessed value is estimated to increase general revenue by \$11.8 million. Currently, there is no statewide property tax in Rhode Island. Individual municipalities set local residential property tax rates through property valuations, and rates range from \$5.34 (New Shoreham) to \$35.94 (Woonsocket) per \$1,000 of assessed value. The Governor relies on the local assessed value of each property impacted by this proposal.

Increase Excise Tax on Cigarettes: The Governor recommends an excise tax increase of \$0.25 per pack of cigarettes, which raises the tax from \$3.50 to \$3.75 per pack of twenty, or the equivalent of \$0.19 per cigarette. Total retail price will increase by \$0.29, from \$8.88 to \$9.17 per individual pack. The additional excise tax and associated sales taxes would generate an additional \$7.1 million in revenue above the projections from the November 2014 Revenue Estimating Conference. After accounting for other pricing requirements, cigarettes purchased in Rhode Island would be priced similarly to those in Connecticut, and remain approximately \$0.53 cheaper than those sold in Massachusetts.

Accommodations Subject to Taxation and Tourism Funding: The State imposes three taxes on accommodations: a 7.0 percent sales tax (collected as general revenue), a 5.0 percent hotel tax (shared by state general revenue, tourism districts, and municipalities), and a 1.0 percent local tax (allocated to municipalities). The Governor proposes expanding the definition of accommodations subject to these taxes to include bed and breakfasts, online room resellers, and unlicensed lodging rentals (such as those listed on the Airbnb.com). Secondly, the Governor modifies the distribution of the hotel tax, decreasing funding to some tourism districts and shift funding to CommerceRI. Net revenue to the State will increase by \$3.3 million, which includes an increase of \$7.1 million for expanded sales taxes, less \$3.8



million in hotel taxes redirected as pass-through revenues to CommerceRI. Net revenue to municipalities will increase by \$1.1 million through the 1.0 percent local “occupancy” tax.

Tax Compliance Contingency Fees: The Governor includes \$1.8 million for owed taxes, interest, fines, and penalties. The proposal allows the Division of Taxation to enter into performance-based contracts with third-party vendors to enforce taxpayer compliance and payment. This initiative is anticipated to increase personal income taxes by \$962,500 and increase collections of fines and penalties by \$787,500.

Controlling Interest Transfer Tax: The Governor proposes to apply the real estate conveyance tax on sales of controlling interests in a business entity that holds real property to generate \$695,970 in new revenue.. Rhode Island assesses a real estate conveyance tax of \$2.30 per \$500 of value on certain sales involving real estate. Under current law, however, the owner of a business may sell the ownership of a business entity that owns a real property asset such as a building, without paying the transfer tax on the value of the building.

Taxation Self-Audit Program: This proposal implements a managed 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, according to the Governor, allow the Division of Taxation to dedicate auditing resources to other Division programs. Under this proposal, businesses will 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 program to generate \$500,000, based on a ratio of the State’s comparable population and revenue data to that of Pennsylvania.

Eliminate Enterprise Zone Wage Tax Credit: The Governor recommends eliminating the Enterprise Zone Wage tax credit, which provides employment-based tax incentives for businesses located in certain defined areas of the state. This proposal is anticipated to generate \$356,347 in additional revenue.

Sales Tax Exemption on Utilities: The State currently levies the sales and use tax on electricity, natural gas, and heating fuels for non-manufacturing businesses. The Governor proposes to expand the current manufacturing exemption to all businesses over the next five years. Exemptions would be phased in by 20.0 percent annually through FY2020. This proposal is anticipated to reduce FY2016 revenue collections by \$4.9 million.

Social Security Income Tax Exemption: The Governor exempts Social Security benefits from the State’s income tax for individuals whose adjusted gross income (AGI) is \$50,000 a year or less, or for couples with incomes at \$60,000 a year or less. This proposal is anticipated to reduce revenue collections by \$3.9 million in FY2016.

Earned Income Tax Credit: The Governor decreases general revenues by \$3.0 million for modifications to the calculation of the earned income tax credit (EITC). The changes will allow eligible taxpayers to claim 12.5 percent in TY2015 and 15.0 percent in TY2016 of the allowable federal credit EITC amount.

Delay License Plate Reissuance: The Governor proposes delaying the statewide license plate reissuance until September 2016, saving \$2.6 million. Under RIGL 31-3-33, the Division of Motor Vehicles is required to issue new reflective license plates for all registered vehicles every 10 years. Current law requires the Division to reissue license plates by September 1, 2015. This represents the third delay for this reissuance. The Governor includes a revenue loss of \$2.6 million which would have been generated from a \$6 fee imposed per new set of license plates. The delay will also save \$2.6 million in FY2016 expenditures.

Reduction from Decreased Medicaid Spending: The Governor proposes a number of changes to Medicaid expenditures, reducing general revenue expenditures by \$1.9 million in FY2016.

Eliminate Surcharges on Net Patient Revenues for Imaging Services: The Governor proposes phasing out the 2.0 percent surcharge on net patient services revenue generated by outpatient health care facilities and imaging services in equal increments over four years (FY2016 through FY2019). The initiative is expected to reduce revenues by \$574,399 in FY2016.

Urban Institute Work Support Strategies Grant Transfer: The Governor recommends transferring 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, decreasing general revenues by \$408,000. 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.

Eliminate Occupational Licenses: The Governor recommends eliminating licensing fees for 32 occupations licensed through four state departments (Business Regulation, Education, Environmental Management, and Health) reducing revenue by an estimated \$365,906. The Office of Regulatory Reform worked with these departments to identify professional licenses as burdensome, or if the license was 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 neighboring states.

Expenditure Changes by Agency

Unless otherwise specified, dollar amounts refer to general revenue.

Statewide and Interagency Expenditure Changes

Statewide Personnel (COLA): In April 2014, the Governor announced a new agreement between the State and the state employee bargaining units for a 4-year contract that provides three 2.0 percent cost-of-living (COLA) increases. Two of the increases occurred in 2014, and the remaining increase will occur on October 5, 2015. The current agreement is projected to increase general revenue expenditures by \$37.0 million in FY2016. There are several bargaining units that are not party to the new contract agreement, including the Troopers Association of the Rhode Island State Police, the Rhode Island Brotherhood of Correctional Officers, and the faculty unions at the State's three institutions of higher education. The budget includes funding to cover these units at similar FY2016 COLA levels, however, the liability for previously issued COLAs under the contract are not fully funded.

Other Statewide Personnel and Operating Reforms: The Governor proposes to achieve \$22.0 million in savings in part through several personnel reforms listed as part of Article 22 that will require negotiations with the various labor bargaining units.

The Governor proposes \$3.3 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.

UHIP: The Unified Health Infrastructure Project (UHIP) is funded with IT Investment Funds and general revenue totaling \$12.8 million in FY2015 (an increase of \$4.4 million over the Enacted Budget) and \$2.0 million in FY2016, across several departments. The cost of the project has risen from \$151.0 million to over \$229.0 million.

Expenditure Changes by Agency

Administration: The Budget continues to fund a state-based health benefits exchange (HealthSource RI, HSRI) as a marketplace for individual and small group health insurance and as an avenue through which Rhode Islanders can access federal health insurance subsidies. The Budget includes \$30.9 million for FY2016, including \$24.7 million in federal funds that will be expended before their December 31, 2015, expiration.

The balance of the funding, \$6.2 million in restricted receipts, will fund operations for the second half of FY2016. These restricted receipts are generated by a funding stream created by Article 28, which authorizes the Secretary of the Executive Office of Health and Human Services to establish a "health reform assessment" to be assessed as a percent of premiums for all small employer and individual health insurance policies beginning January 1, 2016. The Budget allows for advance use of assessment funds to cover costs incurred prior to that date. HSRI anticipates that the CY2016 assessment will be 4.7 percent on individual premiums, 1.0 percent on small group premiums, and will generate \$11.8 million. The assessment is expected to be lower in future years due to higher enrollment and increased premiums.

The Governor transfers from DOA to the Executive Office of Commerce 13.6 FTE positions and several department functions, including the RI Film Office, the RI Commerce Corporation, the I-195 Redevelopment District Commission, and Housing and Community Development. The transfers are in accordance with the statute enacted in 2013 that created the Executive Office of Commerce.

The Governor includes \$64.5 million in new general revenue from the restructuring and refinancing of existing state general obligation bonds. Bonds with an average interest rate of 4.9 percent are planned to be refinanced at or below 2.34 percent, resulting in savings on lower interest rate payments.

In addition to refinancing, existing debt would also be restructured. Under the restructuring, the State would not make scheduled principal payments of \$63.8 million in FY2016 or \$23.5 million in FY2017, essentially “re-borrowing” these amounts.

Even with the lower interest rate, the deferral of payments adds \$4.0 million in additional interest costs in FY2017 and approximately \$15.0 million per year from FY2020 to FY2025 as compared to the current debt structure. Total debt service over the life of the issuances would increase by \$13.6 million.

The Governor includes \$12.5 million in general revenue to fully fund the 38 Studios Capital Reserve Fund in FY2016.

Commerce: The Governor includes \$76.3 million, of which \$62.2 million is general revenue, to fund the operation and economic initiatives of the new executive agency. The Governor adds 5.0 FTE positions to the Office of the Secretary and transfers 13.6 FTE positions from the Department of Administration along with \$22.9 million in all funds (\$8.8 million in general revenue) to support the transferred personnel and functions.

The Governor maintains several economic initiatives that were previously appropriated under the Department of Administration. These include: \$1.2 million to the Experimental Program to Stimulate Competitive Research (EPSCoR); \$1.0 million to fund Airport Impact Aid; \$761,000 to administer the I-195 Redevelopment District Commission; \$597,350 to fund several community service objectives; \$500,000 to continue the innovative technology and bioscience and engineering internship program administered by the Rhode Island Science and Technology Advisory Council; and, \$376,200 to support the RI Export Assistance/Chafee Center at Bryant University.

The Governor adds \$14.0 million in general revenue to support new initiatives designed to spur tourism and economic development. This includes \$4.0 million to increase base support for the RI Commerce Corporation to FY2001 levels, and \$4.5 million for an enhanced statewide Tourism Marketing Campaign, to promote Rhode Island as a vacation and leisure destination.

The Governor includes \$44.5 million in general revenue to create and fund an Economic Development Initiatives Fund in the Executive Office of Commerce. The funds are created under Article 29.

Labor and Training: The Governor reduces Workforce Development Initiative funding by \$145,093 and for Workforce Development Initiative grants by \$199,159. Additionally, the Governor reduces other funds by \$43.2 million for projected lower Unemployment Insurance benefit payments and Temporary Caregiver Insurance benefits. The Governor decreases restricted receipts by \$20.0 million, reflecting the end of the 0.3 percent Job Development Assessment used to repay the Federal Unemployment Administration loans. This is offset by an increase of \$1.6 million in restricted receipts to support the ongoing Unemployment Insurance Modernization Project. The State is collaborating with Maine and Mississippi in the development of a new Unemployment Insurance computer system.

Revenue: The Governor funds 12.0 new part-time Customer Service Representative I positions at the Division of Motor Vehicles, and 3.0 FTE positions in the Division of Taxation to provide analytical and operational support for the proposed self-audit program and tax compliance performance-based contract program.

The Governor also delays the statewide license plate reissuance until September 2016. This reissuance would have cost \$2.6 million, which would have been offset by a \$6 fee for new license plate sets. Under RIGL 31-3-33, the Division of Motor Vehicles is required to issue new reflective license plates for all

registered vehicles every 10 years. Current law requires the Division to reissue license plates by September 1, 2015. This represents the third delay for this reissuance.

Lieutenant Governor: The Governor includes \$100,000 for a municipal shared services incentive program, to be administered by the Lieutenant Governor, to encourage municipal leaders to collaborate on ways to deliver services and partner effectively to reduce redundancies.

Governor: The Governor increases personnel costs by \$375,905; there is no FTE position cap increase. The proposed budget fully funds the Governor's salary.

Health and Human Services: The November 2014 Caseload Estimating Conference (CEC) adopted total financing of \$948.7 million in general revenue for the Medical Assistance program. However, the Governor reduces funding by a total of \$88.1 million in general revenue through \$45.1 million of specified reductions and \$43.0 million of unspecified reductions in OHHS. There is an additional \$3.0 million in general revenue (\$6.0 million all funds) unspecified reductions included in the budgets of BHDDH, DCYF, and DHS for total unspecified Medicaid reductions of \$46.0 million (\$92.6 million all funds).

Specified Medicaid reductions of \$45.1 million in general revenue (\$89.9 million all funds) to the CEC adopted levels include the following:

Hospitals - \$56.3 million

- Eliminate the scheduled increase of rates paid to hospitals for inpatient and outpatient services for the third consecutive year and reduce rates by 5.0 percent (\$15.7 million general revenue, \$31.6 million all funds).
- Eliminate inpatient and outpatient Upper Payment Limit payments to hospitals that would have reimbursed them for uncompensated care (\$11.2 million general revenue, \$22.6 million all funds).
- Eliminate funding for Graduate Medical Education at academic Level 1 trauma center hospitals (\$1.0 million general revenue).

Nursing Homes - \$18.0 million

- For a third consecutive year, suspend the annual nursing home inflation index increase that was scheduled to be made to rates in October 2015; also imposes a 3.0 percent reduction to payment rates (\$8.9 million general revenue, \$18.0 million all funds).

Program Integrity and Efficiency - \$10.2 million

- Review and overhaul the delivery of out-of-plan services for Children with Special Health Care Needs, including home-based therapeutic services, personal assistance services and supports, private duty nursing, and certified nursing assistants. These services will be reassessed and modified to ensure they are evidence-based, clinically-appropriate, and cost effective. (\$1.0 million general revenue, \$2.1 million all funds).

Managed Care Organizations - \$5.4 million

- Reduce the managed care capitation rate by 0.9 percentage points relative to the increase underlying the managed care estimate adopted at the November 2014 CEC. (\$2.7 million general revenue, \$5.4 million all funds).
- Increase program integrity efforts, including enhanced identification of Medicare-covered and CHIP-covered expenses, continued implementation of electronic visit verification and technology upgrades to detect fraudulent and inappropriate activity by providers and/or beneficiaries, strengthen residency

confirmation processes, and improve the fee schedule for case management services within the Personal Choice Program. (\$4.5 million general revenue, \$8.1 million all funds).

In addition to the Medicaid reductions specified above, the Governor also includes \$43.0 million in unspecified general revenue (\$86.6 million all funds) savings within Medicaid at OHHS.

These savings, to be further defined by the Working Group to Reinvent Medicaid's recommendations on or around April 30, will be derived from interventions for high-utilizers, payment reform for hospitals, managed care, behavioral health, long term care, and hospitals, as well as from improved program oversight and efficiency.

The Governor consolidates the four advocacy agencies (Governor's Commission on Disabilities, the Commission on the Deaf and Hard of Hearing, the Office of the Mental Health Advocate, and the Office of the Child Advocate) into a single, new Division of Advocacy within the Executive Office of Health and Human Services. This consolidation is for administrative purposes only and is anticipated to result in operational efficiencies over time. The Governor's budget transfers 17.0 FTE positions, along with current services funding, from the four agencies to the Executive Office.

Children, Youth, and Families: The Governor proposes to permit the director of DCYF to reallocate funding within its budget to expand unspecified innovation and performance-based contracting through June 30, 2017. Additionally, if approved by the Office of Management and Budget, DCYF may reinvest savings achieved through its own fiscal controls in technology, infrastructure, and other related services through June 30, 2017.

The Governor provides \$71.7 million from all fund sources for the System of Care networks, approximately \$400,000 more than the initial contracts awarded to RI Care Management Network and Ocean State Network. However, this represents a \$1.1 million general revenue reduction from the enacted level, reflecting savings due to shifts in placements from higher levels of care to lower levels of care, and increased network contract oversight.

The Budget includes \$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 allocated to the System of Care networks.

Support for foster care is increased by \$1.0 million to support the continued shift away from residential treatment to less restrictive care, such as foster care. The projected savings associated with the System of Care discussed above are also partially attributable to the assumption that this increase in foster care support will increase the availability of foster homes, thereby permitting DCYF and the networks to transition more youth into foster care. The Governor has not yet indicated whether funding will be used for a previously-proposed foster care board rate increase.

Consistent with the full implementation of the Family Care Networks, DCYF terminated 10 Foster Care Support (FCS) contracts, effective December 31, 2014. The Department will continue 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. The Governor recognizes these savings in FY2016 (approximately \$635,000 in general revenue).

Health: Consolidation of all 25 non-prescribing health professional boards into a single board is proposed and anticipated to generate approximately \$200,000 in savings due to reduced administrative and staffing costs (reduction of 2.0 FTE positions). Professions impacted by this consolidation include barbers, hairdressers, chiropractors, physical therapists, athletic trainers, and nursing home administrators.

The Governor provides a total of \$200,000 in general revenue to fully fund the State's contract with the Regional Poison Control Center. 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.

Human Services: Additional funding for Meals on Wheels of Rhode Island is provided in FY2016 (\$330,000), increasing the total annual grant award to \$530,000. Currently, the Department provides \$200,000 in support to this organization.

Behavioral Healthcare, Developmental Disabilities and Hospitals: The Governor includes savings from the automation of the collection of cost of care co-pays due from those with developmental disabilities who 'spend down' to program eligibility (\$450,000 in general revenue savings), an automation that was implemented during FY2015 through the reduction in provider reimbursement by the amount required to be collected from program participants. The Governor achieves additional savings from the implementation of a system that electronically verifies the delivery of home and community-based services (\$1.4 million).

The Governor adds funding for services associated with the federal Department of Justice's Consent Decree, which mandates a trust fund and Monitor, which will be administered through the Sherlock Center at Rhode Island College. The proposed budget also funds additional services for the developmentally disabled, consistent with the Decree's mandate to transition from sheltered workshops to employment and other community-based programs (\$2.7 million).

The Budget includes savings from the closure of Southwick and Rogler group homes for the developmentally disabled (\$449,742 general revenue savings). These groups homes, part of the Zambarano system, are being closed in response to decreasing census. The Southwick home was closed during FY2015; the Rogler home will be closed in FY2016.

Elementary and Secondary Education: The Governor fully funds the fifth year of the education funding formula with an increase of \$33.5 million in general revenue and an increase of \$2.3 million for categorical aid including the phase-in of formula aid for full-day kindergarten (\$1.4 million increase) and Central Falls Stabilization (\$1.9 million increase). High-Cost Special Education and Early Childhood both increase by \$1.0 million. Group Home Aid decreases by \$1.0 million to reflect a reduction in beds and an adjustment to accommodate RIGL 16-7-22(1)(ii), which requires the average daily membership of a district to be decreased by the number of group home beds used in the group home calculation.

Through Article 6, the Governor eliminates the requirement that school districts provide transportation (\$1.7 million in savings) and textbooks (\$240,000 in savings) for private school students. The Governor also modifies the Full-Day Kindergarten Accessibility Act to require that all districts provide full-day kindergarten by August 2016. The Governor level funds the E-Rate Program and the Full-Day Kindergarten Pilot Program.

The Governor fully funds school housing aid, based on updated project completion projections, at \$70.9 million, reflecting a \$3.0 million increase over the FY2015 Budget as Enacted. The Governor also recommends \$20.0 million from proposed debt restructuring for the School Building Authority Capital Fund to be transferred from the Department of Elementary and Secondary Education to the Rhode Island Health and Educational Building Corporation (Article 9).

Higher Education: The Governor increases general revenue funding for public higher education by \$5.2 million, to reflect statewide cost of living adjustments and other planning value changes.

The Governor proposes two educational incentives:

- **Last Dollar Scholarship Program:** Includes \$10.1 million in needs-based scholarships for students with proven academic performance attending URI, RIC, or CCRI but for whom higher education might be otherwise unaffordable. This replaces the needs-based scholarship program in RIHEAA,

which provided need-based funding for students attending private colleges and universities as well as Rhode Island public higher institutions.

- **Prepare RI:** Includes \$1.3 million for a dual and concurrent enrollment initiative that will allow qualified high school students to earn credit at their high school and credits at state public colleges and universities at no cost to the student (URI, CCRI, and RIC). 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.

Higher Education Assistance Authority: The Governor 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 \$19.1 million and 15.0 FTE positions (Article 7). This is a decrease of 7.0 FTE positions from the FY2015 Budget as Enacted. Six of these positions are currently filled.

Attorney General: The Governor adds \$250,000 for pension litigation issues. The Governor does not recommend the use of Google forfeiture settlement restricted receipts in FY2016 by the Office.

Corrections: The Governor increases personnel costs by \$2.7 million for additional overtime at institutions. Additionally, the Governor shifts \$406,789 in personnel costs associated with construction projects from general revenue to RICAP funds. The Governor 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.

Operating expenditures increase by \$908,665 as a result of an increased inmate population estimate, which is expected to increase by 170 inmates compared to the FY2015 enacted level. Medical expenditures increase by \$2.5 million due to the population increase and expenditures for pharmaceutical treatments also increase, including \$500,019 for Hepatitis C treatment.

The Governor 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. The Governor modifies legislation relating to corrections officer weapons requalification, allowing it only every other year, and assumes savings of \$500,019.

Public Safety: The Governor increases overtime costs by \$600,000 to provide judicial courtrooms with an “adequate” number of sheriffs.

The Governor includes \$905,451 to fund the 56th State Police Training Academy of 30 recruits. The recommendation includes \$293,127 in Google forfeiture funds for equipment and additional services. The Governor’s proposal also delays the start of the Academy until February of FY2016, delaying the start of the new class of troopers until July 1, 2016 (FY2017).

The Governor includes \$1.1 million for cost of living and salary increases assumed to be awarded once the Rhode Island Trooper Association contract is finalized. Additionally, the Governor proposes using \$15.0 million in Google forfeiture funds to convert State Police pay-as-you-go pensions into a pension trust fund.

Department of Environmental Management: The Governor increases general revenue by \$965,462, including \$350,000 to allow the Parks and Recreation Division to manage state parks efficiently and safely. Through Article 16 the Governor eliminates the Rhode Island Bays, Rivers and Watersheds Coordination Team, and in Article 15 increases the annual commercial feed registration fee from \$60 to \$100 and applies the new revenue to the Local Agriculture and Seafood Act (an estimated \$300,000).

Transportation: The Governor suspends the transfer of certain motor vehicle related fees into the Highway Maintenance Account for FY2016 only. Fees assessed pursuant to 31-47.1-11, and chapters 3, 6, 10, and 10.1 of title 31 were to be deposited into the Rhode Island highway maintenance account, as follows: 25.0 percent in FY2016, 75.0 percent in FY2017, and 100.0 percent in FY2018. Article 21 suspends the 25.0 percent transfer in FY2016, but does not affect the transfers in later years. This results in a general revenue loss to the Department of \$13.2 million; however, under Article 1 the Governor proposes to use \$20.0 million in Rhode Island Capital Plan funds in lieu of the transferred fees in FY2016.

The Governor dedicates \$6.6 million in funds from the Highway Maintenance Account for the Drainage Repair and Improvement Program (DRIP) in FY2016. The State is responsible for the cleaning and maintenance of the State's 25,000 catch basins.

The Governor includes a 1.0 cent per gallon gas tax increase based on the Consumer Price Index for all Urban Consumers (CPI-U). This bi-annual adjustment of the gas tax was included in the FY2015 Budget as Enacted and is expected to generate \$4.3 million in FY2016.

The Governor transfers \$1.7 million in Rhode Island Public Transit Authority debt service to the Department of Administration in FY2016.

State Aid and Education Aid

State Aid to Cities and Towns

Distressed Community Relief Fund: The Distressed Community Relief Fund is maintained at the FY2015 level of \$10.4 million. The City of East Providence is newly qualified as a distressed community and will receive a 50.0 percent appropriation of \$685,142. In a year that a newly qualified community enters the program, it receives 50.0 percent of the current law requirement for the first year it qualifies. The remaining 50.0 percent of East Providence's appropriation will be divided among the remaining 6 distressed communities.

Payment in Lieu of Taxes (PILOT): PILOT is funded at the FY2014 Enacted level of \$35.1 million. A one-time additional appropriation of \$5.0 million in FY2015 from Tobacco Settlement Funds is not included in FY2016. Current law requires reimbursement at 27.0 percent of forgone tax revenue, but allows for a ratable reduction if the appropriation is less than this amount. The Governor's recommendation for FY2016 represents a reimbursement rate of 20.75 percent.

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

Municipal Incentive Aid: Funding for this program is maintained at the FY2015 level of \$5.0 million; however, the FY2015 Revised Budget adds funding for the Town of Coventry that was reappropriated from FY2014. 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.

Library Grant-in-Aid: The Governor level funds State Aid to Libraries at \$8.8 million. Current law requires reimbursement at 25.0 percent of second prior year expenses, but allows for a ratable reduction if the appropriation is less than this amount. An additional appropriation of \$1.1 million would be required to fund library grant-in-aid at the 25.0 percent level.

Library Construction Aid: The Governor recommends \$2.7 million in FY2016 to fund reimbursement to communities for up to 50.0 percent of eligible costs of approved library construction projects. A moratorium on the acceptance of new applications for library construction projects, enacted in 2011 by the General Assembly, ended on July 1, 2014. 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.

Meals & Beverage Tax: The 1.0 percent tax on gross receipts from the sale of food and beverages is estimated to generate \$23.6 million in FY2015 and \$24.1 million in FY2016 for distribution to cities and towns.

Hotel Tax: A 1.0 percent local hotel tax and 25.0 percent of the local share of the state 5.0 percent tax is expected to generate \$7.4 million in FY2015 and \$9.0 million in FY2016 for distribution to cities and towns. Of this amount, an expansion of the hotel tax is expected to increase aid to municipalities by \$1.3 million in FY2016. The expanded hotel taxes will include vacation home rentals, small bed and breakfasts, hotel room resellers, and unlicensed lodging rentals (such as those listed on the Airbnb.com website).

Airport Impact Aid: Airport impact aid payments to municipalities that have airports are level funded at approximately \$1.0 million for FY2016. The funding is provided annually through Article 1 of the budget and flows through the Rhode Island Commerce Corporation.

Property Revaluation Reimbursement: The Governor includes \$1.8 million to reimburse municipalities for a portion of the cost of conducting statistical property revaluations. This is an increase of \$1.1 million over the FY2015 Budget as Enacted.

Municipal Road and Bridge Fund: The Governor does not provide any additional funding to capitalize the revolving fund; however, legislation is included that would allow communities to borrow from the fund for the period July 1, 2015, through June 20, 2016, without voter approval.

Other Municipal Aid

- **Main Street RI Fund:** The Governor adds \$2.0 million for a 50.0 percent matching grant for municipalities to upgrade streetscapes in business districts (lighting, street furniture, medians). (Clean Water Finance Agency)
- **Shared Services:** The Budget includes \$100,000 in competitive grant funding in the Office of the Lieutenant Governor to incentivize municipalities to regionalize and/or consolidate their services.
- **Legal Notices:** Article 27 would allow public and legal notices to be posted on the State's transparency portal instead of in print media as an option to fulfill public notification requirements.

Education Aid

The Governor includes an additional \$35.8 million in education aid, including an increase of \$33.5 million to fully fund the fifth year of the funding formula.

FY2016 Education Aid		
Categorical	Change from Enacted	Total Funding
Fifth year of Formula	\$33.5	\$832.7
Full-Day K Formula Aid	1.4	1.4
Group Home Aid	(1.0)	5.1
Transportation	(2.0)	2.4
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	\$35.8	\$855.3

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

Full-Day Kindergarten Formula Aid: The formula funding for full-day kindergarten has been pulled out of the formula aid because it is contingent upon district implementation in the coming fiscal year. If a district does not implement the program the funding is not distributed. Once a district implements a program, the funding is distributed through the funding formula. The full-day kindergarten formula aid provides funding subject to the transition plan; consequently, in FY2016, districts receiving more aid under the formula get one-third of the calculated aid, while those receiving less get one-sixth, since FY2016 represents the fifth year of an seven-year phase in for districts receiving more aid through the formula, and a ten-year phase in for districts receiving less aid.

Group Homes: The Governor's FY2016 budget includes \$5.1 million to fund group home beds, or \$1.0 million less than the FY2015 Budget as Enacted. This decrease reflects a reduction of 17 beds as well as the adjustment to accommodate RIGL 16-7-22(1)(ii) which requires the average daily membership of a district be decreased by the number of group home beds used in the group home calculation.

Transportation: This category provides funding for transporting students to out-of-district, non-public schools for districts that participate in the statewide transportation system and for 50.0 percent of the local costs associated with transporting students within regional school districts. The Governor recommends funding this category at \$2.4 million in FY2016, a decrease of \$2.0 million from the FY2015 Budget as Enacted. To achieve this savings, the Governor eliminates funding for out-of-district, non-public transportation (\$1.7 million) and, through Article 6, eliminates the requirement that districts provide transportation to private school students. The remaining reduction (\$282,440) is distributed among the regional districts through a pro-rata reduction.

High-Cost Special Education: The Act includes a program for high-cost special education students. The Governor funds this category at \$2.5 million in FY2016, an increase of \$1.0 million over the FY2015 Budget as Enacted.

Career and Technical Education: This category provides a state grant program to help districts with certain start-up and maintenance expenditures for career and technical education programs. The Governor level funds this category at \$3.5 million in FY2016.

Early Childhood Education: This category includes a program for early childhood education programs. The Governor funds this category at \$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, as determined by the education funding formula. For FY2016, Central Falls' local share is set to increase, and the Governor recommends an increase of \$1.9 million to fund the local share in FY2016. The Governor provides a total of \$3.7 million to fund this category, the second year this category has been funded.

Regionalization Bonus: This category provides a bonus to regional districts and for those that regionalize in the future. In the first year, the bonus is 2.0 percent of the State's share of the total foundation aid. In the second year the bonus is 1.0 percent of the State's share, and in the third year the bonus phases out. The Governor provides no funding in FY2016, consistent with FY2015, as no new regional districts have been formed.

Full-Day Kindergarten Accessibility Act: The Governor level funds the full-day kindergarten pilot program at \$250,000 in FY2016. The Full-Day Kindergarten Accessibility Act is to help districts with one-time, start-up costs associated with establishing a full-day program.

Telecommunications Education Access Fund (E-Rate): The Governor level funds the Telecommunication Education Access Fund (E-Rate) at the enacted level of \$400,000. The purpose of the Rhode Island Telecommunications Education Access Fund (RITEAF or E-rate) is to fund a basic level of internet access for all qualified schools (kindergarten through grade 12) and libraries in the State.

Textbook Reimbursement: The Governor eliminates the state Textbook Reimbursement Program, generating \$240,000 in general revenue savings. Currently, the State provides reimbursement to school districts for the cost of furnishing textbooks in the fields of English/language arts and history/social studies to resident students in grades K-12 attending non-public schools.

School Breakfast Program: The Governor fully funds the State's share of administrative costs for the school breakfast program (\$270,000). These administrative costs include hiring servers needed to effectively run the program and encourage participation.

School Housing Aid: The Governor fully funds school housing aid, based on updated project completion projections, at \$70.9 million, a \$3.0 million increase over the FY2015 Budget as Enacted. The Governor also recommends \$20.0 million for school construction and rehabilitation from proposed debt restructuring for the School Building Authority Capital Fund proposed under the Rhode Island Health and Educational Building Corporation (Article 9)

Teacher Retirement: The Governor fully funds the state's share of teacher retirement, based on updated teacher wage base data, at \$92.8 million, an increase of \$3.3 million over the FY2015 Budget as Enacted.

Consolidations, Transfers, and Other Statewide Issues

Higher Education: The Governor eliminates the Rhode Island Higher Education Assistance Authority (RIHEAA), transferring its 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. 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. RIHEAA's Tuition Savings Program will be transferred to the Office of the General Treasurer.

The Governor 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.

Capital Consolidation: Capital project management for select departments, including BHDDH and DEM, is consolidated within the Department of Administration (DOA) to increase oversight and enhance project planning. The Governor's proposal would impact construction, property, and asset management functions. To support this proposal, \$1.3 million in general revenue as well as 2.0 FTE positions are transferred to DOA.

Division of Advocacy: The Governor consolidates the four advocacy agencies (Governor's Commission on Disabilities, the Commission on the Deaf and Hard of Hearing, the Office of the Mental Health Advocate, and the Office of the Child Advocate) into a single, new Division of Advocacy within the Executive Office of Health and Human Services.

This consolidation is for administrative purposes only and is anticipated to result in operational efficiencies over time. The Governor's budget transfers 17.0 FTE positions, along with current services funding, from the four agencies to the Executive Office.

Non-Prescribing Health Professional Boards: Consolidation of all 25 non-prescribing health professional boards into a single board is proposed and anticipated to generate approximately \$200,000 in savings due to reduced administrative and staffing costs (reduction of 2.0 FTE positions). Professions impacted by this consolidation include barbers, hairdressers, chiropractors, physical therapists, athletic trainers, and nursing home administrators.

FY2015 Supplemental

FY2015 opened with \$16.1 million in additional surplus funds above the budgeted surplus of approximately \$575,000. The November 2014 Revenue Estimating Conference identified \$15.8 million in additional anticipated general revenue collections for FY2015. Increases in revenue were offset by an additional \$37.0 million in projected Medical Assistance costs.

The Governor's budget recommends a \$43.2 million increase in general revenue expenditures compared to the FY2015 Budget as Enacted. Increases are largely due to the results of the November Caseload Estimating Conferences, due to costs related to new treatments for Hepatitis C, and increased spending within DCYF due to higher than anticipated caseloads associated with the System of Care (\$10.0 million), and overspending within Public Safety departments, primarily within the Department of Corrections (\$8.5 million) and the Department of Public Safety (\$2.7 million).

The Governor suspends the transfer of surplus funds from FY2014 to the retirement fund, increasing available general revenues for FY2015 by \$14.2 million. By statute, any such surplus must transfer to the Employees' Retirement System Rhode Island and be deposited into the State Retirement Trust Fund.

Following are a few items of note in the Supplemental proposal:

- **Administration:** The Governor decreases general revenue debt service by \$25.0 million from a delay in issuing general obligation bonds and certificates of participation. The decrease is offset by the reappropriation of \$615,901 in unspent funds for the I-195 Redevelopment District, \$527,000 for the e-permitting project, and \$223,218 for housing rental subsidies. The Governor adds \$220,000 in general revenue to the reappropriated \$280,000 to complete the classification and compensation personnel study. The Governor also includes \$1.6 million for increased utility costs mainly caused by the increase in electrical rates, and includes \$3.4 million for the Department's share of the distributed statewide medical benefit savings.
- **Commerce:** The Governor includes \$335,644 in additional general revenue for personnel and operating expenses to support the Secretary of Commerce and the central management staff.
- **Elections:** The Governor includes \$511,072 in additional general revenue, reflecting an increase of \$620,273 for the Public Financing of General Elections Public Matching Funds Program, offset by a reduction of \$109,201 in general revenue for operating expenses.
- **UHIP:** The Unified Health Infrastructure Project (UHIP) is funded with IT Investment Funds and general revenue totaling \$12.8 million in FY2015 (an increase of \$4.4 million over the Enacted Budget). Including the Governor's proposal for FY2016, the cost of the project has risen from \$151.0 million to over \$229.0 million.
- **Children, Youth, and Families:** The proposed 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 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.
- **Health:** The Governor 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.

- **Elementary and Secondary Education:** The Administration of Comprehensive Education System (ACES) is reduced by \$227,819 to reflect savings from holding vacant positions open longer than anticipated. 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). School Housing Aid increases by \$150,568 due to the State's share of savings from bond refinancing being less than projected. Teacher Retirement costs are reduced by \$524,347 due to a lower-than-projected wage base.
- **Higher Education:** The Governor adds \$927,853 and 2.2 FTE positions to the Office of the Postsecondary Commissioner. The FY2015 Budget as Enacted contained expenditure decreases, pending the new Commissioner's determination of necessary staffing and operations.
- **Higher Education Assistance Authority:** The Governor eliminates the requirement that RIHEAA fund \$4.1 million in scholarships using funds from the Guaranty Agency Reserve in FY2015.
- **Corrections:** The Governor adds \$8.5 million in general revenue to offset unachieved overtime savings from the enacted budget, other personnel increases, and additional funds for operating expenditures due to an increased inmate population.
- **Public Safety:** The Governor includes a total of \$2.9 million for State Police COLA expenses which were unfunded the enacted budget. This represents an increase of \$2.7 million from the enacted level.
- **Environmental Management:** The Governor increases general revenues by \$598,631 for costs associated with the COLA and the minimum wage increase.
- **Transportation:** The Governor 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.



DEPARTMENTAL SUMMARIES

Department of Administration

Expenditures by Program	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted		FY2016 Governor	Change from Enacted	
Accounts & Control	\$3.7	\$4.0	\$3.8	(\$0.2)	-5.0%	\$4.0	\$0.0	0.8%
Auditing	1.3	1.4	1.4	-	0.0%	1.5	0.1	7.1%
Budget/Office of Management and Budget	4.1	4.1	4.3	0.2	4.9%	4.0	(0.1)	-2.4%
Construction Permitting, Approvals and Licensing	2.8	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%	4.2	2.9	223.1%
Central Management	3.2	2.5	3.2	0.7	28.0%	3.8	1.3	52.0%
Debt Service Payments	189.5	219.3	194.4	(24.9)	-11.4%	149.1	(70.2)	-32.0%
Energy Resources	12.0	5.7	10.8	5.1	89.5%	10.6	4.9	86.0%
Facilities Management	35.1	35.7	38.1	2.4	6.7%	37.7	2.0	5.6%
General	66.2	60.5	56.4	(4.1)	-6.8%	52.5	(8.0)	-13.2%
Human Resources	10.7	10.6	10.1	(0.5)	-4.7%	10.4	(0.2)	-1.9%
Information Technology	33.2	33.8	42.4	8.6	25.4%	38.3	4.5	13.3%
Legal Services	2.3	2.0	2.1	0.1	5.0%	2.2	0.2	10.0%
Library and Information Services	2.4	2.0	2.1	0.1	5.0%	2.1	0.1	5.0%
Personnel Appeal Board	0.1	0.1	0.1	-	0.0%	0.1	-	0.0%
Personnel Reform	-	-	-	-	0.0%	(25.3)	(25.3)	0.0%
Planning	23.5	20.9	28.0	7.1	34.0%	5.6	(15.3)	-73.2%
Purchasing	3.2	3.0	2.9	(0.1)	-3.3%	3.1	0.1	3.3%
Rhode Island Health Benefits Exchange	52.4	23.4	52.5	29.1	0.0%	30.9	7.5	0.0%
Salary and Benefit Adjustments	5.5	(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	\$452.5	\$425.7	\$457.7	\$32.0	7.5%	\$339.0	(\$86.7)	-20.4%
Expenditures by Source								
General Revenue	\$263.3	\$268.8	\$250.4	(\$18.4)	-6.8%	\$173.9	(\$94.9)	-35.3%
Federal Funds	91.7	51.5	89.3	37.8	73.4%	43.3	(8.2)	-15.9%
Restricted Receipts	18.4	36.4	31.9	(4.5)	-12.4%	29.8	(6.6)	-18.1%
Other Funds	79.1	69.0	86.1	17.1	24.8%	92.0	23.0	33.3%
Total	\$452.5	\$425.7	\$457.7	\$32.0	7.5%	\$339.0	(\$86.7)	-20.4%
Authorized FTE Levels	720.7	710.7	710.7	-	-	710.7	-	-

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

The Department of Administration's primary function is to provide support services to state departments and agencies. The Department of Administration was created to consolidate finance, purchasing and management functions of the State and is comprised of 21 sub-programs with specific functions.

MAJOR ISSUES AND TRENDS FOR FY2016

The Governor 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 13.6 FTE positions along with \$23.4 million in all funds (\$8.6 million in general revenue) to support the transferred personnel and functions for Housing and Community Development, the Rhode Island Film and Television Office, and the pass-through line items associated with the Rhode Island Commerce Corporation.

The Governor consolidates capital oversight, currently administered in several agencies, by shifting the personnel funding for 11.0 FTE positions into the Department's Capital Projects and Property Management program. The Governor 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 Governor recommends 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 Governor	\$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 Governor recommends 12.0 FTE positions in FY2015 and FY2016, consistent with the enacted level.

Auditing	General Revenue
FY2015 Enacted	\$1,391,990
<i>Target and Other Adjustments</i>	<i>44,635</i>
FY2016 Governor	\$1,436,625

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 Governor recommends 31.0 positions in FY2015 and 30.0 FTE positions in FY2016, reflecting the transfer of a 1.0 Programming Services Officer (Ombudsman) from the Office of Regulatory Reform to the Department of Business Regulation.

Office of Management and Budget	General Revenue
FY2015 Enacted	\$4,018,136
<i>Target and Other Adjustments</i>	<i>113,060</i>
Electronic Local Permitting Initiative	(302,000)
Turnover Restoration	136,000
Contracted Services	73,000
Position Transfer	Informational
FY2016 Governor	\$4,038,196

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

The Governor 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 Governor recommends the project 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.

ORR and the Office of Digital Excellence are near the end of contract negotiations with the vendor. There are a few points that need to be resolved with the vendor in order for the project to continue.

Analyst's Note: The Office of Regulatory Reform recently terminated the contract with the selected vendor and is in negotiations with a second vendor to commence the program.

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 Governor includes a net increase of \$73,000 in general revenues for contracted professional services in the Office of Management and Budget (OMB). This reflects 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.

Position Transfer

Informational

The Governor recommends 31.0 positions in FY2015 and 30.0 FTE positions in FY2016, reflecting the transfer of a 1.0 Programming Services Officer (Small Business Ombudsman) from the Office of Regulatory Reform to the Department of Business Regulation.

According to the Department, the Small Business Ombudsman has a dual role in regulatory review and advocating. The Department contemplated transferring the position to the Executive Office of Commerce to give the Ombudsman more tools and support to concentrate on the advocacy role (data on types of small business, direct contact with a wide variety of small business, similar mission of business support, etc.). In addition, the Department thought that small business issues span much more than regulatory problems and that the Executive Office of Commerce would support that larger role.

The Department decided to transfer the position to the Department of Business Regulation instead of Executive Office of Commerce because it made sense to put the position in a regulation type agency, however, the Department does not have a strong opinion if the position is transferred to the Executive Office of Commerce.

Analyst's Note: RIGL 42-35.1-5 regarding the small business enforcement ombudsman, requires the Director of the Office of Regulatory Reform designate an existing staff member as a "small business regulatory enforcement ombudsman," who shall report directly to the director. In light of this general law, transferring the Small Business Ombudsman out from the Office of Regulatory Reform may require a statutory change.

CONSTRUCTION PERMITTING, APPROVALS, AND LICENSING

The Division of Construction Permitting, Approvals, and Licensing, consists of the following subprograms: State Building Code Commission, Contractor's Registration Board, and the Fire Code Board of Appeal. The Governor recommends 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 Governor recommends the new position 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	\$1,410,126
<i>Target and Other Adjustments</i>	<i>\$21,073</i>
FY2016 Governor	\$1,431,199

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 Governor recommends 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	2,225,331
FY2016 Governor	\$3,559,865

Capital Consolidation New Positions and Cost Allocation **\$2.2 million**

The Governor consolidates the statewide capital oversight, currently administered in several agencies, into the Department's Capital Projects and Property Management program. This action 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 30.0 FTE positions.

To accomplish the "consolidation," the Governor shifts the oversight of 11.0 FTE positions and \$1.0 million in general revenue from four state agencies (Environmental Management, BHDDH, Transportation, and Corrections) to the Capital Projects and Property Management program.

In addition, the Governor adds 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	-
Environmental Management	4.0	592,049
Transportation	3.0	-
BHDDH	2.0	170,614
Corrections	2.0	242,051
Total	30.0	\$2,225,331

Lastly, the Governor 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

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.

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 Governor recommends 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 Governor	\$3,790,943

Employee Classification Study ***\$500,000***

The Governor 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 Company. The total cost of the study is \$1.0 million. The Governor 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, 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.

A Request for Proposals to begin the study was issued in October 2013 and a bid opening was held on December 13, 2013.

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 Governor 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 in issuing communication for the Department. The increase reflects \$57,041 for salary and \$40,145 for benefits.

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

The Governor consolidates the statewide capital oversight into the Department's Capital Projects and Property Management program. As part of the consolidation, the Governor recommends filling 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 recommendation includes \$45,582 in general revenue for the cost allocation 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 the cost allocation operating costs incurred by the Central Business Office for the 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>	<i>(60,207)</i>
G. O. Debt Restructuring	(64,458,000)
Other Debt Service Changes	(6,572,782)
Certificates of Participation (COPs)	993,134
FY2015 Governor	\$97,957,176

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

The Governor 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 Governor proposes to use \$64.5 million 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 \$63.8 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 Governor 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, having \$1.3 million less for Airport debt service.

Certificates of Participation (COPs)

\$993,134

The Governor recommends an appropriation of \$30.4 million in general revenue to cover the debt service on nine projects financed through Certificates of Participation (COPs). This reflects an increase of \$993,134 from the FY2015 Budget as Enacted.

COPs Funded Projects	FY2015 Enacted	FY2016 Governor	Change
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)
DCYF Training School	3,095,250	3,091,850	(3,400)
Energy Conservation	7,051,148	6,823,563	(227,585)
Kent County Courthouse	2,876,050	2,877,750	1,700
School for the Deaf	2,480,250	2,303,670	(176,580)
Technology	7,045,994	8,585,525	1,539,531
Traffic Tribunal - Debt Service	1,320,650	1,319,600	(1,050)
COPs - Total	\$29,411,105	\$30,404,419	\$993,314

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 Governor recommends 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 Governor 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 Governor 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 Governor recommends 116.5 positions in FY2015 and FY2016.

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

Capital Center Utilities**\$706,911**

The Governor appropriates \$13.8 million to pay the Capital Center utility expenses, reflecting an increase of \$706,911 from the FY2015 Budget as Enacted. The Governor's recommendation is based on forecasted commodity and utility expenditures.

Capital Center Utility Expenses	FY2015 Enacted	FY2016 Governor	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 Governor recommends an 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 Governor	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 Governor recommends 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 Executive Office of Commerce.

General	General Revenue
FY2015 Enacted	\$23,176,469
<i>Target and Other Adjustments</i>	-
RI Commerce Corporation	(4,044,514)
EPScore	(1,150,000)
Airport Impact Aid	(1,025,000)
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 Governor	\$14,303,804

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

The Governor transfers \$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.

EPScore**(\$1.2 million)**

The Governor transfers \$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 Governor transfers \$1.0 million for the Airport Impact Aide 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.

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

This item reflects the removal of \$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, will be 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 occurs in May 2015 and funding is not required in FY2016.

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

The Governor transfers \$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 act 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 Governor transfers \$500,000 in general revenue from the General program in the Department of Administration to the Executive Office of Commerce. The program is 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 a n 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 Governor transfers the Rhode Island Film and Television Office and 2.6 FTE positions from the General program in the Department of Administration to the Executive Office of Commerce. The Office promotes Rhode Island for film and television projects. This act results in a reduction of \$310,312 in general revenue in the Department of Administration.

I-195 Redevelopment District Commission**(\$301,000)**

The Governor transfers the funding and administration of 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 Governor recommends \$761,000 in general revenue in FY2016 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 Governor does not recommend funding for the Health Information Exchange (HIE), CurrentCare. This reflects a reduction of \$225,000 from the FY2015 Budget as Enacted and was made as a means for the Department to meet the budget target instructions.

CurrentCare is funded through a broad based financing strategy that voluntary 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 Governor recommends that the State stop contributing the \$1.00 per person per month.

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.

Slater Centers of Excellence**(\$150,000)**

The Governor does not recommend funding for the Slater Centers of Excellence and instead recommends that the \$150,000 appropriation be given to the Chafee Center at Bryant University. In addition, the Governor transfers the funding and administration of the Chafee Center grant from the General program in the Department of Administration to the Executive Office of Commerce. This action 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.

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 Governor intends to reduce the state appropriation 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 Governor recommends 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 Governor	\$7,679,763

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

The Governor recommends shifting the funding source 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 Governor recommends 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 Governor	\$20,201,589

Information Technology	Other Fund Changes
Information Technology Investment Fund	\$4,387,213

Operating **\$83,626**

The Governor 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 Enacted	FY2016 Governor	Change
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)**\$4.4 million**

The Governor recommends \$7.5 million in restricted receipts for the Information Technology Investment Fund, reflecting an increase of \$4.4 million in restricted receipts 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. 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.

The Governor proposes to amend the amount deposited into the ITIF from the issuance of bonds by the Tobacco Settlement Financing Corporation. Article 12 of the FY2016 Budget contains language that will reduce the estimated deposit from \$10.0 million to \$7.3 million in FY2015, and reallocate \$19.0 million of the Tobacco Settlement Financing Corporation deposit from the ITIF to the State general fund.

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 and the Governor projects additional resources of \$17.9 million into the fund during FY2015. The following table illustrates projected funding and expenditures from the Information Technology Investment Fund.

Information Technology Fund	Beginning Balance	New Revenue *	Expenses*	Ending Balance
FY2015	\$5.0	\$17.9	\$12.6	\$10.3
FY2016	10.3	1.5	7.5	4.3
FY2017	4.3	1.5	1.5	4.3
FY2018	4.3	1.5	1.5	4.3
FY2019	4.3	1.5	1.5	4.3
FY2020	4.3	1.5	1.5	4.3

\$ in millions

* \$6.4 million in revenues and expenditures are derived from and dedicated to the UHIP Project.

LEGAL SERVICES

Legal Services is responsible for establishing, managing and maintaining legal resources to support all departments and agencies within the executive branch. Legal Services manages and assists attorneys within the departments and agencies that provide legal services in programmatic areas. The Governor recommends 16.6 FTE positions in FY2015 and FY2016, consistent with the enacted level.

Legal Services	General Revenue
FY2015 Enacted	\$2,039,872
<i>Target and Other Adjustments</i>	<i>126,824</i>
FY2016 Governor	\$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 Governor recommends 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>	<i>32,531</i>
FY2016 Governor	\$913,995

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>	<i>\$44,658</i>
FY2016 Governor	\$119,874

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 Governor recommends 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 Governor	\$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 Governor 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 Governor transfers \$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 Governor transfers \$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 Governor recommends 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 Governor	\$2,764,921

RHODE ISLAND HEALTH BENEFITS EXCHANGE

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

Rhode Island's health benefits exchange, HealthSource RI (HSRI), became operational in October 2013 and is an online marketplace for individuals, families, and small businesses to compare and purchase in health insurance coverage and gain access to tax credits, reduced cost sharing and public programs such as Medicaid.

For FY2016, the Governor includes 10.0 FTE positions, reflecting a new FTE position in support of the State Innovation Model (SIM) grant to the Executive Office of Health and Human Services. An additional 6.0 FTE positions are authorized through the Governor's office (but budgeted as an interdepartmental transfer to HSRI).

These federal funds are provided for the establishment of an ACA-compliant health benefits exchange. To date, the design, development, and implementation of HSRI has been funded with a total of \$169.8 million in federal grants. The Governor's revised FY2015 budget includes a newly awarded grant. Use of federal funds for operations is precluded after CY2014.

	FY2013	FY2014	FY2015	FY2015	FY2016
HealthSource RI	Actual	Actual	Enacted	Gov	Gov
Federal Funds	\$21.8	\$47.3	\$23.4	\$52.5	\$24.7
Restricted Receipts					6.2
Total	\$21.8	\$47.3	\$23.4	\$52.5	\$30.9

in millions

Analyst's Note: Federal funds cannot be used to fund HSRI operations after CY2014. As noted above, however, the Governor's FY2015 Budget is comprised exclusively of federal funds.

Rhode Island Health Benefits Exchange (federal funds)

\$24.7 million

The Governor includes \$24.7 million in federal funds for Rhode Island Health Benefits Exchange for FY2016. This funds contracts with vendors such as Deloitte, which is responsible for the ongoing development of IT systems for the marketplace as well for its financial management; CSG, which is responsible for ensuring that the systems meets design specifications; and Connexions, which is contracted to run its customer service call center.

Rhode Island Health Benefits Exchange (restricted receipts)

\$6.2 million

The Governor's budget proposes a new assessment on certain health insurance premiums that will be used to fund the operational costs of HealthSource RI (HSRI), the state-based health benefits marketplace for individual and small group health insurance and the avenue through which Rhode Islanders access federal health insurance subsidies.

The budget includes \$6.2 million in restricted receipts from the new assessment for HSRI's operational costs in FY2016, supplementing \$24.7 million in federal funds that will be expended for design, development, and implementation costs before their December 31, 2015, expiration. The restricted receipts included in the Governor's FY2016 proposal represent the first non-federal funds ever budgeted for HSRI.

The new assessment is created by Article 28, which authorizes the Secretary of the Executive Office of Health and Human Services to establish a "health reform assessment" to be assessed as a percent of the price or premium for all small employer and individual health insurance policies beginning January 1, 2016, and used solely to fund HSRI. The article allows for advance use of assessment funds to cover costs incurred prior to that date.

HSRI anticipates that the CY2016 assessment will be 4.7 percent on individual premiums, 1.0 percent on small group premiums, and will generate \$11.8 million, \$6.2 million of which is budgeted in FY2016. The assessment is expected to be lower in future years due to higher enrollment and increased premiums.

Please see the analysis of Article 28 for further detail regarding the assessment.

OFFICE OF DIVERSITY, EQUITY, AND OPPORTUNITY

The Governor 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 Governor recommends 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. According to the Department 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.

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 Governor	\$1,098,841

New Positions**\$177,126**

The Governor 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.

CAPITAL PROJECTS

The Governor recommends a total of \$58.9 million in capital projects for FY2016, of which \$33.4 million is from RICAP funds, \$18.0 million from general obligation bond proceeds, \$7.5 million from the Information Technology Fund, and \$50,000 from restricted receipts. Significant projects include:

- \$17.8 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, and \$1.7 million to renovate Harrington Hall.
- \$12.5 million in general obligation bonds to continue the affordable housing initiative begun in 2006. Proceeds from the bonds will be used to provide rental and homeownership assistance through the redevelopment of existing structures, new construction, and foreclosure assistance.
- \$5.5 million in general obligation bonds to continue various water management and supply projects administered by the Water Resources Board.
- \$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.
- \$1.0 million in RICAP funds to fund Americans' with Disabilities Act compliance and accessibility renovations to state buildings.

Department of Business Regulation

Expenditures by Program	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted		FY2016 Governor	Change from Enacted	
Central Management	\$1.2	\$1.2	\$1.2	(\$0.0)	-3.7%	\$1.4	\$0.2	16.2%
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	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%	\$14.7	\$1.8	13.5%
Expenditures by Source								
General Revenue	\$8.5	\$9.0	\$8.8	(\$0.2)	-2.3%	\$9.3	\$0.3	3.7%
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%	\$14.7	\$1.8	13.5%
Authorized FTE Levels	94.0	94.0	98.0	4.0	4.3%	99.0	5.0	5.3%

\$ 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 \$9.3 million, the general revenue budget is level funded as compared to the FY2015 Budget as Enacted. A 13.5 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 Governor recommends increasing the department-wide FTE authorization by 5.0 to 99.0 positions for DBR in FY2016. This reflects the addition of 4.0 FTE positions to administer federal grant programs under the Rate Review Grants and the transfer of 1.0 FTE Ombudsman position from the Office of Management and Budget in the Department of Administration. 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 transferred the agency to the Commerce Corporation; however, under the Governor's proposal, DBR remains a stand-alone agency and reports to the Commerce Secretary.

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, an increase of 1.0 FTE position from the FY2015 enacted level.

Central Management	General Revenue
FY2015 Enacted	\$1,234,949
<i>Target and Other Adjustments</i>	<i>2,823</i>
Small Business Ombudsman	108,517
E-Licensing Software Maintenance	89,000
FY2016 Governor	\$1,435,289

Small Business Ombudsman **\$108,517**

The Governor includes \$108,517 for salary and benefits relating to the transfer of 1.0 Ombudsman position from the Office of Management and Budget in the Department of Administration. 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. The Governor shifts this position in an effort to move the position under the purview of the Executive Office of Commerce.

Analyst's Note: RIGL 42-35.1-5 regarding the small business enforcement ombudsman, requires the Director of the Office of Regulatory Reform designate an existing staff member as a "small business regulatory enforcement ombudsman," who shall report directly to the director. In light of this general law, transferring the Small Business Ombudsman out from the Office of Regulatory Reform may require a statutory change.

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

The Governor includes \$89,000 for e-licensing software maintenance contracts. 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.

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 Governor	\$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>	31,297
Turnover	(78,251)
FY2016 Governor	\$962,697

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

The Governor includes turnover savings of \$78,251 in general revenue by maintaining vacancies for two positions that are currently vacant, a 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 the insurance statutes and regulations. The division also issues licenses for insurance companies, producers, adjusters and appraisers, and reviews rate and form filings of the life, accident and health, and property and casualty lines of business for compliance with state statutes and regulations. The division monitors and introduces legislation in order to maintain accreditation by the National Association of Insurance Commissioners.

The Budget includes 37.0 FTE positions in FY2014 and FY2015 for the program, consistent with the FY2014 Budget as Enacted level.

Insurance Regulation	General Revenue
FY2015 Enacted	\$3,883,238

<i>Target and Other Adjustments</i>	193,517
Turnover	(191,003)
FY2016 Governor	\$3,885,752

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

The Governor includes turnover savings of \$191,003 in general revenue by maintaining vacancies of 5.0 FTE positions that are currently vacant: 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 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
<i>Target and Other Adjustments</i>	-
FY2016 Governor	\$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>	29,942
Shift Personnel Costs to Restricted Receipts	(55,069)
FY2016 Governor	\$561,821

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

The Budget includes general revenue savings of \$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.

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>	12,374
FY2016 Governor	\$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 Budget as Enacted.

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

Office of Health Insurance Commissioner	Other Fund Changes
Rate Review Cycle III Grant	\$573,074

Turnover (\$13,395)

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

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

The Governor 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 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 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted		FY2016 Governor	Change from Enacted	
Central Management	\$1.7	\$2.4	\$1.5	-\$0.9	-37.5%	\$2.0	(\$0.4)	-16.7%
Income Support	529.9	462.3	429.1	(33.2)	-7.2%	400.8	(61.5)	-13.3%
Injured Workers Services	8.9	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	43.2	34.8	45.2	10.4	29.9%	30.6	(4.2)	-12.1%
Workforce Regulation and Safety	3.0	2.7	2.8	0.1	3.7%	2.9	0.2	7.4%
Total	\$587.1	\$511.6	\$487.6	(\$24.0)	-4.7%	\$445.2	(\$66.4)	-13.0%
Expenditures by Source								
General Revenue	\$8.5	\$8.7	\$9.0	\$0.3	3.4%	\$8.4	(\$0.3)	-3.4%
Federal Funds	99.1	42.2	51.5	9.3	22.0%	38.2	(4.0)	-9.5%
Restricted Receipts	55.2	41.5	51.4	9.9	23.9%	23.1	(18.4)	-44.3%
Other Funds	424.3	419.2	375.7	(43.5)	-10.4%	375.5	(43.7)	-10.4%
Total	\$587.1	\$511.6	\$487.6	(\$24.0)	-4.7%	\$445.2	(\$66.4)	-13.0%
Authorized FTE Levels	410.0	410.0	410.0	-	-	410.0	-	-

\$ 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 \$20.3 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 includes \$1.6 million in restricted receipts to support the ongoing Unemployment Insurance Modernization Project. The State is collaborating with Maine and Mississippi in the development of a new Unemployment Insurance computer system. The Department anticipates the new computer system will be operational in 3 to 5 years. The Governor's filed a budget amendment on March 24, 2015, revising RIGL 28-42-84 to give the General Assembly the option to appropriate any remaining restricted receipt funds that are not required to pay any principal or interest payments on the federal loans, to support the costs associated with the Department's Unemployment Insurance Modernization project, a new Unemployment Insurance computer system.

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 Governor recommends dedicating \$1.3 million in restricted receipts from the Jobs Development Fund Funding for the program.

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 April 8, 2015, the Department had 294 pending internet filed claims, 122 emails requiring a response to individuals requesting assistance or information, and an average telephone wait time of 20 minutes.

The Governor recommends 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 Governor recommends 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 Governor	\$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 Governor recommends 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 Governor	\$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	(\$20,260,001)
UI Trust Fund Principal and Interest Payment	(\$5,000,000)
Unemployment Insurance Modernization Project	\$1,635,000
Employment Security Trust Funds - Assistance and Grants	(1,500,778)
Unemployment Insurance Benefit Statistics	Informational
Unemployment Insurance Payment Backlog	Informational

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

The Governor recommends a decrease of \$104,159 in general revenue 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	Governor	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 Governor recommends a \$38.6 million decrease in net expenditures from the Employment Security Trust Fund as compared to the FY2015 Budget as Enacted. The Governor's recommendation 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 increase 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) (\$20.3 million)

This item 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 Governor recommends a decrease of \$5.0 million in other funds 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 outstanding principal balance of the FUA borrowing is \$0 as of February 2015, down \$113.7 million from January 2014, and down \$199.8 million from January 2013. As illustrated in the following table, the top 5 states with the most outstanding loans have outstanding principal balances of \$13.0 billion, or 93.0 percent, of the outstanding funds borrowed from FUA.

Reported February 25, 2015				Reported January 7, 2014			Reported January 3, 2013	
	FUA UI Trust	% of Total	Unemployment		FUA UI Trust	Unemployment	FUA UI Trust	Unemployment
State	Fund Loans	Borrowed	Rate	State	Fund Loans	Rate	Fund Loans	Rate
California	\$8,762.1	62.5%	6.7%	California	\$9,837.7	8.5%	\$10,349.7	9.8%
New York	1,581.7	11.3%	5.8%	New York	3,132.8	7.4%	3,514.3	8.2%
Ohio	1,378.6	9.8%	5.1%	North Carolina	1,843.6	7.4%	2,562.5	9.4%
Indiana	862.2	6.2%	5.9%	Ohio	1,552.3	7.4%	1,739.3	6.7%
Connecticut	431.9	3.1%	6.4%	Indiana	1,397.3	7.3%	1,768.5	8.3%
Kentucky	361.8	2.6%	5.2%	Kentucky	647.1	8.2%	837.7	8.0%
North Carolina	302.1	2.2%	5.3%	Connecticut	573.7	7.6%	631.5	8.2%
South Carolina	195.5	1.4%	6.6%	South Carolina	456.5	7.1%	675.6	8.6%
Virgin Islands	76.9	0.5%	not listed	Wisconsin	420.0	6.3%	864.2	6.7%
Arizona	58.1	0.4%	6.5%	Missouri	321.6	6.1%	569.2	6.6%
Rhode Island	-	-	6.3%	New Jersey	195.4	7.8%	962.3	9.5%
Total	\$14,010.9	100.0%		Georgia	145.3	7.7%	540.5	8.7%
\$ in millions.				Arkansas	117.4	7.5%	234.4	7.1%
Source: US Bureau of Labor Statistics				Rhode Island	113.7	9.0%	199.8	9.9%
Unemployment rates as of February 2015				Virgin Islands	82.3	not listed	54.7	not listed
				Delaware	71.4	6.5%	76.4	7.1%
				Total	\$20,908.1		\$25,580.6	
				\$ in millions.				
				Source: US Bureau of Labor Statistics, Loans as of January 7, 2014				
				Unemployment rates as of November 2013				

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.

Unemployment Insurance Modernization Project (restricted receipts)

\$1.6 million

The Governor includes \$1.6 million in restricted receipts to support the ongoing Unemployment Insurance Modernization Project. The State is collaborating with Maine and Mississippi in the development of a new Unemployment Insurance computer system. The Department anticipates the new computer system will be operational in 3 to 5 years. To pay for the new system, the Governor intends on using approximately \$8.7 million remaining in the Job Development Fund 0.3 Percent Surcharge restricted receipt account.

However, RIGL 28-42-84 requires any funds remaining in the restricted receipt account that were raised solely through the 0.30 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's budget does not include language amending the requirements of RIGL 28-42-84, therefore, by law the balance must be deposited into the State's Employment Trust Fund.

Analyst's Note: The Governor's Budget Amendment filed on March 24, 2015, would revise RIGL 28-42-84 to give the General Assembly the option to appropriate any remaining restricted receipt funds that are not required to pay any principal or interest payments on the federal loans, to support the costs associated with the Department's Unemployment Insurance Modernization project, a new Unemployment Insurance computer system.

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

The Governor recommends a \$1.5 million reduction in expenditures from the Employment Security Trust Fund 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.

Unemployment Insurance Benefit Statistics**Informational**

Rhode Island currently ranks nationally among the top 20 highest UI benefits paid and has the third highest average UI benefits paid in New England.

12 Months Ending 3rd Quarter 2014

Average UI Benefits Paid

State	Amount	New England	National
Massachusetts	7,553	1	1
Connecticut	5,376	2	14
Rhode Island	\$5,339	3	15
Vermont	4,182	4	31
Maine	4,022	5	34
New Hampshire	3,925	6	37

Source: US Dept. of Labor

12 Months Ending 3rd Quarter 2014

Average Weekly UI Benefits Paid

State	Amount	New England	National
Massachusetts	433.94	1	2
Connecticut	344.92	2	14
Rhode Island	\$342.39	3	16
Vermont	317.94	4	23
Maine	289.24	5	30
New Hampshire	288.33	6	32

Source: US Dept. of Labor

As of January 1, 2015

Maximum Weekly UI Benefit

State	Amount	New England	National
Massachusetts	698	1	1
Connecticut	594	2	4
Rhode Island	\$566	3	7
Vermont	436	4	19
New Hampshire	427	5	21
Maine	386	6	33

Source: US Dept. of Labor

As of January 1, 2015

Maximum Weekly UI Benefit with Dependents Allowance

State	Rate	New England	National
Massachusetts	1,047	1	1
Rhode Island	\$707	2	2
Connecticut	669	3	3
Maine	579	4	10
Vermont*	436	5	26
New Hampshire*	427	6	28

* No dependent's benefit provision

Source: US Dept. of Labor

Unemployment Insurance Payment Backlog**Informational**

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

In order to rectify the escalating problem within the Department, the General Assembly enacted legislation that allowed the Department to hire on an interim basis retired Unemployment Insurance employees, for the purpose of alleviating claim loads associated with sustained high unemployment rates. This action significantly reduced the case back logs. The employment term for the rehired retired UI employees ended on April 8, 2009.

The law requires the Department to file a weekly status report with the General Assembly. The following table illustrates the current claims reported by the Department on April 8, 2015, in comparison to the amounts reported approximately the same period over the last three years by the Department as well illustrating the historical peak and low periods:

Issue	Reported as of	8-Apr-15	19-Feb-14	20-Feb-13	1-Mar-12	Peak		Low	
	Status	Status	Status	Status	Status	Status	Date	Status	Date
Pending Internet claims	294	2,607	3,788	587	10,945	February 4, 2009	10	October 20, 2010	
Average call wait time (in minutes)	20	35	42	31	78	March 18, 2009	13	October 27, 2010	
Pending email responses	122	6,588	3,528	115	5,170	January 23, 2013	5	September 22, 2010	
Individuals receiving UI benefits	10,666	14,255	21,432	32,269	39,168	March 17, 2010	16,925	October 31, 2012	
Individuals eligible and waiting to receive	436	1,071	1,111	1,305	2,536	March 18, 2009	108	July 8, 2009	

Source: Department of Labor and Training

The following table highlights the last three weeks of the Department's weekly compilation of the UI processing reports and compares them to the period last year and when the claims backlog "peaked".

	Peak 1/28/2009	2014 4/3 - 4/9	2015 3/19 - 3/25	2015 3/26 - 4/1	2015 4/2 - 4/8
Individual Receiving Benefits					
Unemployment Insurance	16,852	12,069	12,199	11,643	10,666
Emergency Unemployment Compensation 1	4,581	4	-	1	-
Emergency Unemployment Compensation 2	4,225	-	-	-	-
Emergency Unemployment Compensation 3	-	3	-	-	-
Emergency Unemployment Compensation 4	-	1	-	-	-
Extended Benefits	1	-	-	-	-
Total	25,659	12,077	12,199	11,644	10,666
Total Claims Paid (\$ in millions)		\$4.4	\$4.5	\$4.2	\$3.9
Eligible in waiting Period	839	570	539	460	436
Pending Internet Claims	10,874	158	102	259	294
Internet Claims Received	-	846	728	899	692
Internet Claims Processed	-	926	690	742	657
UI HELP Emails to Return	1,694	88	33	142	122
UI HELP Emails Received	-	402	332	352	321
UI HELP Emails Processed	-	369	351	243	341
Average Call Wait (minutes)	N/A	25	19	24	20

Source: Department of Labor and Training

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 Governor recommends 39.1 FTE positions in FY2015 and FY2016, consistent with the enacted level.

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

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

The Governor recommends a decrease of \$669,849 in restricted receipts for Second Injury Fund assistance awards. This action 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 Governor recommends an increase of \$482,181 in restricted receipts 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 Governor recommends a decrease of \$88,862 in restricted receipts 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 Governor recommends 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
<i>Target and Other Adjustments</i>	<i>1,003</i>
FY2016 Governor	\$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 Governor recommends 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

Target and Other Adjustments

Workforce Development Initiative Personnel and Grants	(344,252)
FY2016 Governor	\$804,517

Workforce Development Services	Other Fund Changes
Workforce Assistance Grants	(4,199,580)
Governor's Workforce Board	223,238
Workforce Innovation Fund	(75,000)

Workforce Development Initiative Personnel and Grants **(\$344,252)**

The Governor includes \$804,517 in general revenue for funding the Statewide Work Immersion program, the Non-trade Apprenticeship program, and the Back to Work Rhode Island Program. This is a decrease of \$344,252 from the FY2015 Budget as Enacted and reflects a \$145,093 reduction for personnel costs associated with the statutorily set end date of December 31, 2014, for the Back to Work Rhode Island Program, and a decrease of \$199,159 in grants. 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.

The Workforce Development Initiative was established in the FY2014 Budget as Enacted to establish a Statewide Work Immersion program and a Non-trade Apprenticeship program, to be administered by the Human Resource Investment Council in partnership with the Governor's Workforce Board. The appropriation did not include funding for staff. As of January 2015, 228 individuals and 91 companies were participating in this program.

Statewide Work Immersion Program	Number of Participants	Number of Permanently Hired	Average Hourly Wage	Number of Companies	Contract Totals
College Students	108	1	\$11.81	41	\$200,052
Unemployed	120	15	11.35	50	254,046
Total	228	16		91	\$454,098

Source: Department of Labor and Training

Two awards were made in February 2014 to develop Non-Trade Apprenticeship programs. The awards are \$65,323 to the Rhode Island Manufacturers Extension Services to train Computer Numerically Controlled (CNC) machinists and \$71,475 to the Gilbane Project Manager and Cost Estimator apprenticeships involving construction managers and cost estimators. Both programs were approved by the State Apprenticeship Council.

The FY2014 Budget established the Back to Work Rhode Island Program designed to match unemployed individuals and employers in a job training program, enhance child care to families participating in job training programs, and required the Department of Labor and Training to implement an enhanced job match system to increase opportunities for employers to match job needs to the unemployed. The program ended December 31, 2014. At that time, 78 individuals and 11 employers were interested or participating in the Back to Work Rhode Island Program.

Back to Work RI

Participants Status	
78	Total participants
57	Directly hired by employer as a result of BTW
20	Participated in BTW training experience
9	Hired by employer after participating in BTW training experience
13	Referred and participated in other WIA programs
7	Referred and participated in On-Ramps Readiness Training
7	Participated in BTW and hired by employer other than the training site
223	Employers contacted
42	Employers Interested
11	Employers are participating in the program
57	Employers that hired individuals as a result of BTW services

Source: Department of Labor and Training

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

The Governor 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. According to the Department, 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. According to the Department, 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 Governor includes \$140,607 in federal funds, reflecting a decrease of \$521,929 from the Budget as Enacted. According to the Department, 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 Governor 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.

WORKFORCE REGULATION AND SAFETY

The Workforce Regulation and Safety Program enforces laws relating to professional regulation, labor standards, occupational health and safety, and certification of weights and measures. The Governor recommends 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 Governor	\$2,925,633

CAPITAL PROJECTS

The Governor recommends a total of \$7.9 million in capital projects between FY2015 and FY2020, \$6.4 million of which is funded with RICAP funds. The projects include:

- \$2.1 million (\$1.3 million in RICAP funds) in FY2015 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 to address deficiencies throughout the buildings housing both the Department of Labor and Training and the Department of Business Regulation. The Governor recommends 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 Governor	Change from Enacted		FY2016 Governor	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%	21.5	(3.4)	-13.6%
State Aid	61.6	67.0	67.2	0.2	0.3%	63.2	(3.9)	-5.8%
Taxation	20.3	22.1	22.0	(0.1)	-0.6%	22.8	0.7	3.3%
Total	\$422.3	\$460.2	\$446.1	(\$14.1)	-3.1%	\$415.2	(\$45.0)	-9.8%

Expenditures by Source								
General Revenue	\$99.8	\$107.8	\$107.3	(\$0.5)	-0.5%	\$105.2	(\$2.6)	-2.4%
Federal Funds	1.7	5.1	4.7	(0.4)	-8.2%	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	319.2	343.3	331.8	(11.5)	-36.4%	304.8	(38.5)	-11.2%
Total	\$422.3	\$460.2	\$446.1	(\$14.1)	-3.1%	\$415.2	(\$45.0)	-9.8%

Authorized FTE Levels 492.0 505.0 505.0 - - 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 decreases general revenue expenditures by \$2.6 million to \$105.2 million, primarily due to a \$5.0 million decrease in the State Aid program. Tobacco Settlement Financing Bond Proceeds represented a one-time boost to the Payment in Lieu of Taxes (PILOT) program in FY2015. A decrease of \$38.5 million in other funds is based on the November 2014 Revenue Estimating Conference estimates of video lottery transfers to the general fund and reflect the Plainridge, Massachusetts, casino opening in June 2015.

An increase of \$268,001 in general revenue funds 3.0 new FTE positions to support the Division'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, are recommended to implement the new Self-Audit and Contingency Fee Contract Services programs, which are projected to increase revenues by \$2.3 million.

Article 26 delays license plate reissuance from September 2015 until September 2016 to permit Division of Motor Vehicles (DMV) staff to continue to implement the Rhode Island Motor Vehicle System (RIMS) information technology (IT) database. The Governor includes \$248,406 to fund 12.0 additional part-time Customer Service Representative I positions to help cover the busiest times at the DMV. These additional part-time positions will help reduce wait times and enable flexible scheduling while experienced staff members consult on the development of the RIMS systems.

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 Budget as Enacted.

Director of Revenue	General Revenue
FY2015 Enacted	\$1,122,100
<i>Target and Other Adjustments</i>	<i>22,138</i>
FY2016 Governor	\$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>
Lottery - Commissions and Prize Payments	(56,179,481)
Casino - Commissions and Prize Payments	15,200,000
Marketing Expenses	1,830,300
FY2016 Governor	\$303,850,780

Lottery – Commissions and Prize Payments (other funds) (\$56.2 million)

The decrease in Lottery Commissions and Prize Expense of \$56.2 million is based on the November 2014 Revenue Estimating Conference (REC) estimates of video lottery terminal (VLT) transfers to the general fund. The Division's operating expenses are deducted from this share. The REC conferees estimated the State's share of video lottery revenue transfers to the general fund to be \$266.1 million, which is a \$48.8 million decrease from FY2015 estimates of \$314.9 million. Impact from Massachusetts gaming facilities are incorporated into the estimates beginning in FY2016 as the slot parlor in Plainville is projected to begin operations by July 2015. Commissions and prize payments decline due to the estimated reductions, primarily from VLT play.

Casino – Commissions and Prize Payments (other funds) \$15.2 million

Casino Commissions and Prize payments derived from net table game revenue (NTGR) total \$15.2 million based on the results from the November 2014 REC. 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.

Analyst Note: The State share of table game commissions decreased by \$2.1 million due to a statutory change which removed the additional 2.0 percent (above the fixed 16.0 percent) of net table game revenue (NTGR) payable to the State. As of July 1, 2014, Twin River receives 83.0 percent of NTGR for FY2015 through FY2018, returning to 84.0 percent in FY2019. A decline in overall Video Lottery Terminal (VLT) revenue over one full state fiscal year triggered the provision in State law (RIGL 42-61.2-7) that permanently cuts the state share by 2.0 percent. The

additional 2.0 percent will be divided equally between the Town of Lincoln and Twin River for four years; subsequently, Twin River will receive the full 2.0 percent share beginning in FY2019.

Marketing Expenses (other funds)

\$1.8 million

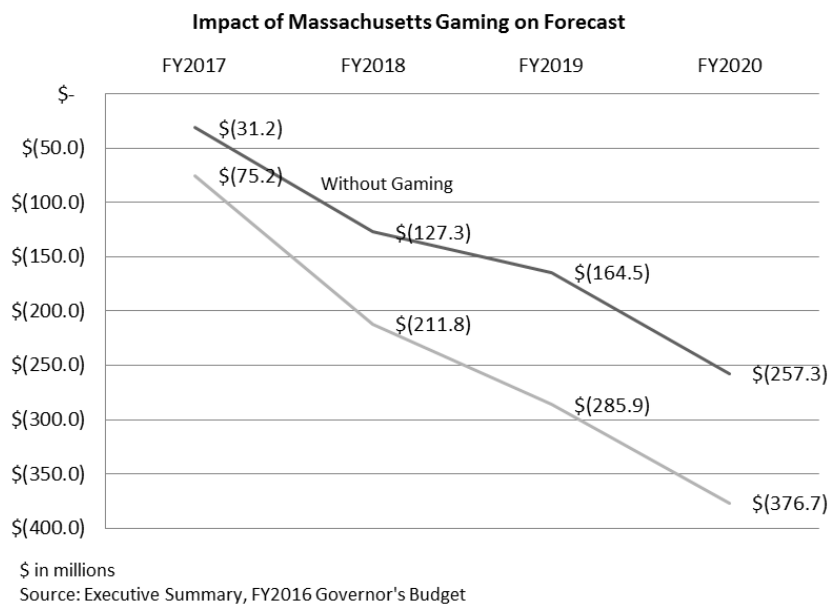
The Governor includes \$1.8 million for increased marketing expense reimbursement to Twin River, for a total of \$5.5 million in FY2016.

The State's share of participation in marketing expenses for Twin River increased as part of the FY2015 Budget as Enacted. In response to the expected impact on table games from the onset 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. The FY2015 Budget included \$1.1 million in reduced revenues based on the enacted budget change, reimbursing marketing expenses to Twin River at \$3.7 million.

Impact from Gaming in Massachusetts

Informational

Declines in Lottery revenue are largely attributable to an expanding gaming industry in Massachusetts. At the November 2014 Revenue Estimating Conference, the Division of Lottery and Office of Revenue Analysis testified on the Rhode Island Gaming and State Revenue forecast provided by consultant Christiansen Capital Advisors, LLC (CCA). At that time, and as of the date of this publication, three licenses have been awarded in Massachusetts: Penn National Gaming in Plainridge (slots only); MGM in Springfield; and Wynn MA, LLC in Eastern Massachusetts. A final license has not yet been awarded for the southeast region; however, according to the Massachusetts Gaming Commission website, that license will be awarded in FY2016. Impact from Massachusetts gaming facilities are incorporated into the estimates beginning in FY2016 as the slot parlor in Plainville is projected to begin operations by July 2015.



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 Governor	\$2,186,998
Contract Expenses	(\$65,000)

The Governor reduces costs by for contract expenses for outside consultants by \$65,000 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 outstanding legal counsel expenses for the Central Falls Receivership (\$15,000) and Coventry Fire District (\$50,000). The General Assembly, during the 2014 session, enacted legislation including fire districts in the Fiscal Stability Act which provides financially distressed fire districts and distressed municipalities with assistance through the appointment of a Fiscal Overseer, Budget Commission, or Receiver by the State.

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 Governor	\$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	\$18,826,844
<i>Target and Other Adjustments</i>	<i>191,840</i>
Part-Time Customer Service Representatives	248,406
Supervisor Pay Grade Increases	56,154
License Plate Reissuance	Informational
FY2016 Governor	\$19,323,244

Part-Time Customer Service Representatives ***\$248,406***

The Governor includes \$248,406 to fund 12.0 additional part-time Customer Service Representative I positions. These additional part-time positions will help reduce wait times and enable flexible scheduling. This reflects an agreement recently executed with Council 94 to help 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 Governor 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. This results in increasing the pay grade of supervisor positions, which has a cost of \$56,154.

License Plate Reissuance ***Informational***

Article 26 delays license plate reissuance until September 2016 to permit DMV staff to continue to implement the Rhode Island Motor Vehicle System (RIMS) information technology (IT) database. The RIMS IT system is a database designed to provide a real-time and customer-centric computer system to replace the DMV's current legacy system. According to the Governor, the personnel assigned to RIMS would need to be reassigned to the license plate reissuance project to ensure it is successfully coordinated, which would continue to delay implementation of the RIMS system.

Under RIGL 31-3-33, the DMV is required to issue new reflective license plates for all registered vehicles beginning September 1, 2015, and no less than every 10 years thereafter. The law was revised in 1995 to require plate reissuances every 10 years, and in 2009 the General Assembly required a full reissuance in 2011, which did not occur. 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 again until September 2015. The Governor's proposal shifts the timeline out for reissuance by one year to September 2016, or FY2017. The delay will defer \$2.6 million in expenditures to FY2017.

The cost of license plate reissuance was anticipated to be offset by a \$6 fee on each new set of license plates. According to the Department, this was charged during the last plate reissuance and generated \$2.6 million in general revenue and would have offset the cost of reissuance if assessed again.

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>	-
PILOT	(5,000,000)
Property Revaluation Program	1,145,551
Municipal Incentive Aid	Informational
Fiscal Stability Act	Informational
FY2016 Governor	\$62,243,627

PILOT**(\$5.0 million)**

The Governor includes \$35.1 million in general revenue to fund the Payment In Lieu of Taxes (PILOT) in FY2016, a decrease of \$5.0 million from the enacted budget which included a one-time funding increase. The funds were made available through the issuance of Tobacco Settlement Financing Corporation Bonds.

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 Governor's budget represents a reimbursement rate of 20.75 percent of forgone tax revenue.

Property Revaluation Program**\$1.1 million**

The Budget includes funding of \$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: Burrillville, Central Falls, Jamestown, Johnston, Lincoln, Little Compton, New Shoreham, North Kingstown, North Smithfield, Providence, Scituate, Smithfield, South Kingstown, West Warwick, and Westerly.

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.

Municipal Incentive Aid**Informational**

The Budget level funds the Municipal Incentive Aid Program at \$5.0 million, which provides additional state aid to encourage municipalities to improve the sustainability of their retirement plans and to reduce unfunded liabilities. In FY2014, the Budget 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. Funding for this program is maintained at the FY2015 level of \$5.0 million; however, the FY2015 Revised Budget includes unspent funding for the Town of Coventry that was reappropriated from FY2014. 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 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
State Tax Administration and Revenue System (STAARS)	Informational
FY2016 Governor	\$19,725,849

New Audit Program – Staffing **\$268,001**

The Budget includes an increase of \$268,001 to hire 3.0 new FTE positions for tax enforcement proposals 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 managed within the Division of Taxation permitting businesses to perform self-audits. This type of audit would replace the traditional field-audit program, which, according to the Governor, allows 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. Pennsylvania recently implemented a similar program. During the first full year, \$10.0 million in new revenue was generated. The Office of Management and Budget expects the Rhode Island program to generate \$500,000, based on a ratio of the State's comparable population and revenue data to that of Pennsylvania.

Contingency Fee Contract Services: The Governor 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 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 taxes 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. 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 beginning 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 Governor	Change from Enacted		FY2016 Governor	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%
Special Legislative Commissions	0.0	0.0	0.0	0.0	0.0%	0.0	0.0	0.0%
Total	\$35.7	\$38.0	\$40.7	\$2.7	7.2%	\$41.2	\$3.1	8.3%

Expenditures by Source	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted		FY2016 Governor	Change from Enacted	
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	-	-	298.5	-	-
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\$ 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 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 Governor	Change from Enacted		FY2016 Governor	Change from Enacted	
Lt. Governor's Office - General	\$2.7	\$1.1	\$1.1	\$0.0	-2.3%	\$1.3	\$0.2	18.7%
Expenditures by Source								
General Revenue	\$1.0	\$1.0	\$1.0	(\$0.0)	-0.8%	\$1.2	\$0.2	20.9%
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	0.0	0.0%	0.0	0.0	0.0%
Total	\$2.7	\$1.1	\$1.1	(\$0.0)	-2.3%	\$1.3	\$0.2	18.7%
Authorized FTE Levels	8.0	8.0	8.0	-	-	8.0	-	-
<i>\$ in millions</i>								

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 \$1.2 million in general revenue for FY2016, a 20.9 percent increase over the enacted level due to two new initiatives. The first is a municipal incentive aid program intended to help communities find efficiencies through regionalized services, and the second, 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 Governor funds 7.0 of the Office's 8.0 FTE positions, due to expiration of the federal Exchange Establishment One Grant which funded the Health Policy Director position.

Office of the Lieutenant Governor	General Revenue
FY2015 Enacted	\$1,089,434
<i>Target and Other Adjustments</i>	<i>88,187</i>
Municipal Incentive Grant Program	100,000
Consumer Rights Initiative	40,000
Transition Costs	(25,000)
FY2016 Governor	\$1,292,621

Municipal Incentive Grant Program **\$100,000**

The Governor includes \$100,000 for a new municipal incentive grant program to assist communities to enter into shared service agreements to increase efficiencies and decrease costs. Municipalities may request seed money for projects such as assessments or surveys, and upon approval by a municipal fund review committee, funds will be awarded by the Lieutenant Governor.

The initiative builds off of the work of the Joint Municipal Shared Services Study Commission, which had been meeting since 2012 to study and recommend ways to achieve more economic, efficient and effective management of the state's overall resources. The Commission last met on March 24, 2015, and

identified several areas of possible consolidation, including information technology, public safety dispatch services, tax collections, and property assessment.

Analyst Note: The Office has yet to identify which services will be targeted and indicates it will permit communities to make a determination based on their needs. The Office is also in the process of determining the makeup of the municipal fund review committee.

Consumer Rights Initiative

\$40,000

The Governor 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 business and individual ratepayers to eliminate the billing adjustment fee when a customer chooses to switch to a different electric provider.

Transition Costs

(\$25,000)

The FY2015 Budget as Enacted included \$25,000 in general revenue for transition costs associated with the election of a new Lieutenant Governor in FY2015. This amount is not included in FY2016 as these funds are only included in fiscal year in which a statewide election happens and a new Lieutenant Governor is elected. The table below outlines the actual costs for the 2014 transition, which totaled almost \$4,000 more than enacted. The Office will cover these expenses (\$3,912) through savings achieved in the personnel budget.

2014 Election Transition Expenses	
Personnel	\$12,762
Leased Office Space	11,742
Office Supplies & Equipment	3,544
Out of State Travel	709
Food	155
Total	\$28,912

Office of the Secretary of State

Expenditures by Program	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted		FY2016 Governor	Change from 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%	0.5	0.0	3.0%
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)	-4.7%
Expenditures by Source								
General Revenue	\$6.2	\$7.3	\$7.3	(\$0.0)	-0.6%	\$6.9	(\$0.4)	-5.5%
Federal Funds	0.0	0.0	0.0	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)	-4.7%
Authorized FTE Levels	57.0	57.0	57.0	-	-	57.0	-	-

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

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

MAJOR ISSUES AND TRENDS FOR 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 to restoration work to complete the display of the Colonial Charter in the Statehouse. 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 within the Office.

Administration	General Revenue
FY2015 Enacted	\$2,205,748
<i>Target and Other Adjustments</i>	<i>81,703</i>
Personnel	186,508
Operating Expenses	94,431
Transition Costs	(25,000)
Staff Training	10,000
FY2016 Governor	\$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 FTE Visitor Center Manager position which 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 associated with the Rules and Regulations database in the Office of Public Information which will be redesigned.

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.

2014 Election Transition Expenses	
Leased Office Space	11,742
Office Supplies & Equipment	7,540
Personnel	5037
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.

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>	-
Operating and Contract Expenses	43,772
Personnel	(19,682)
FY2016 Governor	\$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 increased to 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

<i>Target and Other Adjustments</i>	-
Building Rental Costs	Informational
Historical Records Trust	Informational
FY2016 Governor	\$69,266

Building Rental Costs **Informational**

The general revenue portion of the rent for the State Archives Building on 337 Westminister Street in Providence is level funded at \$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 Enacted	FY2015 Governor	FY2016 Governor
Collections	\$500,331	\$445,382	\$514,752	\$526,262	\$584,108

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 transferred within the Office.

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

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

The Governor recommends a general revenue decrease of \$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 Governor includes the additional \$50,000 in the FY2015 revised budget and the \$20,000 balance will be made up 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 plans to become a member of ERIC in FY2015 and requests funding to pay the initiation fee of \$25,000 and pro-rated annual dues of \$10,000. 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>	<i>15,566</i>
FY2016 Governor	\$536,744

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 transferred within the Office.

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

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

The Budget increases general revenue by \$95,156 in personnel expenses which reflects the reduction of 1.0 FTE Deputy Director position from the program.

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.

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 revised budget includes the funding for the current 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 defray the cost of visitor center staffing and 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 Governor proposes 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 shifted within the Office.

Office of the General Treasurer

Expenditures by Program	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted		FY2016 Governor	Change from Enacted	
General Treasury	\$2.9	\$2.7	\$2.6	(\$0.1)	-3.7%	\$2.7	-	-
Employees' Retirement System	11.1	10.8	11.4	0.6	5.6%	11.8	1.0	9.3%
Unclaimed Property	22.5	19.7	19.6	(0.1)	-0.5%	18.0	(1.7)	-8.6%
Crime Victims Compensation Program	2.2	2.0	2.0	-	-	\$1.9	(\$0.1)	-5.0%
Total	\$38.7	\$35.2	\$35.6	\$0.4	1.1%	\$34.4	(\$0.8)	-2.3%

Expenditures by Source								
General Revenue	\$2.5	\$2.4	\$2.4	-	-	\$2.4	-	-
Federal Funds	0.9	0.9	0.9	-	-	0.9	-	-
Restricted Receipts	35.1	31.7	32.1	0.4	1.3%	30.9	(0.8)	-2.5%
Other Funds	0.2	0.2	0.2	-	-	0.2	-	-
Total	\$38.7	\$35.2	\$35.6	\$0.4	1.1%	\$34.4	(\$0.8)	-2.3%

Authorized FTE Levels	83.0	83.0	83.0	-	-	83.0	-	-
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\$ 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 Governor's FY2015 Budget includes two initiatives impacted and supported by the General Treasurer. Article 7 contains language transferring the administration of the CollegeBoundfund Program to the Office of the General Treasurer; and Article 24 that 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 and 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, a computer system upgrade is underway within the Crime Victims Compensation Program. Total project cost is \$81,000 and it 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, which requires legislation to be enacted by the General Assembly. Assuming the terms of the settlement are enacted by July 1, 2015, the impact on the employer rate is expected to occur in FY2017.

GENERAL TREASURY

The General Treasury program provides administrative support to the entire agency to ensure operational efficiency and fiscal integrity. The Governor recommends 22.0 FTE positions in FY2015 and 20.6 FTE positions in FY2016, reflecting a change in the internal FTE cost allocation among Treasury programs.

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

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

The Governor 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.

Higher Education Assistance Authority ***Informational***

The Governor proposes to eliminate the Rhode Island Higher Education Assistance Authority (RIHEAA) effective July 1, 2015, or upon approval of the US Department of Education, whichever is later, and proposes to transfer the administration of the CollegeBoundfund Program 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.

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.

Analyst’s Note: According to Treasury, to effectuate the transfer of the program, a budget amendment is required to increase the authorized FTE position for two new positions and include personnel and operating funds to administer the CollegeBoundfund Program.

Rhode Island Infrastructure Bank ***Informational***

The Governor proposes to rename 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 and 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 Governor expands the agency’s functions 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 24 and the creation of the Rhode Island Infrastructure Bank can be found in the Article Summaries section of this document.

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
<i>Target and Other Adjustments</i>	<i>96,595</i>
Actuarial and Legal Services	957,000
Personnel	429,275
New Computer System- Net Adjustment	(387,420)
Audit Services	(150,000)
FY2016 Governor	\$11,782,495

Actuarial and Legal Services (restricted receipts)

\$957,000

The FY2015 Budget as Enacted includes \$320,000 for actuarial services and \$128,000 for general and special legal services regarding litigation associated with the 2011 pension reform. The Governor anticipated actuarial and litigation costs to the state retirement system would occur in FY2016. To that end, the Governor includes \$400,000 for actuarial services and \$1.0 million for legal services, for a total increase of \$957,000.

Analyst's Note: In April 2015, the pension settlement agreement was announced by all parties. It is unknown at this time what impact the settlement will have on the recommended budget. However, Treasury will still incur costs to implement the program and coding changes of the settlement agreement, and there still may be legal and actuarial requirements as Treasury is unsure whether any of the remaining claimants will still proceed to trial.

Personnel (restricted receipts)

\$429,275

The Governor 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 Governor 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 Governor includes \$150,000 in restricted receipt expenditures for audit 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 Governor recommends 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>
November 2014 Revenue Estimating Conference Adjustments	(1,786,431)
FY2016 Governor	\$17,986,352

November 2014 Revenue Estimating Conference Adjustments (restricted receipts)**(\$1.8 million)**

Based on Treasury's testimony received at the November 2014 Revenue Estimating Conference, 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 increases \$845,802, 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) decreases \$244,086, resulting in a net decrease of \$1.8 million. $[(\$2.4 \text{ million}) + (\$244,086) + \$845,802 = (\$1.8 \text{ million})]$.

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 Governor	\$226,454

Crime Victims Compensation	Other Funds Changes
Crime Victims - Computer System	10,309

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

The Governor 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 Governor	Change from Enacted		FY2016 Governor	Change from Enacted	
Board of Elections	\$1,738,894	\$4,145,127	\$4,656,199	\$511,072	12.3%	\$1,818,305	(\$2,326,822)	-56.1%
Expenditures by Source								
General Revenue	\$1,738,894	\$4,145,127	\$4,656,199	\$511,072	12.3%	\$1,818,305	(\$2,326,822)	-56.1%
Authorized FTE Levels	11.0	11.0	11.0	-	-	11.0	-	-

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

MAJOR ISSUES AND TRENDS FOR FY2015 AND FY2016

The Governor recommends \$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 Governor recommends \$1.8 million for FY2016, which is \$2.3 million less than appropriated in the FY2015 Budget as Enacted, almost entirely due to the absence of general election costs next year. The Governor includes \$54,428 in general revenue reflecting the net amount of the statewide adjustments including the computation of 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 that includes three 2.0 percent cost-of-living (COLA) increases. The Governor recommends 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>	<i>54,428</i>
General Election Adjustments	(2,295,000)
Capital Purchases	(86,250)
FY2016 Governor	\$1,818,305

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

In FY2016, the Governor decreases general revenue expenditures by \$2.3 million 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 Governor 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 Governor recommends \$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 Governor	Change from Enacted		FY2016 Governor	Change from Enacted	
RI Ethics Commission	\$1,575,940	\$1,581,205	\$1,618,883	\$37,678	2.4%	\$1,644,875	\$63,670	4.0%
Expenditures by Source								
General Revenue	\$1,575,940	\$1,581,205	\$1,618,883	\$37,678	2.4%	\$1,644,875	\$63,670	4.0%
Authorized FTE Levels	12.0	12.0	12.0	-	-	12.0	-	-

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 Governor recommends \$1.6 million for FY2016, which provides level funding from the FY2015 Budget as Enacted. The recommendation represents an increase of \$63,671 (4.0 percent) over the FY2015 Budget as Enacted. The Governor includes \$71,347 in general revenue for the computation of the 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 new agreement includes three 2.0 percent cost-of-living (COLA) increases. The increase is particularly offset by other statewide adjustments in operating and contracted professional service expenditures.

The Governor recommends 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 Governor	\$1,644,876

Office of the Governor

Expenditures by Program	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted		FY2016 Governor	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	-	-	45.0	-	-

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

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

MAJOR ISSUES AND TRENDS FOR FY2016

In FY2016, the budget for the Office of the Governor is \$4.9 million 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 Governor	\$4,903,467

Personnel **\$297,726**

The Governor increases general revenue for salaries and benefits by \$297,726 for 6.0 policy and legislative analyst positions. The Office did not decrease the authorized FTE cap; instead, the Budget no longer funds 5.0 FTE positions in HealthSource RI as they are now funded through the Department of Administration. 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 salary.

Transition Account **(\$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 Governor's 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 Governor	Change from Enacted		FY2016 Governor	Change from Enacted	
Commission for Human Rights	\$1,463,683	\$1,480,179	\$1,532,455	\$52,276	3.5%	\$1,548,010	\$67,831	4.6%
Expenditures by Source								
General Revenue	\$1,146,066	\$1,193,083	\$1,221,763	\$28,680	2.4%	\$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	\$1,532,455	\$52,276	3.5%	\$1,548,010	\$67,831	4.6%
Authorized FTE Levels	14.5	14.5	14.5	-	-	14.5	-	-

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

The Commission is reimbursed \$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 Governor recommends 14.5 FTE positions in FY2015 and in FY2016, consistent with the enacted level. Other than the statewide target adjustments, the Governor recommends no significant changes to the Commission's budget. The 0.5 FTE Senior Compliance Officer position has remained vacant since 2009.

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 Governor	Change from Enacted		FY2016 Governor	Change from Enacted	
Public Utilities Commission	\$8,518,927	\$8,459,886	\$8,430,886	(\$29,000)	-0.3%	\$8,684,685	\$224,799	2.7%
Expenditures by Source								
Federal Funds	\$205,056	\$87,733	\$87,733	\$0	-	\$90,000	\$2,267	2.6%
Restricted Receipts	8,313,871	8,372,153	8,343,153	(29,000)	-0.3%	8,594,685	222,532	2.7%
Total	\$8,518,927	\$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	-	-	50.0	-	-

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 Governor recommends a total operating budget of \$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 recommendation represents an increase of \$224,799 (2.7 percent) over the FY2015 Budget as Enacted. The Governor includes \$278,638 in all funds reflecting the computation of the 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 new agreement includes three 2.0 percent cost-of-living (COLA) increases. The increase is offset by decreases of \$53,839 in other operating and contracted professional service expenditures. The Governor recommends a staffing level of 50.0 FTE positions in FY2015 and FY2016 for the Commission.

CAPITAL PROJECTS

The Governor's 5-year capital plan includes \$454,000 in restricted receipts for ongoing asset protection of the state-owned facility at 89 Jefferson Boulevard in the City of Warwick. The Governor recommends \$204,000 in FY2015, \$100,000 in FY2017, \$50,000 in FY2018, and \$100,000 in FY2020. The structure has been used by the Division of Public Utilities and Carriers/Public Utilities Commission since 2002 for office and public hearing space. In addition, the Division continues to replace older vehicles at the Agency.

The Public Utilities Commission and the Division of Public Utilities and Carriers assess public utilities corporations up to \$300,000 per fiscal year for capital, asset protection, or maintenance programs for the Division. Assessments on public utilities are placed into a restricted receipt account and used for capital projects.

Executive Office of Commerce

Expenditures by Program	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted	FY2016 Governor	Change from Enacted
Central Management	\$0.0	\$0.0	\$0.3	\$0.3	\$0.9	\$0.9
Housing and Community Development	-	-	-	-	14.4	14.4
RI Film and Television Office	-	-	-	-	0.3	0.3
Quasi-Public Appropriations	-	-	-	-	16.2	16.2
Economic Development Initiatives	-	-	-	-	44.5	44.5
Total	\$0.0	\$0.0	\$0.3	\$0.3	\$76.3	\$76.3

Expenditures by Source	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted	FY2016 Governor	Change from Enacted
General Revenue	\$0.0	\$0.0	\$0.3	\$0.3	\$62.2	\$62.2
Federal Funds	-	-	-	-	11.0	11.0
Restricted Receipts	-	-	-	-	2.8	2.8
Other Funds	-	-	-	-	0.3	0.3
Total	\$0.0	\$0.0	\$0.3	\$0.3	\$76.3	\$76.3

Authorized FTE Levels - - 5.0 5.0 18.6 18.6

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

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 Governor creates the Executive Office of Commerce pursuant to RIGL 42-64.19. The Governor includes \$76.3 million, of which \$62.2 million is general revenue, to fund the operation and economic initiatives of the new executive agency. This reflects an increase of \$52.6 million (\$53.6 million in general revenues).

Source	FY2015 Enacted	FY2016 Governor	Change
General Revenue	\$8,630,115	\$62,236,691	\$53,606,576
Restricted Receipts	3,400,000	2,800,000	(600,000)
Federal	11,409,025	10,983,803	(425,222)
Total	\$23,439,140	\$76,020,494	\$52,581,354

The Governor recommends 18.6 FTE positions for the agency, of which 5.0 FTE positions are added for the Office of the Secretary and 13.6 FTE positions are transferred from the Department of Administration to support the transferred personnel and functions for Housing and Community Development, the Rhode Island Film and Television Office, and all economic development funded programs.

The enabling statute requires 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 does not transition in the Department of Business Regulation functions at this time, 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 Governor recommends 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 Governor	\$956,254

Personnel **\$900,254**

The Governor recommends \$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 Governor recommends \$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(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 Governor transfers 11.0 FTE positions in FY2016.

Housing and Community Development	General Revenue
FY2015 Enacted (DOA)	\$575,739
<i>Target and Other Adjustments</i>	17,343
Personnel and Operating Transfer	Informational
FY2016 Governor	\$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 Governor 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 pursuant to the provisions set under RIGL 42-64.19(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 Governor transfers \$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 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 Resources Commission (restricted receipts)**\$2.8 million**

The Governor transfers \$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 item 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.

RI FILM AND TELEVISION OFFICE

The Governor transfers the Rhode Island Film and Television Office and 2.6 FTE positions from the General program in the Department of Administration to the Executive Office of Commerce. The Office promotes Rhode Island for film and television projects. The transfer includes \$325,291 in general revenue and 2.6 FTE positions.

RI Film and Television Office	General Revenue
FY2015 Enacted (DOA)	\$310,312
<i>Target and Other Adjustments</i>	<i>14,979</i>
Personnel and Operating Transfer	Informational
FY2016 Governor	\$325,291

Personnel and Operating Transfer**Informational**

The Governor transfers the Rhode Island Film and Television Office and 2.6 FTE positions from the General program in the Department of Administration to the Executive Office of Commerce. The transfer includes \$296,200 for personnel costs, \$29,091 for operating expenses, and 2.6 FTE positions. The transfer of the Rhode Island Film and Television Office to Commerce is not one of the statutory provisions enacted with RIGL 42-64.19 that established the Executive Office of Commerce. The Governor recommends the transfer to align the program with other economic and business programs within Commerce.

QUASI-PUBLIC APPROPRIATIONS

The Governor transfers the funding for the Rhode Island Commerce Corporation and for the I-195 Redevelopment Commission from the General program in the Department of Administration to the Executive Office of Commerce.

Quasi Public Appropriations	General Revenue
FY2015 Enacted (DOA)	\$7,894,064
<i>Target and Other Adjustments</i>	-
RI Commerce Corporation	3,850,000
RI Commerce Economic Programs	3,600,000
Pass-Through Appropriations	100,000
I-195 Redevelopment District	460,000
FY2016 Governor	\$15,904,064

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

RI Commerce Corporation **\$3.9 million**

The Governor 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 \$7.9 million in general revenue for personnel and operating expenses. This is an increase of \$3.9 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, the \$3.9 million in new funds adds 26.0 FTE positions to the Corporation, covering salary, benefits and “on-boarding” training costs.

Sector	New FTE Positions	Average Salary	Total Cost
Client Service/Concierge	7.0	\$82,857	\$809,100
Business Development	4.0	96,250	537,075
Investment Team	8.0	101,875	1,136,925
Tourism and Branding	3.0	88,333	369,675
Corporate/Administration	4.0	82,500	460,350
Other Costs/Consultants	N/A	N/A	536,875
Total	26.0	\$84,821	\$3,850,000

Source: Executive Office of Commerce

Total cost includes salary, benefits, and on-boarding costs

The increase includes \$100,000 to fund a University Research Collaborative and \$3.8 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

\$3.6 million

The Governor proposes several new economic initiatives within the Commerce Corporation designed to spur tourism and economic development. The cost of the new programs is \$9.7 million. This includes \$4.5 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 Governor includes \$3.6 million in general revenue to support these initiatives and recommends the balance of the cost be supported by \$6.1 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.

Economic Development Programs	
Tourism Marketing Campaign	\$4,500,000
Wavemaker Student Loan Forgiveness	1,750,000
Business Marketing Campaign	1,000,000
Employee/CCRRI/High School Partnerships	900,000
Increase Small Business Innovation Research State Match	500,000
Innovation Vouchers	500,000
Economic Empowerment Center	300,000
Building and Fire Permit Initiative	250,000
Total	\$9,700,000
Economic Development Program	
State Appropriation	\$3,600,000
Hotel Tax Revenue Redirected to Commerce	6,100,000
Total	\$9,700,000

The Economic Development Programs include:

Tourism Marketing Campaign: The Governor includes \$4.5 million in general revenue 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.

Wavemaker Student Loan Reimbursement Fund: The budget includes \$1.8 million in general revenue in FY2016 to fund a competitive Student Loan Reimbursement Fund to reimburse awardees 100.0 percent of the educational loan expenses incurred and paid by an awardee during a twelve month period for up to four consecutive years. Approximately two-thirds of the eligible candidates must be either a Rhode Island resident or a graduate of a school in Rhode Island where the student loan debt occurred. The remaining one-third may be used on out-of-state residents/graduates to entice them to reside and work in Rhode Island.

Business Marketing Campaign: The Governor adds \$1.0 million in general revenue to create a partnership with chambers of commerce and local businesses, to promote Rhode Island at national trade shows and conventions where, as the Governor believes, 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 Governor includes \$900,000 in general revenue 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 Governor includes \$900,000 to hire staff and to set up this 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.

Increase Small Business Innovation Research State Match: The Governor includes \$500,000 in general revenue to establish the innovative technology and bioscience and engineering program. These matching funds combine public and private dollars to invest in promising companies in such areas as advanced industries, technology, and other strategically important sectors. The FY2014 Budget as Enacted created the Innovate Rhode Island Small Business Program 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.

Innovation Voucher and Innovation Network Program: The Governor 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.

Economic Empowerment Center: The Governor includes \$300,000 in general revenue to fund this initiative. The intent of the initiative is to help economically impacted, unemployed, underemployed, and low-income families build household wealth and achieve self-sufficiency. The Commerce Corporation will use the \$300,000 appropriation to contract with an organization with proprietary software and systems that help individual families to maximize the state and federal benefits to which they are entitled.

Analyst's Note: This program will be handled through a third party. According to Commerce, the implementation timeline should not impact State costs to pay additional benefits in FY2016, but some impact to the State is expected to occur in FY2017.

State Building and Fire Code Initiative: The Governor includes \$250,000 in general revenue to fund this initiative. Article 29 Section 1 contains language stipulating that all capital investment projects receiving incentives from the Rhode Island Commerce Corporation are subject only to the state building and fire codes and require inspections to be conducted only by the State Building Commissioner, without regard to any local building or fire codes. In addition, the article authorizes municipalities with a population exceeding 150,000 (Providence), to have the State Building Commissioner or State Fire Marshal assume responsibility for the review and inspection of projects. However, if this is done, only the state building and fire code would be applicable to those projects in that municipality.

Pass-Through Appropriations**\$100,000**

The Governor transfers \$3.5 million in “pass-through” general revenue appropriations from the General program in the Department of Administration to the Executive Office of Commerce. The Governor adds \$100,000 to increase the appropriation to the Chafee Center at Bryant (a.k.a. the Rhode Island Export Assistance Center) to \$376,200. 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

- **\$723,550** in general revenue to fund fifteen community service objectives as listed in the accompanying table.

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

- **\$500,000** in general revenue 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.

- **\$250,000** to support the Chafee Center at Bryant University/RI export assistance Center. The Governor did not recommend funding for the Slater Centers of Excellence in FY2016 and instead recommends that \$150,000, that was previously used to support the Slater Center of Excellence, be combined with the \$126,200 Community Service Objective for the Chafee Center at Bryant University. In addition, the Governor adds \$100,000 to increase the appropriation to the Chafee Center at Bryant (a.k.a. the Rhode Island Export Assistance Center) to \$376,200.

I-195 Redevelopment Commission**\$460,000**

The Governor recommends \$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.

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

ECONOMIC DEVELOPMENT INITIATIVES

The Governor includes \$44.5 million in general revenue in FY2016 to create and fund an Economic Development Initiatives Fund under the Executive Office of Commerce to fund various incentives, business assistance, and development programs to create and expand businesses (Article 29).

Economic Development Initiatives Fund	General Revenue
FY2015 Enacted	-
<i>Target and Other Adjustments</i>	-
Economic Development Initiatives Fund	44,458,000
FY2016 Governor	\$44,458,000

Article 1 contains language granting the Secretary of Commerce authority to reallocate funding between initiatives within the Economic Development Initiatives Fund. Written notice is required to be provided to the Office of Management and Budget, and the chairpersons of the Senate and House Finance Committees in advance of any transfer of funds. The Governor proposes the following economic initiatives:

First Wave Closing Fund: The Governor recommends \$5.0 million in general revenue to capitalize the fund in FY2016 and \$12.7 million in FY2017. The fund is intended to attract, expand, or retain businesses, and create jobs in the state, by providing “gap financing” to close deals on projects. The program would fund the portion of the project cost that remains to be financed after all other sources of capital have been considered or the portion that the State needs to 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 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.

I-195 Development Fund: The Governor 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 29 contains language stipulating that the I-195 Development Funds cannot be expended to finance a stadium or a facility primarily used for sports. However, the article contains no language prohibiting the use of the funds on indirect infrastructure costs to support a stadium or sports facility, such as on roads and utility structures. In addition, there is no language in the article limiting the amount that can be spent on a project from the fund. Lastly, the Governor intends to use the fund to support a 1.0 FTE Architect position in the State Building Code Commission to review I-195 Redevelopment District projects. The Governor recommends the new position to ensure there are no delays with any proposed project. The Governor recommends funding the position through the \$25.0 million I-195 Redevelopment Fund. Once the Fund is expended, funding for the added position would need to come from general revenue.

Small Business Assistance Program: The Governor proposes \$5.4 million in general revenue in FY2016 and \$2.2 million in FY2017 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.

Main Street RI Streetscape Improvement Program: The Governor designates \$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.

Competitive Sector Cluster Fund: The Governor includes \$750,000 in general revenue in FY2016 for 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. Industry clusters are created by pooling labor forces, collaborative problem solving, and sharing technology. The fund will be divided into two sub-grant programs consisting of 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, and competitive program grants of \$100,000 to \$500,000 to support activities to overcome identified problems that impede the cluster growth or effectiveness.

Anchor Institution Tax Credit: The Governor recommends \$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

Office of Health and Human Services

Expenditures by Program	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted		FY2016 Governor	Change from Enacted	
Central Management	\$126.0	\$125.9	\$135.7	\$9.8	7.8%	\$126.5	\$0.6	0.5%
Division of Advocacy	-	-	-	-	-	\$2.1	\$2.1	-
Medical Assistance	1,819.6	2,265.5	2,382.9	117.4	5.2%	2,301.2	35.7	1.6%
Total	\$1,945.6	\$2,391.4	\$2,518.6	\$127.2	5.3%	\$2,429.8	\$38.4	1.6%
Expenditures by Source								
General Revenue	\$839.6	\$904.6	\$941.8	\$37.1	4.1%	\$889.5	(\$15.1)	-1.7%
Federal Funds	1,093.5	1,470.9	1,561.0	90.1	6.1%	1,524.4	53.6	3.6%
Restricted Receipts	12.6	15.9	15.8	(0.1)	-0.7%	15.9	(0.1)	-0.3%
Total	\$1,945.6	\$2,391.4	\$2,518.6	\$127.2	5.3%	\$2,429.8	\$38.4	1.6%
Authorized FTE Levels	169.0	184.0	184.0	-	0.0%	202.1	18.1	9.8%

\$ 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. As introduced by the Governor's proposed budget, OHHS also coordinates the programs and budgets of the State's four advocacy agencies.

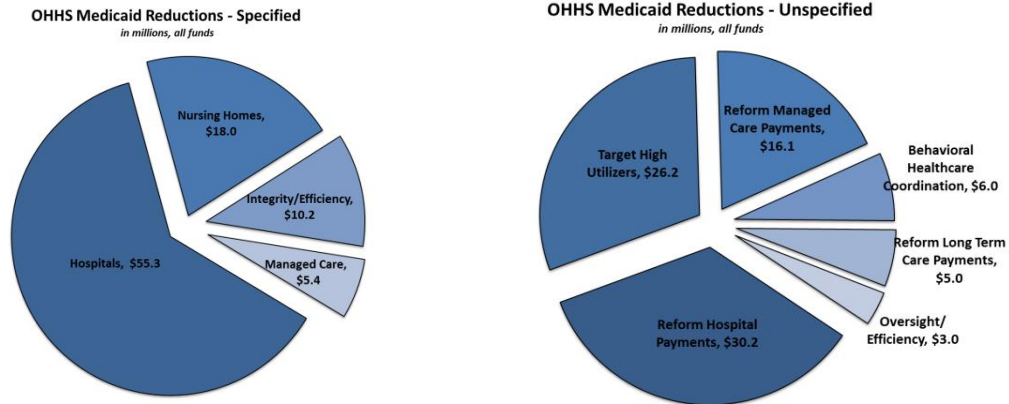
Analyst's Note: Though included in the proposed FY2016 Budget, the Governor has withdrawn the request for the creation of a Division of Advocacy.

MAJOR ISSUES AND TRENDS FOR FY2016

Absent changes to the program, the State's Medicaid program continues to grow. Since FY2014, enrollment has grown 33.5 percent, while proposed FY2016 expenditures are 24.9 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).

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 proposed budget reflects this trend and funds substantial contracts with Hewlett Packard, Xerox, Neighborhood Health Plan of RI, United Healthcare, Deloitte, and Logisticare.

The Governor's FY2016 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 currently-unspecified recommendations forthcoming from the Governor's Working Group to Reinvent Medicaid (Working Group).



These reductions are anticipated to impact providers as follows:

Provider Type	Specified Reductions	Unspecified Reductions	Total
Hospitals	\$55.3	\$36.2	\$91.5
Managed Care Organizations	5.4	16.1	21.5
Nursing Homes	18.0	5.0	23.0
Other	10.2	29.2	39.4
Total	\$88.9	\$86.6	\$175.5

\$ in millions, all funds

The Governor's 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 185.0 FTE positions is recommended, an increase of 1.0 FTE position over the enacted level due to the addition of a federally-funded 1.0 FTE position in support of the State Innovation Model grant.

Central Management	General Revenue
FY2015 Enacted	\$28,044,154
<i>Target and Other Adjustments</i>	<i>442,978</i>
Unified Health Infrastructure Project (UHIP)	(2,493,692)
Contracted Services	562,270
Personnel Cost of Living Adjustment	378,955
State Innovation Model (SIM) Grant	Informational
FY2016 Governor	\$26,934,665

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

The Governor's budget reduces OHHS funding for the Unified Health Infrastructure Project (UHIP) by \$2.5 million compared to funding included the FY2015 Enacted budget. Cost overruns would have added \$1.9 million to OHHS funding for the project in FY2016, but the Governor recommends the allocation of \$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, the Governor includes only \$160,000 for this contract in FY2016.

Contracted Services

\$562,270

The proposed 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.

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 (EOHHS) 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.

State Innovation Model (SIM) Grant

Informational

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

In December 2014, EOHHS 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.

DIVISION OF ADVOCACY

This Governor's budget includes the consolidation of the four advocacy agencies (Governor's Commission on Disabilities, the Commission on the Deaf and Hard of Hearing, the Office of the Mental Health Advocate, and the Office of the Child Advocate) into a single, new Division of Advocacy within the Executive Office of Health and Human Services.

This consolidation is for administrative purposes only and is anticipated to result in operational efficiencies over time. The Governor's budget transfers 17.0 FTE positions, along with current services funding, from the four agencies to the Executive Office.

The Budget Office anticipates that, through this consolidation, overlaps in administrative functions, including purchasing, finance, and grant administration, will be identified. Future turnover among FTE positions will allow for the Secretariat to reevaluate personnel needs of the consolidated Division.

Division of Advocacy	General Revenue
FY2015 Enacted	-
FY2016 Governor	\$1,973,138

Analyst's Note: On March 31, 2015, the Governor requested that Article 18, which establishes the new Division of Advocacy, be withdrawn.

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	72,099,354
Specified Reductions	(45,077,038)
<i>Suspend Hospital Rate Increase and Reduce Rate 5.0 Percent</i>	<i>(15,718,693)</i>
<i>Eliminate Hospital Inpatient and Outpatient UPL Payments</i>	<i>(11,243,254)</i>
<i>Suspend Nursing Home Rate Increase and Reduce Rates 3.0 Percent</i>	<i>(8,928,221)</i>
<i>Reduce Managed Care Capitation Rate</i>	<i>(2,697,792)</i>
<i>Implement Electronic Visit Verification</i>	<i>(1,565,273)</i>
<i>Review Out-of-Plan Services for Children with Special Health Care Needs</i>	<i>(1,040,054)</i>
<i>Eliminate Graduate Medical Education Program</i>	<i>(1,000,000)</i>
<i>Predictive Modeling and Analytics Savings</i>	<i>(993,600)</i>
<i>Enhanced Identification of Medicare Coverage</i>	<i>(993,600)</i>
<i>Maximize Enhanced FMAP (CHIP) Claiming</i>	<i>(405,342)</i>
<i>Strengthen Residency Confirmation Protocols</i>	<i>(292,489)</i>
<i>Revise Personal Choice Program Payment Structure</i>	<i>(198,720)</i>
Unspecified Reductions	(43,000,000)
<i>Working Group to Reinvent Medicaid</i>	<i>(43,000,000)</i>
FY2016 Governor	\$860,611,825

Caseload Estimating Conference**\$72.1 million**

The Caseload Estimating Conference (CEC) convened on November 5, 2014, to review and revise medical assistance expenditures for FY2015 and FY2016. In comparison to the FY2015 Budget as Enacted, the adopted estimate increased total general revenue expenditures for FY2015 by \$37.2 million and increased general revenue expenditures for FY2016 by \$72.1 million.

November 2014	FY2015	FY2015	Change to	FY2016	Change to
Caseload Estimating Conference	Enacted	Adopted	Enacted	Adopted	Enacted
General Revenue	\$876.6	\$913.7	\$37.2	\$948.7	\$72.1
Federal Funds	1,359.3	1,440.6	81.2	1,498.4	139.0
Restricted Receipts	10.6	10.6	-	10.6	-
Total	\$2,246.5	\$2,364.9	\$118.4	\$2,457.7	\$211.1

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 3.4 percent to over 235,000 individuals. The conferees included \$547.1 million for the expansion of Medicaid eligibility to an estimated 55,000 adults with income less than 138 percent of the federal poverty level. 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. The Governor's five year forecast includes the following estimates of the expansion's out year general revenue cost:

General Revenue Impact	FY2016	FY2017	FY2018	FY2019	FY2020
Medicaid Expansion	-	\$14.1	\$31.9	\$39.1	\$53.2
<i>\$ in millions</i>					

New Treatments for Hepatitis C: The Conference added \$110.8 million (\$26.5 million general revenue) in FY2015 and FY2016 to cover the incremental costs of newly approved medications Sovaldi and Harvoni to treat chronic hepatitis C. 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 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.

Non-Emergency Medical Transportation: In May 2014, the Medicaid program contracted with Logisticare, a centralized transportation broker, to administer and manage the non-emergency medical transportation benefit in order to decrease the number of missed trips and ensure a higher degree of program accountability. As a result, the funding of the transportation benefit changed to capitated per-member-per-month payments based on monthly enrollment of eligible recipients times the agreed upon price per recipient.

In addition to Medicaid transportation, Logisticare has also been contracted to provide transportation for programs administered through the Department of Human Services, including trips to adult day care, trips to congregate meal sites for the elderly, and trips for the disabled formerly provided through RIPTA's RIdle program, which operates in compliance with the federal Americans with Disabilities Act (ADA).

The total contract covering both Medicaid and non-Medicaid transportation is budgeted at \$27.3 million for FY2016.

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 5.0 Percent (\$15.7 million)

The Governor's budget suspends the scheduled rate increase for inpatient and outpatient hospital services in FY2016 in both the fee-for-service and managed care environments for general revenue savings of \$15.7 million (\$31.6 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 Governor proposes reducing rates. Through this initiative, hospital rates paid through both the fee-for-service system and through managed care organizations are reduced 5.0 percent.

Hospital Rate Proposals	General Revenue	All Funds
Suspend Rate Increase	\$5.0	\$9.9
Reduce Rates 5.0 percent	10.7	21.7
Total	\$15.7	\$31.6

\$ in millions

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.

Eliminate Hospital Inpatient and Outpatient UPL Payments (\$11.2 million)

The Governor's budget includes \$11.2 million in general revenue (\$22.6 million all funds) savings from the elimination of inpatient and outpatient UPL payments to hospitals, effective July 1, 2015. Article 4 provides the statutory authority for this elimination.

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

The FY2013 Budget as Enacted made outpatient UPL payment a statutory requirement while the inpatient UPL payment became a requirement by the FY2015 Budget as Enacted.

Analyst's Note: In addition to the suspension of the scheduled rate increase, the rate reduction, and the elimination of Upper Payment Limit (UPL) payments, the Governor's budget includes unspecified reductions related to the recommendations of the Governor's Working Group to Reinvent Medicaid that are likely to impact hospitals. Total proposals that are likely to impact hospitals are as follows:

Proposals Impacting Hospitals	General Revenue	All Funds
<i>Specified Reductions</i>		
Eliminate Graduate Medical Education Program	\$1.0	\$1.0
Eliminate Hospital Inpatient and Outpatient UPL Payments	11.2	22.6
Suspend Hospital Rate Increase and Reduce Rates 5.0 Percent	15.7	31.6
<i>Unspecified Reductions</i>		
Better Coordinated Care for Individuals with Behavioral Healthcare Needs	3.0	6.0
Value-based Payment in Hospitals	15.0	30.2
Total	\$46.0	\$91.5

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

Suspend Nursing Home Rate Increase and Reduce Rates 3.0 Percent (\$8.9 million)

The Governor's 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. Additionally, the Governor reduces current rates by 3.0 percent in FY2016. Article 5 provides statutory authority for both the suspension of the rate increase and for the rate reduction.

The Governor's FY2016 budget suspends the 2.6 percent rate increase and reduces rates paid to nursing homes through the traditional fee-for-service (per diem) delivery system as well as through the Integrated

Care Initiative and Rhody Health Options managed care system. Savings include \$8.9 million in general revenue (\$18.0 million all funds) for this initiative as follows:

Nursing Home Rate Proposals	General	
	Revenue	All Funds
Suspend Rate Increase	3.5	7.1
Reduce Rates 3.0 percent	5.4	10.9
Total	\$8.9	\$18.0

\$ in millions

This rate increase, referred to as the nursing home COLA, was also 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.

Analyst's Note: In addition to the rate proposals specified above, the Governor's budget includes unspecified reductions in nursing home funding of \$5.0 million all funds.

Reduce Managed Care Capitation Rate

(\$2.7 million)

The Governor reduces monthly capitation rates paid to managed care organizations by an average of 0.9 percentage points from the anticipated expense trend for FY2016 for Rite Care, Rhody Health Partners, and Rhody Health Options, for total savings of \$2.7 million in general revenue (\$5.4 million all funds).

Program	Description
Rite Care	Families and Children - Medical Care
Rhody Health Partners	Disabled and Elderly - Medical Care
Rhody Health Options	Disabled and Elderly - Medical and Long Term Care

\$ in millions

This is the third consecutive year that managed care capitation rates have been adjusted outside of the Caseload Estimating Conference, at which OHHS has testified to actuarially sound rates based upon the recent claims experience. The FY2015 Budget as Enacted included a capitation rate reduction that is to result in \$10.8 million (\$21.7 million all funds) in savings.

This initiative will impact managed care organizations (MCOs) Neighborhood Health Plan of RI and United Healthcare.

Analyst's Note: In addition to this specified reduction, the Governor's budget includes unspecified reductions to managed care organizations that will result from recommendations made by the Working Group to Reinvent Medicaid. Specified and unspecified reductions to MCOs together total \$21.5 million all funds.

Implement Electronic Visit Verification

(\$1.6 million)

The budget includes \$1.6 million in general revenue savings (\$3.2 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, citing procurement delays. The savings included in the Governor's budget annualize the savings included in the Enacted budget.

Analyst's Note: OHHS Central Management includes \$1.1 million in FY2015 and \$618,572 in FY2016 (all funds) for one-time costs associated with the purchase and implementation of this system.

Review Out-of-Plan Services for Children with Special Health Care Needs (\$1.0 million)

The Governor's budget includes \$1.0 million in general revenue savings (\$2.1 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.

The Governor's FY2016 budget includes \$37.3 million for the out-of-plan services for CSHCN.

Eliminate the Graduate Medical Education Program (\$1.0 million)

The proposed budget includes \$1.0 million in savings in both FY2015 and FY2016 from the elimination of the general revenue funding to establish a Medicaid graduate education program at academic medical centers that meet certain criteria.

The FY2015 Budget as Enacted provides \$1.0 million in general revenue funding to support 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. The Budget does not include federal Medicaid matching funds for this program.

Article 5, which includes the statutory language required to eliminate these payments, is effective retroactive to July 1, 2014, allowing the Governor's budget to save \$1.0 million in general revenue in both FY2015 and FY2016.

Predictive Modeling and Analytics Savings (\$993,600)

The Governor includes \$993,600 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 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.

Enhanced Identification of Medicare Coverage

(\$993,600)

This initiative would seek 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 be modeled after, and perhaps in conjunction with, the University of Massachusetts Medical Center, who, through 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.

Maximize Enhanced FMAP (CHIP) Claiming

(\$405,342)

Federally-Qualified Health Centers (FQHC) such as Providence Community Health Centers and Thundermist Health Center will file more detailed claim submissions to the State that will enable the State to receive enhanced federal matching funds through the Children's Health Insurance Program (CHIP), resulting in \$405,342 general revenue savings in FY2016.

FQHCs are reimbursed for Medicaid services by the State on a different payment methodology than other Medicaid providers. Whereas other providers are paid based on rates negotiated with the State or MCOs, FQHCs receive a cost-based facility-specific encounter rate for each patient visit (or "encounter") billed. An encounter is a face-to-face visit a physician, physician assistant, or advanced nurse practitioner, without regard for the duration of the visit.

Because of this different payment methodology, patient-level information has not been available for all claiming, and the State has been unable to completely identify services eligible for enhanced CHIP matching funds. Under this initiative, FQHC will establish the business process to provide the data necessary to fully claim CHIP matching funds.

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 members. Currently, continued verification of Rhode Island residency does not occur on a regular basis and no protocols for such exist.

Through this initiative, 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, 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.

Revise Personal Choice Program Payment Structure**(\$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.

Unspecified Reductions – Working Group to Reinvent Medicaid**(\$43.0 million)**

The Governor's budget includes \$43.0 million in general revenue reductions to the Medicaid program (\$86.6 million all funds). These reductions, though unspecified in the budget as initially submitted to the General Assembly, will be itemized on or around April 30, 2015, when the Working Group to Reinvent Medicaid presents its recommendations.

On February 26, 2015, the Governor signed an executive order creating the Working Group to Reinvent Medicaid. This group is tasked with both recommending near-term quality improvements and cost saving measures for inclusion in the Governor's FY2016 Budget, as well as submitting a multi-year plan for long-term systemic improvement of the Medicaid program and all State publicly financed healthcare.

Citing Medicaid's high per-enrollee costs, which are the second highest in the United States and 60 percent higher than the national average, and its dominance of the State's budget (approximately one-third goes toward Medicaid), the Governor has charged the Working Group to:

- Review current healthcare reform efforts in Rhode Island and other states
- Focus on factors that drive higher utilization of healthcare services
- Review regulations that may be outdated, redundant, or hinder healthcare reform
- Recommend opportunities for cooperation with the federal government, including those provided through the Patient Protection and Affordable Care Act (ACA)
- Focus on populations with complex health conditions

The Working Group is comprised of twenty-nine healthcare providers, insurers, advocates, and lawmakers, along with those with expertise in business and economics.

The Governor's Budget includes Reinvent Medicaid savings across four agencies:

FY2016 Reinvent Medicaid Savings	General	
	Revenue	All Funds
Executive Office of Health and Human Services	\$43.0	\$86.6
Behavioral Healthcare Disabilities and Hospitals	2.0	4.0
Department of Children Youth and Families	0.8	1.5
Department of Human Services	0.3	0.5
Total	\$46.0	\$92.6

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

The proposed budget includes \$43.0 million in general revenue savings within the Medicaid program in OHHS through focused innovations within six major categories. A number of these proposals were included in the Office's FY2016 budget request.

Analyst's Note: The following initiatives are representative of the potential actions that may be included in the Working Group's recommendations.

Value-based Payment in Hospitals: (\$15.0 million general revenue) Savings may be generated by the implementation of readmission penalties in alignment with Medicare. Medicare currently imposes penalties for readmissions of patients who initially went into the hospital for conditions such as heart failure, heart attack and pneumonia but returned within 30 days of discharge.

Savings may also be from a reduction in rates paid for neonatal intensive care unit (NICU) services. NICU services are not included in the capitated rates paid to managed care organizations but through a separate fee-for-service payment. Women and Infants Hospital (Care New England) operates the State's only NICU.

The Working Group may also recommend a bundled payment for childbirth services, such as the new payment arrangement between Women and Infants Hospital and Blue Cross Blue Shield of Rhode Island, whereby there is a single cost for normal, uncomplicated deliveries and complicated deliveries.

The Office may also establish a Delivery System Reform Incentive Program (DSRIP), 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. Six states have approved DSRIP waivers to date 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).

Targeted Interventions for the Highest Cost/Highest Need Populations: (\$13.0 million general revenue) Savings may be generated by a new strategy that deploys community health teams to work with primary care providers to assess patients' needs, coordinate community-based support services including housing, and provide multidisciplinary care for users of high-intensity, high-cost services.

The working group may also recommend the establishment of an accountable care organization model for this population, whereby a network of doctors, hospitals, and other healthcare providers coordinate care for a defined population for a fixed fee. When they are able to provide quality care at a cost less than the fee, the network shares in the savings.

Value-based Payment Approaches in Managed Care: (\$8.0 million general revenue) Savings may be included from the modification of the current contract with Medicaid managed care organizations. Possibilities include modification to the current risk share arrangement and tying the MCO administrative rates to value-based payment standards.

Additionally, the Working Group may recommend refining the Federally Qualified Health Center (FQHC) Incentive Program to include a quality withhold or alternative payment schedule that would reduce payments to FQHC that do not meet a predetermined quality threshold.

Savings may be generated through selective contracts such as those that would require lab work be performed at community-based labs rather than hospital-based labs. Lab work at hospitals costs 250 percent more on average.

Better Coordinated Care for Individuals with Behavioral Healthcare Needs: (\$3.0 million general revenue) The Working Group may recommend shared savings agreements with Community Mental Health Centers or lowering rates paid for inpatient behavioral health services.

Value-based Payment in Long-term Services and Supports: (\$2.5 million general revenue) In alignment with Phase II of the Integrated Care Initiative, the Office may implement a quality withhold for nursing

homes whereby the rate paid to nursing homes is reduced for those that do not meet a predetermined quality threshold such as number of patient falls with injury and pressure ulcer prevalence.

Improved Program Oversight and Efficiency: (\$1.5 million general revenue) Possible initiatives within this category of innovation include an increase in the State's insurance mandate regarding Early Intervention services. The Working Group may propose requiring commercial insurers to pay for an increased amount of EI services before Medicaid coverage pays for services.

The Office may also propose to redesign the Connect Care Choice Program, which is offered as an alternative to the managed care option. Called "managed fee-for-service", services are paid for on a fee-for-service basis and the program also includes capitated per-member-per-month payments for nurse care managers at physician practices to coordinate the care of enrollees.

Department of Children, Youth, and Families

Expenditures by Program	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted		FY2016 Governor	Change 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	178.6	12.5	7.5%	168.6	2.5	1.5%
Children's Behavioral Health Services	11.9	13.0	13.1	0.1	0.5%	10.3	(2.7)	-21.0%
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	26.5	2.1	8.4%	25.9	1.4	5.9%
Total	\$219.7	\$210.6	\$226.7	\$16.0	7.6%	\$212.8	\$2.2	1.0%
Expenditures by Source								
General Revenue	\$154.7	\$148.7	\$158.3	\$9.6	6.5%	\$151.8	\$3.1	2.1%
Federal Funds	61.6	56.6	62.2	5.7	10.0%	58.2	1.6	2.8%
Restricted Receipts	2.8	2.4	2.8	0.4	16.0%	2.8	0.4	15.9%
Other Funds	0.6	2.9	3.2	0.3	11.4%	-	(2.9)	-100.0%
Total	\$219.7	\$210.6	\$226.7	\$16.0	7.6%	\$212.8	\$2.2	1.0%
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 Governor 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 is nearly level with the FY2015 Budget as Enacted, but includes an increased federal cost share, generating savings of \$1.1 million in general revenue as compared to the enacted level (\$71.8 million from all fund sources, \$51.8 million in general revenue) for FY2016.

Despite achieving some general revenue savings in FY2016, the Governor includes an additional \$10.1 million from all fund sources (\$8.8 million in general revenue) in the revised budget recommendation for the SOC in FY2015.

The Governor seeks to provide greater latitude and authority to the director of DCYF as it relates to funding programs within the department. Article 17 permits the director of DCYF to reallocate funding among existing department programs through June 30, 2017, despite specific program appropriations made by the General Assembly in the annual budget. Although not explicitly stated in the Governor's proposal, this article allows the director to shift additional funding to the SOC, which has experienced significant cost-overruns since its inception in FY2013.

In conjunction with the direct funding for services contracted to OSN and RICMN, the Governor seeks to procure utilization management services for the SOC networks, and provides \$800,000 in general revenue for this effort. Through utilization management, DCYF will engage in increased provider quality monitoring by conducting a thorough review of services received by DCYF involved youth through the two SOC networks. The Governor anticipates this effort will generate \$4.5 million in placement savings from her FY2015 Revised Budget to the FY2016 Budget Recommendation.

Lastly, the Governor includes additional support for kinship and non-kinship foster care. It is unclear, however, as to whether or not this increase is included to support an increased direct rate for families, or if the funding assumes an increase in the number of foster families in Rhode Island (\$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 8.0 percent increase).

CENTRAL MANAGEMENT

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

The Governor recommends 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, which is in addition to some existing administrative, senior, and other 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
<i>Target and Other Adjustments</i>	<i>143,927</i>
Technology Upgrades	450,000
Personnel	372,680
Authority to Reallocate Funding (Article 17)	Informational
FY2016 Governor	\$5,575,757

Technology Upgrades **\$450,000**

The Governor 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.

Personnel **\$372,680**

Personnel costs increase by nearly \$400,000 in general revenue from the 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 Governor includes approximately \$275,000 in additional general revenue funding in the FY2015 Revised Budget to fund the new management team for half of the year (6.0 FTE positions in Central Management). However, the State Budget Office 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.

Authority to Reallocate Funding (Article 17) **Informational**

Article 17 permits the director of the Department of Children, Youth, and Families (DCYF) to reallocate funding among existing department programs through FY2017, despite specific program appropriations made by the General Assembly in the annual budget. This may include, but is not limited to expanding unspecified innovation and performance-based contracting. Additionally, if approved by the state Office of Management and Budget, DCYF may, without legislative approval, reinvest savings achieved through its own fiscal controls in technology, infrastructure, and other related services through June 30, 2017.

There is no direct fiscal impact in FY2016 associated with this article. Although not explicitly stated in the Governor's proposal, this article allows the director to divert funding from other programs (including

Juvenile Corrections, Children's Behavioral Healthcare, and services funded by Child Welfare that are outside of the SOC contracts such as foster care and adoption assistance) and to the SOC networks. Since their inception in FY2013, the SOC networks have experienced significant cost-overruns and received additional support from both DCYF and the General Assembly to address annual operating deficits (for additional information on the SOC, see the "System of Care" discussion under Child Welfare).

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 Governor recommends 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
Working Group to Reinvent Medicaid	(750,000)
RI Hospital PANDA Contract	(100,000)
FY2016 Governor	\$115,876,469

System of Care Networks **(\$1.1 million)**

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

Analyst's Note: Despite achieving some general revenue savings in FY2016, the Governor includes an additional \$10.1 million from all fund sources (\$8.8 million in general revenue) in the revised budget recommendation for the SOC in FY2015.

The Governor's FY2016 proposal includes savings as compared to the FY2015 Revised Budget primarily due to placement costs savings from utilization management (\$4.5 million), and eliminating the following: \$3.5 million in network administrative costs, network care coordinators (\$1.9 million), and flex funds (approximately \$110,000). Network care coordinators are primary care workers that manage services for DCYF/SOC involved youth and families. According to the initial SOC contracts, flex funds support services and needs of DCYF/SOC involved youth and families that are outside of the services established or mandated by DCYF. Typically, these costs are for emergencies or basic needs for which no other reimbursement is provided.

It is unclear as to whether or not the Governor's targets for the SOC in FY2016 are achievable.

The Governor's recommendation incorporates some of the findings of the Governor's Resource Team for DCYF, which was formed in the spring of 2014 due increasing cost overruns associated with the SOC. The table below portrays the initial SOC contract award versus actual or projected expenditures for FY2013 through FY2015 (FY2016 is excluded below as no contract has been established yet for FY2016):

	3-yr Annual SOC Contract	FY2013 Final	FY2014 Final	FY2015 Governor	3-year Difference Contract vs. Final/Gov
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 is it unknown whether or not the contracts with OSN and RICMN will be renewed beginning in FY2016, and if so, at what funding level. According to DCYF, negotiations are on-going.

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 Governor changes two areas of support for foster families. First, the Governor eliminates \$635,472 in general revenue funding for foster care support contracts due to the termination of 10 Foster Care Support contracts. The Governor 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 Governor's budget reflects the savings incurred. 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 may be contingent upon funding included in the Governor's budget.

Foster Family Reimbursement (\$1.6 million increase): The Governor 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 Governor does not specify whether or not these funds will be used to increase daily foster care board rates for existing foster families, or if the funding will be used to expand the number of available foster homes at the current rate in FY2016. 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 treatment placements; and to both 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 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.

Increased Funding for Special Education Costs

\$1.0 million

The Governor 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), transitioning to this new methodology 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 each year (a total of \$2.5 million over five years). The Governor's proposal 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 Governor includes \$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. However, the Governor does not identify which specific cost reductions will be achieved through this effort, but attributes \$4.5 million in placement savings as compared to her FY2015 Revised Budget.

Working Group to Reinvent Medicaid

(\$750,000)

The Governor includes \$750,000 in unspecified Medicaid savings associated with the recommendations to be issued on or before April 30, 2015, by the Working Group to Reinvent Medicaid. These savings will be derived from interventions for high-utilizers, payment reform for hospitals, managed care, behavioral health, long term care, and hospitals, as well as from improved program oversight and efficiency.

Within DCYF, Medicaid funds (both the state match and federal match) are used to fund direct services to DCYF youth, which includes youth served by the SOC networks. The Department's FY2016 budget as recommended by the Governor is comprised of \$41.5 million in Medicaid funding (\$21.7 million in general revenue for the state match and \$41.5 million in federal funds), or nearly 20.0 percent of its FY2016 budget.

On February 26, 2015, the Governor signed an executive order creating the Working Group to Reinvent Medicaid. This group is tasked with both recommending near-term quality improvements and cost saving measures for inclusion in the Governor's FY2016 Budget as well as submitting a multi-year plan for long-term systemic improvement of the Medicaid program and all State publicly financed healthcare.

RI Hospital PANDA Contract

(\$100,000)

The Governor reduces funding for the Physical Abuse, Neglect Diagnostic Assessment (PANDA) clinic 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 Governor recommends 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 Governor	\$4,593,903

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

The Governor's budget assumes general revenue savings of nearly \$1.0 million in FY2016 as compared to the FY2015 enacted level. The State Budget Office does not specify which contracts outside of the SOC networks will be impacted by this reduction, but rather indicates that it will be up to DCYF to determine which specific providers and contracts are impacted.

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 Governor	\$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 Governor recommends 210.5 FTE positions for the program in FY2016, 7.0 FTE positions less than the enacted level in 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 Governor	\$25,591,602

Personnel and Overtime Costs

\$1.8 million

The Governor increases personnel funding within Juvenile Corrections, which includes personnel at the Rhode Island Training School (RITS) by \$1.8 million in general revenue.

According to the State Budget Office, this estimate was derived from 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 Governor 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 Governor 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 Governor funds eight capital projects, recommending \$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. Major changes 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 Governor budget approximately doubles current funding levels to permit DCYF to replace generators in both facilities at the RITS.
- The Governor 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, which are anticipated to be completed in the current fiscal year (FY2015).

Department of Health

Expenditures by Program	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted		FY2016 Governor	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	(\$1.3)	-1.1%
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	67.0	1.9	2.9%	63.4	(1.7)	-2.6%
Restricted Receipts	29.3	34.6	36.1	1.5	4.4%	32.1	(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	(\$1.3)	-1.1%
Authorized FTE Levels	491.1	491.3	491.3	-	0.0%	488.6	(2.7)	-0.5%

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

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

MAJOR ISSUES AND TRENDS FOR FY2016

The Governor consolidates 25 of the non-prescribing health professional boards overseen by the Department of Health (DOH) into one new board, the Health Professions Board of Review, which will convene a minimum of six times per year (Article 19). The Governor excludes from consolidation the Board of Pharmacy, Optometrists, and Emergency Medical Services (EMS) due to their ability to distribute prescribed medications. Sanitarians and nursing assistants are also excluded as no professional board exists for either profession.

The Governor eliminates licensing requirements for 32 professional licenses issued by a number of departments, the bulk of which are issued by DOH (26). This proposal is estimated to reduce revenue collections by \$365,906 in FY2016.

The Governor 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 FY2014 Budget as Enacted added approximately \$160,000 in general revenue to fully fund the Department's Childhood Lead Poisoning Prevention program at \$600,000, offsetting the loss of a federal grant from the Centers for Disease Control. The Department has since indicated that additional funds may once again be necessary in FY2016. The Governor includes a total of approximately \$600,000 (all funds) for FY2016.

The State Budget Office indicates significant changes have been made to personnel costs and cost allocations 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 are reflective of 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 Governor funds 49.6 FTE positions in FY2016, a reduction of 17.3 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.

Central Management	General Revenue
FY2015 Enacted	\$481,489
<i>Target and Other Adjustments</i>	<i>(12,300)</i>
Personnel Cost Shift	(137,720)
Ebola Response	Informational
FY2016 Governor	\$331,469

Personnel Cost Shift **(\$137,720)**

The Governor 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 Governor's budget does not fund Ebola response-related activities. 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 90 individuals as of January 31, 2015. As of April 1, 2015, DOH received \$2.2 million in federal funding, 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 Governor recommends 122.0 FTE positions in FY2016, an increase of 6.0 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.

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 Governor	\$2,532,862
Community and Family Health and Equity	Other Fund Changes
Health Professional Loan Repayment Program	\$50,000
WiseWoman	7,268

Poison Control Center **\$200,000**

The Governor 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.

Minority Health Promotion Program **\$161,495**

The Governor 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 care 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 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 enacted level, the Governor 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 enacted level.

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, 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 Governor includes 143.0 FTE positions in FY2016, a decrease of 3.9 FTE positions from the enacted level. This reduction includes the 2.0 FTE positions eliminated through the consolidation of 25 non-prescribing health boards.

Environmental and Health Services Regulation	General Revenue
FY2015 Enacted	\$9,251,095
<i>Target and Other Adjustments</i>	<i>278,798</i>
Licensure and Inspection Staff	229,774
Non-Prescribing Board Consolidation	(207,622)
Assisted Living Residences	Informational
Professional Licenses	Informational
FY2016 Governor	\$9,552,045

Licensure and Inspection Staff ***\$229,774***

The Governor 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.

Non-Prescribing Board Consolidation ***(\$207,622)***

The Governor consolidates 25 of the non-prescribing health professional boards overseen by DOH into one new board, the Health Professions Board of Review, which will convene a minimum of six times per year (Article 19). The Governor excludes from consolidation the Board of Pharmacy, Optometrists, and Emergency Medical Services (EMS) due to their ability to distribute prescribed medications. Sanitarians and nursing assistants are also excluded as no professional board exists for either profession.

The board will be chaired by the Director of Health and comprised of 10 additional members appointed by the Governor, based upon recommendations provided by the Director of Health. The article also defines the appointment terms of each member, which vary between members. The Governor also specifies that the new board will be comprised of four professionals licensed in any of the professions for which the board oversees, three members of the general public, and three professionals from the healthcare industry.

Currently, health professionals from each category impacted by this consolidation have at least one member of its board that is a practitioner of that art, science, or calling. The article, however, does permit the director to designate non-voting technical experts to the board from any of the professions impacted by this proposal.

The Governor eliminates 2.0 FTE positions responsible for staffing existing health professional boards, and as a result, assumes approximately \$200,000 in general revenue savings for FY2016.

Assisted Living Residences

Informational

The Governor 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 an annual fee of \$600 to facilities who offer 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 number of incidents, such as reports of abuse and neglect from residents, have continued to increase and require 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 was part of a broader effort by DOH to update the minimum assisted living facility licensing standards. Over 50 changes were proposed, which included 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. The State Budget Office projects 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 32 professional licenses issued by DBR (3), DOH (26), RIDE (1), and DEM (2). The table below outlines which DOH-licensed professions would be impacted.

DOH License Type	Resident Licensing Fee	DOH License Type	Resident Licensing Fee
Acupuncture Assistant	\$310	Manicurist Instructor	\$25
Athletic Trainer	60	Clinical Histologic Technician	60
Audiologist Support Person	50	Clinical Laboratory Scientist	60
Barber Apprentice	50	Clinical Laboratory Technician	60
Barber Demonstrator's Permit	N/A	Cytotechnologist	75
Barber Instructor	25	Music Therapist	90
Electrologist Apprentice	50	Occupational Therapist Assistant	140
Electrologist Instructor	25	Orthotist	120
Esthetician Demonstrator's Permit	N/A	Physical Therapist Assistant	50
Esthetician Instructor	25	Prosthetist	120
Hairdresser/Cosmetologist Demonstrator's Permit	N/A	Radiologist Assistant	85
Hairdresser/Cosmetologist Instructor	25	Sanitarian	25
Manicurist Demonstrator's Permit	N/A	Speech-Language Pathologist Support Person	50 late fee

Eliminating the licensing and associated fees reduces revenues by \$365,906 in FY2016 and \$218,051 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 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.

Analyst's Note: During a March 31, 2015, Senate Finance Hearing, a number of licensed health professionals that would be impacted by this proposal testified in opposition to Article 20. This included representatives from the clinical laboratory professions (clinical laboratory scientist and technician, and clinical histologic technician), who indicated that the potential for misdiagnosis increase dramatically if licensure requirements are eliminated.

HEALTH LABORATORIES

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

The Governor recommends 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>	80,226
Maintenance and Supplies	608,954
Lab Personnel	556,058
FY2016 Governor	\$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 enacted budget did not provide sufficient funding for these costs, and the Governor's 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 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 Governor 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 funds a reduction in the assumption of personnel savings 2.0 percent cost-of-living adjustment, and other statewide adjustments. With regards to personnel savings, funding partially supports staff (3.0 Forensic Scientist Positions) 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.

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 Governor recommends 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	105,122
FY2016 Governor	1,717,250

Communicable Disease

\$105,122

To support the Department's communicable disease prevention efforts, the Governor includes an additional \$105,122 for software maintenance costs associated with the National Electronic Disease Surveillance System, the costs of which were previously funded by federal funds and vary from year to year. The total cost of the upgrade for FY2016 is projected to be \$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 Governor recommends 44.0 FTE positions in FY2015, an increase of 6.2 FTE positions from the 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 Governor	\$1,556,492

Public Health Information	Other Fund Changes
SIM Grant	\$121,191
<i>SIM Grant Support (federal funds)</i>	<i>\$121,191</i>

For DOH, the Governor's 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 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 Governor recommends 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 Governor	\$2,774,940

Personnel Cost Shift and Other Personnel Changes **\$834,344**

The Governor 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 Governor 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 Governor completes the upgrade of the State's outdated birth records system within Vital Records. The total cost of this module is \$858,941, including \$500,000 in federal funds in FY2015. This project updates the currently paper-based system to comply with federal regulation.

Department of Human Services

	FY2014	FY2015	FY2015	Change		FY2016	Change	
Expenditures by Program	Actual	Enacted	Governor	from Enacted		Governor	from Enacted	
Central Management	\$10.5	\$9.3	\$9.7	\$0.4	4.4%	\$9.7	\$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%	20.5	0.5	2.5%
Individual and Family Support	139.4	157.5	166.0	8.4	5.3%	155.7	(1.9)	-1.2%
Rhode Island Works	85.3	86.7	86.1	(0.6)	-0.7%	88.6	1.9	2.2%
State Funded Programs	288.1	302.3	269.7	(32.6)	-10.8%	269.7	(32.6)	-10.8%
Supplemental Security Income Program	18.3	18.6	18.5	(0.1)	-0.6%	18.7	0.1	0.7%
Veterans' Affairs	29.2	28.4	29.9	1.5	5.4%	29.4	1.0	3.5%
Elderly Affairs	16.9	18.7	18.1	(0.6)	-3.2%	18.4	(0.4)	-1.9%
Total	\$613.3	\$649.8	\$627.9	(\$21.9)	-3.4%	\$620.4	(\$29.4)	-4.5%
Expenditures by Source								
General Revenue	\$92.1	\$96.3	\$94.8	(\$1.5)	-1.6%	\$96.4	\$0.1	0.1%
Federal Funds	514.0	547.3	525.7	(21.6)	-3.9%	517.6	(29.8)	-5.4%
Restricted Receipts	2.4	1.8	3.0	1.2	68.3%	2.1	0.3	15.5%
Other Funds	4.9	4.3	4.3	-	0.0%	4.3	-	0.0%
Total	\$613.3	\$649.8	\$627.9	(\$21.9)	-3.4%	\$620.4	(\$29.4)	-4.5%
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 Governor 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 Governor 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 the FY2015 Revised Budget. 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.

The Governor continues to fund the temporary extension of child care subsidies to those earning up to 225.0 percent of the federal poverty level, through FY2016. This increase in the income eligibility ceiling for low-income subsidized child care from the previous limit of 180.0 percent was initially included in the FY2014 Budget as Enacted. Under current law, the pilot is anticipated to sunset on September 30, 2017 (at the end of the first quarter of FY2017).

Although the Governor does not increase the Department-wide FTE cap, and permits DHS to determine which positions will be filled, the Governor does authorize new FTE positions within the Department with the expectation that other positions, at the discretion of the Department, will remain unfilled (36.5 FTE positions). As of March 7, 2015, 10.7 percent of the Department's authorized FTE positions remain vacant, which is higher than the statewide average vacancy rate of 8.4 percent.

Caseload Estimating Conference

Every November and May, the State revises cash assistance caseload forecasts in order to estimate entitlement program spending for both the current and the following fiscal year. The November 2014 Caseload Estimating Conference adopted estimates dictate the entitlement program appropriations included in the Governor's Budget.

Overall spending for cash assistance programs, which includes RI Works, child care subsidies to working families, Supplemental Security Income (SSI) state supplement, and General Public Assistance (GPA), is estimated to be \$108.7 million in FY2016, an increase of \$2.0 million from the enacted level. The major contributor to this increase is the continuation of the transitional child care expansion pilot program combined with continued program growth within the traditional child care assistance program (\$4.1 million federal funds increase), offset by a reduction in caseload within RI Works (\$2.2 million federal funds decrease) from 14,450 in FY2015 to 13,475 persons in FY2016.

Cash Assistance Program - November 2014 Adopted Estimates			
	FY2015 Enacted	FY2016 Adopted	Change to Enacted
Rhode Island Works	\$35.6	\$33.3	(\$2.2)
Federal Funds	35.6	33.3	(2.2)
Child Care	\$51.1	\$55.3	\$4.1
Federal Funds	41.5	45.6	4.1
General Revenue	9.7	9.7	-
SSI - State Supplement	\$18.6	\$18.7	\$0.1
General Revenue	18.6	18.7	0.1
General Public Assistance	\$1.4	\$1.4	(\$0.0)
General Revenue	1.4	1.4	0.0
Total	\$106.7	\$108.7	\$2.0
Federal Funds	77.0	78.9	1.9
General Revenue	29.7	29.8	0.2

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

CENTRAL MANAGEMENT

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

The Governor recommends 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 Governor does not add funding to support these positions, but rather assumes increased turnover to fund these positions as well as the 2.0 percent COLA increase.

Central Management	General Revenue
FY2015 Enacted	\$4,967,120
<i>Target and Other Adjustments</i>	<i>65,694</i>
FY2016 Governor	\$5,032,814

INDIVIDUAL AND FAMILY SUPPORT

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

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

The Governor recommends 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>	<i>242,033</i>
Unified Health Infrastructure Project	(690,480)
Non-Emergency Medical Transportation	(522,469)
Urban Institute Work Support Strategies Grant	(495,177)
SNAP Payment Error Rates	Informational
FY2016 Governor	\$22,946,992

Unified Health Infrastructure Project **(\$690,480)**

The Governor 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 Medical Transportation **(\$522,649)**

In May 2014, DHS contracted with Logisticare, a centralized transportation broker, to administer and manage the non-emergency medical 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 Governor’s 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 RIPTA to fund paratransit services for the disabled.

Services provided by Logisticare including 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 Governor 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).

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). DHS indicates it will receive notice in June 2015 regarding its error rate for FFY2014, however, it does not anticipate a penalty for that year. 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 pay half of the penalty assessed 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 remaining half of the penalty. For example, for FFY2011, a penalty of \$519,251 was assessed, however, only \$259,625.50 was due 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 the full, initial penalty amount of \$519,251 for FFY2011.

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.

Analyst's Note: The Department was unable to provide data as to whether error rates are improving based on the additional investments. Given past history and the discrepancy between the target error rate and Rhode Island's actual rates, it appears likely the State will face a penalty for FFY2014. This is not included in the Governor's budget.

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
Caseload Estimating Conference	Informational
Child Care Expansion Pilot Programs	Informational
FY2016 Governor	\$9,668,635

Caseload Estimating Conference

The November 2014 Caseload Estimating Conference (CEC) estimated a Rhode Island Works caseload average of 13,475 recipients and total program cost of \$33.3 million for FY2016, all of which is federal funds. Rhode Island also provides child care assistance to families and is available to low income families (typically, families earning less than 180.0 percent of the federal poverty level are eligible). The CEC adopted a FY2015 estimate of 7,950 child care subsidies at a total cost of \$55.3 million (\$9.7 million in general revenue), including caseload projections for both the primary and pilot programs (discussed below).

Child Care Expansion Pilot Programs

Informational

Beginning October 1, 2013, two pilot programs expanded access to child care assistance: the Transitional Child Care Pilot Program and the Back to Work RI Child Care Assistance Pilot Program.

- 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. Families who receive child care assistance may continue to participate in this program until September 30, 2016 (through the first quarter of FY2017).
- Contingent upon available funding, the **Back to Work RI Child Care Assistance Pilot Program** extends eligibility for the Child Care Assistance Program (CCAP) to low-income families participating in certain work preparedness activities and who require child care to participate. This program will expire on June 30, 2015 (end of FY2015).

Since the inception of both pilot programs, a total of 455 families with 701 children either maintained eligibility or became newly eligible for child care assistance. On average, these children represent 3.8 percent of all CCAP children each month.

Child Care Expansion - Total Participation and Expenditures¹

Program	# families	# children	Monthly Avg. % of	
			All CCAP Children	Total Cost
Transitional Pilot Program (Child Care "Cliff")	433	657	3.5%	\$994,807
Back to Work RI Pilot Program	22	44	0.2%	62,362
Total	455	701	3.8%	\$1,057,169

¹Caseload and expenditure data from 10/1/13 to 3/1/15.

Source: Department of Human Services

The Governor's budget funds the Transitional Child Care Assistance Program through the remainder of FY2015 and FY2016. The Back to Work RI Pilot Program is anticipated to be sufficiently funded to support demand in FY2015 (approximately half of the \$100,000 in general revenue in initially allocated in the FY2014 Enacted Budget remains unspent due to delays in program implementation and lower-than-projected caseloads), and the Governor does not recommend additional funding to continue the pilot in FY2016 as current law sunsets the pilot on June 30, 2015.

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 in law 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	39,560
FY2016 Governor	\$1,655,560

Caseload Estimating Conference **\$39,560**

Estimators at the November 2014 Caseload Estimating Conference (CEC) projected a reduction in the number of persons receiving general public assistance from 500 to 455 based upon recent program trends. 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 \$1.7 million in FY2016, a \$39,560 general revenue increase from FY2015.

The GPA hardship contingency fund, which is funded outside of the CEC, was funded at \$210,000 in general revenue in the FY2015 Budget as Enacted. The Governor proposes level funding 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 December 2014, the federal benefit increases by 1.7 percent.

The maximum state-funded monthly payments and DHS caseload projections for FY2016 are outlined in the following table, which are not at the discretion of the Governor.

SSI State Supplement Category ¹	Maximum State Benefit	FY2016 Federal & State Benefit Recipients	FY2016 State-Only Recipients	State-Only as % of Total
Assisted Living	\$332.00	375	161	42.9%
Persons ²	97.30	33,482	750	2.2%

¹Caseload projections are based off of DHS estimates provided during the November 2014 Caseload Estimating Conference

²Includes couples and individuals, which impacts max payment amount.

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
Caseload Estimating Conference	\$126,127
FY2016 Governor	\$18,705,407

Caseload Estimating Conference **\$126,127**

The November 2014 CEC estimate reflects an SSI caseload average of 34,239 in FY2016, with individuals receiving an estimated average monthly payment \$45.40 for total general revenue costs of \$18.7 million (included \$52,000 in fees associated with the SSI program) in FY2016.

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 Governor recommends 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>
FY2016 Governor	\$8,571,757

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 Governor's 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>	<i>222,304</i>
Veterans' Home - New Construction	Informational
FY2016 Governor	\$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 Governor's proposed 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 and construction of the new home is scheduled to begin spring 2015 (late April to early May). The Governor's recommendation assumes 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 Governor recommends 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 Governor	\$2,996,584

Child Support Enforcement **\$408,000**

The Governor 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 Governor 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 Governor 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 Governor recommends 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
Working Group to Reinvent Medicaid	(250,000)
FY2016 Governor	\$6,350,470

Elderly Affairs	Other Fund Changes
RIPAE Rebates	(\$162,103)

Meals on Wheels **\$330,000**

The Governor 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 an unspecified number of additional meals, however, there are currently no waiting lists in Rhode Island for Meals on Wheels services.

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

Meals on Wheels - DHS/DEA Grant Awards			
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 Gov	530,000

Source: DHS/DEA

Wheels, more than half of all meals served are attributable to its congregate dining programs.

Working Group to Reinvent Medicaid **(\$250,000)**

The Governor includes \$250,000 in unspecified Medicaid savings associated with the recommendations to be issued on or before April 30, 2015, by the Working Group to Reinvent Medicaid. These savings will be derived from interventions for high-utilizers, payment reform for hospitals, managed care, behavioral health, long term care, and hospitals, as well as from improved program oversight and efficiency.

On February 26, 2015, the Governor signed an executive order creating the Working Group to Reinvent Medicaid. This group is tasked with both recommending near-term quality improvements and cost saving measures for inclusion in the Governor's FY2016 Budget as well as submitting a multi-year plan for long-term systemic improvement of the Medicaid program and all State publicly financed healthcare.

Within DHS, the remaining Medicaid funds in DHS support the Division of Elderly Affairs for programs such as adult day care, home care, and in-home case management services for the elderly. The Governor has yet to identify specifically how and where the savings will be achieved within each impacted department (DHS, Department of Children, Youth, and Families, the Office of Health and Human Services, and the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals).

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 Governor's 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:

	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 Governor recommends 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 in the Governor's budget for DHS are anticipated to be completed by 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 and construction of the new home is scheduled to begin spring 2015 (late April to early May). The Governor's recommendation 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 fees revenue associated with the Veterans' Home.

- \$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 for the next five years while the new Home is being constructed.
- \$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 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted		FY2016 Governor	Change 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	3.9	(0.1)	-1.9%	2.8	(1.1)	-29.2%
Service for the Developmentally Disabled	229.4	227.4	226.7	(0.7)	-0.3%	230.9	3.5	1.5%
Behavioral Healthcare Services	98.7	19.0	21.1	2.1	10.9%	19.3	0.3	1.5%
Hospital & Community Rehabilitation Svcs	113.7	113.7	111.6	(2.1)	-1.8%	112.3	(1.4)	-1.2%
Total	\$445.7	\$365.5	\$364.8	(\$0.7)	-0.2%	\$366.9	\$1.4	0.4%
Expenditures by Source								
General Revenue	\$200.2	\$167.5	\$168.8	\$1.3	0.8%	\$170.4	\$2.9	1.7%
Federal Funds	228.6	181.2	181.2	(0.0)	0.0%	180.6	(0.6)	-0.3%
Restricted Receipts	8.5	7.2	6.1	(1.1)	-15.7%	6.7	(0.5)	-7.4%
Other Funds	8.5	9.6	8.8	(0.8)	-8.5%	9.2	(0.4)	-4.5%
Total	\$445.7	\$365.5	\$364.8	(\$0.7)	-0.2%	\$366.9	\$1.4	0.4%
Authorized FTE Levels	1,422.4	1,422.4	1,422.4	-	0.0%	1,421.4	(1.0)	-0.1%

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

The Department of Behavioral Health, 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 Governor's 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.

MAJOR ISSUES AND TRENDS FOR FY2016

The Governor's recommendation for BHDDH largely represents level funding for services to the populations served by the Department, with two significant exceptions. The Governor includes a \$3.9 million general revenue increase for services for individuals with developmental disabilities (DD), both for compliance with the Consent Decree between United States Department of Justice and the Department and to restructure the current payment methodology for services for the developmentally disabled. Also of significance, the Governor reduces general revenue by \$2.0 million for the Eleanor Slater Hospital (\$4.0 million all funds). These reductions, though unspecified in BHDDH's budget as initially submitted to the General Assembly, will be itemized on or around April 30, 2015, when the Governor's Working Group to Reinvent Medicaid presents its recommendations.

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

Despite these efforts, however, overtime costs at RICLAS have exceeded budgeted amounts in the current fiscal year, and for FY2015 the Governor recommends increased overtime funding of \$1.0 million for a total of \$5.2 million. The Department notes that the absence of an agreement with the union regarding

seasonal employees has resulted in increased overtime costs. The previous agreement expired in June 2014. The FY2016 recommendation assumes overtime costs based upon a new agreement which would again allow seasonal employees to supplement full time employee hours, rather than having overtime costs supplement these hours.

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 Governor recommends 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 Governor	\$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 Governor recommends 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 Departmental programs.

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 Governor	\$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 Governor's initiative to consolidate 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 Governor recommends 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>
Restructure Provider Payment System	2,000,000
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 Governor	\$114,123,111

Restructure Provider Payment System **\$2.0 million**

The Governor 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 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 US 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 excessively regulatory and administratively difficult for providers.

Analyst's Note: The \$2.0 million increase for this initiative currently serves as a placeholder for the actual increase, as the Department has not yet finalized the new methodology nor the statutory language required for this change.

Consent Decree Compliance

\$1.9 million

A consent decree entered into between the Department and the DOJ requires additional spending for more 1:1 services to individuals with developmental disabilities and for consultants and contracts.

In January 2014, 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 their 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.

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 Governor 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 included in 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.
- Services, as more 1:1 employment supports will be required. These services are initially more costly than group day programs, as individuals require more intensive services as they begin employment. Once established, however, supported employment is less costly as individuals acquire skills and gain independence.

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 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 Governor 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 \$1.6 million in general revenue savings (\$3.2 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 State 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.

BHDDH proposes to automate this process. Providers will now to 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. The new process mirrors that currently used for cost of care payments for those receiving services for the elderly.

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 Governor recommends 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 Governor	\$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 Governor 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, for example.

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 on establishing new 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 Governor recommends 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>
Working Group to Reinvent Medicaid	(2,000,000)
Personnel Increase	1,635,460
Closure of Zambarano Group Homes	(449,742)
Consolidation of Food Services	(150,000)
FY2016 Governor	\$51,525,550

Working Group to Reinvent Medicaid **(\$2.0 million)**

The Governor's budget includes \$2.0 million in general revenue reductions to the Eleanor Slater Hospital (\$4.0 million all funds). These reductions, though unspecified in BHDDH's budget as initially submitted to the General Assembly, will be itemized on or around April 30, 2015, when the Working Group to Reinvent Medicaid presents its recommendations.

On February 26, 2015, the Governor signed an executive order creating the Working Group to Reinvent Medicaid. This group is tasked with both recommending near-term quality improvements and cost saving measures for inclusion in the Governor's FY2016 Budget, as well as submitting a multi-year plan for long-term systemic improvement of the Medicaid program and all State publicly financed healthcare.

The Working Group is comprised of twenty-nine healthcare providers, insurers, advocates, and lawmakers, along with those with expertise in business and economics.

The Governor's Budget includes Reinvent Medicaid savings across four agencies:

FY2016 Reinvent Medicaid Savings	General Revenue	All Funds
Executive Office of Health and Human Services	\$43.0	\$86.6
Behavioral Healthcare Disabilities and Hospitals	2.0	4.0
Department of Children Youth and Families	0.8	1.5
Department of Human Services	0.3	0.5
Total	\$46.0	\$92.6

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

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 Governor proposes 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 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.

Consolidation of Food Services**(\$150,000)**

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.

CAPITAL PROJECTS

The Governor recommends funding for twelve projects as part of the BHDDH Capital Budget, totaling \$7.0 million from all sources for FY2016.

New Psychiatric Hospital

The Governor does not recommend further funding for the construction of a new public psychiatric hospital. This is consistent with the enacted 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 is due at the end of April 2015.

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.

This project was initially funded in FY2007 with \$3.4 million to refurbish aging buildings. For FY2011, the project changed to include demolition of the existing buildings and construction of a new building and was funded with \$28.3 million. In FY2012, project costs were raised to \$38.4 million and included a project manager. In the FY2015 request, the project cost increased to \$41.6 million due to new federal guidelines that require additional rooms and spaces be added to the facility's footprint as well as to rising Rhode Island construction costs. The June 2014 change order request revised costs to \$57.6 million. The

FY2016 budget request raised the cost to \$60.7 million due to rising construction costs and the cost reoccurrence for A&E and permitting associated with the one-year delay. BHDDH estimates that if the project were delayed for three years as is currently budgeted, the cost reaches \$70.0 million.

Other projects funded in the Governor's 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 Governor	Change from Enacted		FY2016 Governor	Change from Enacted
Governor's Commission on Disabilities	\$871,546	\$1,508,802	\$1,572,596	\$63,794	4.2%	\$0	(\$1,508,802) -100.0%
Expenditures by Source							
General Revenue	\$339,529	\$358,275	\$357,141	(\$1,134)	-0.3%	\$0	(\$358,275) -100.0%
Federal Funds	50,799	141,350	305,524	164,174	116.1%	-	(141,350) -100.0%
Restricted Receipts	6,898	9,177	9,931	754	8.2%	-	(9,177) -100.0%
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%	\$0	(\$1,508,802) -100.0%
Authorized FTE Levels	4.0	4.0	4.0	-	0.0%	-	(4.0) -100.0%

The Governor's Commission on Disabilities advocates for people with disabilities, expands economic opportunities for businesses owned by or employing people with disabilities and their families, and ensures that people with disabilities have access to government. The Commission is responsible for coordinating compliance by state agencies with federal and State disability rights laws.

MAJOR ISSUES AND TRENDS FOR FY2016

The Governor consolidates the Governor's Commission on Disabilities into a single, new Division of Advocacy within the Executive Office of Health and Human Services (OHHS) under Article 18, along with three additional advocacy agencies (the Commission on the Deaf and Hard of Hearing, the Office of the Mental Health Advocate, and the Office of the Child Advocate).

This consolidation is for administrative purposes only. The Budget Office anticipates that, through this consolidation, overlaps in administrative functions, including purchasing, finance, and grant administration, will be identified over time.

The Governor's budget funds 17.0 FTE positions within the new Division (increasing one currently part time attorney position within the Office of the Mental Health Advocate to full time), and transfers current services funding from the four agencies to OHHS. This includes 1.0 executive secretary position, 2.0 assistant Americans with Disabilities Act (ADA) coordinator positions, and 1.0 public education aid position from the Commission. The Budget Office anticipates that future turnover among FTE positions will allow for the Secretariat to reevaluate personnel needs of the consolidated Division.

Analyst's Note: On March 31, 2015, the Governor submitted a budget amendment to withdraw Article 18 from the FY2016 Governor's Budget. However, the amendment does not remove the transferred funds from OHHS under Article 1.

Governor's Commission on Disabilities	General Revenue
FY2015 Enacted	\$358,275
<i>Target and Other Adjustments</i>	<i>(358,275)</i>
FY2016 Governor	\$0
	Other Fund Changes
Handicapped Accessibility Capital Projects	Informational

Handicapped Accessibility Capital Projects (RICAP funds)

Informational

The Governor's Commission on Disabilities currently coordinates the expenditure of capital improvement funding for projects to bring State governmental facilities into compliance with the ADA. The Governor proposes to consolidate 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 Governor provides a total of \$5.0 million in Rhode Island Capital Plan (RICAP) expenditure funds from FY2016 through FY2020 (\$1.0 million annually) to 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.

Commission on the Deaf and Hard of Hearing

Expenditures by Program	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted		FY2016 Governor	Change from Enacted
Commission on the Deaf and Hard of Hearing	\$399,505	\$474,279	\$478,741	\$4,462	0.9%	\$0	(\$474,279) -100.0%
Expenditures by Source							
General Revenue	\$375,549	\$394,279	\$398,741	\$4,462	1.1%	\$0	(\$394,279) -100.0%
Restricted Receipts	23,956	80,000	80,000	-	-	-	(80,000) (1.0)
Total	\$399,505	\$474,279	\$478,741	\$4,462	0.9%	\$0	(\$474,279) -100.0%
Authorized FTE Levels	3.0	3.0	3.0	-	0.0%	-	(3.0) -100.0%

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 Governor consolidates the Commission on the Deaf and Hard of Hearing into a single, new Division of Advocacy within the Executive Office of Health and Human Services (OHHS) under Article 18, along with three additional advocacy agencies (the Governor's Commission on Disabilities, the Mental Health Advocate, and the Office of the Child Advocate).

This consolidation is for administrative purposes only. The Budget Office anticipates that, through this consolidation, overlaps in administrative functions, including purchasing, finance, and grant administration, will be identified over time.

The Governor's budget funds 17.0 FTE positions within the new Division (increasing one currently part time attorney position within the Office of the Mental Health Advocate to full time), and transfers current services funding from the four agencies to OHHS. This includes 1.0 executive director position, 1.0 program management position, and 1.0 interpreter referral specialist position who also serves in an administrative capacity within the Commission. The Budget Office anticipates that future turnover among FTE positions will allow for the Secretariat to reevaluate personnel needs of the consolidated Division.

Analyst's Note: On March 31, 2015, the Governor submitted a budget amendment to withdraw Article 18 from the FY2016 Governor's Budget. However, the amendment does not remove the transferred funds from OHHS under Article 1.

Commission on the Deaf and Hard of Hearing	General Revenue
FY2015 Enacted	\$394,279
<i>Target and Other Adjustments</i>	<i>(394,279)</i>
FY2016 Governor	\$0

	Other Fund Changes
Emergency and Public Communications Access Program	Informational

Emergency and Public Communications Access Program (restricted receipts) **Informational**

The Emergency and Public Communications Access Program (EPCAP) seeks to improve emergency communication and communication access within state departments, and to support emergency responder training. 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 Governor maintains funding for the EPCAP at the enacted level of \$80,000 for FY2016, which includes \$42,200 for a contracted part-time program coordinator; \$18,300 for contract trainers, consultants, and interpreter services; and \$19,500 for equipment, advertising, and other expenses. Consistent with the remainder of the Governor's proposal, this program and its funding would transfer to OHHS.

Office of the Child Advocate

Expenditures by Program	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted		FY2016 Governor	Change from Enacted
Child Advocate	\$583,702	\$661,817	\$683,154	\$21,337	3.2%	\$0	(\$661,817) -100.0%
Expenditures by Source							
General Revenue	\$544,231	\$611,817	\$633,154	\$21,337	3.5%	\$0	(\$611,817) -100.0%
Federal Funds	39,471	50,000	50,000	-	0.0%	-	(50,000) -100.0%
Total	\$583,702	\$661,817	\$683,154	\$21,337	3.2%	\$0	(\$661,817) -100.0%
Authorized FTE Levels	5.8	6.0	6.0	-	0.0%	-	(6.0) -100.0%

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 Governor consolidates the OCA into a single, new Division of Advocacy within the Executive Office of Health and Human Services (OHHS) under Article 18, along with three additional advocacy agencies (the Governor's Commission on Disabilities, the Mental Health Advocate, and the Commission on the Deaf and Hard of Hearing).

This consolidation is for administrative purposes only. The Budget Office anticipates that, through this consolidation, overlaps in administrative functions, including purchasing, finance, and grant administration, will be identified over time.

The Governor's budget funds 17.0 FTE positions within the new Division (increasing one currently part time attorney position within the Office of the Mental Health Advocate to full time), and transfers current services funding from the four agencies to OHHS. This includes 1.0 child advocate position, 1.0 assistant child advocate position, 1.0 staff attorney position, 1.0 senior monitoring and evaluation specialist position, 1.0 chief field investigator position, and 1.0 administrative assistant position from the OCA.

Analyst's Note: On March 31, 2015, the Governor submitted a budget amendment to withdraw Article 18 from the FY2016 Governor's Budget. However, the amendment does not remove the transferred funds from OHHS under Article 1.

Child Advocate	General Revenue
FY2015 Enacted	\$611,817
<i>Target and Other Adjustments</i>	<i>(611,817)</i>
FY2016 Governor	\$0

Office of the Mental Health Advocate

Expenditures by Program	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted		FY2016 Governor	Change from Enacted
Mental Health Advocate	\$485,005	\$495,010	\$506,078	\$11,068	2.2%	\$0	(\$495,010) -100.0%
Expenditures by Source							
General Revenue	\$485,005	\$495,010	\$506,078	\$11,068	2.2%	\$0	(\$495,010) -100.0%
Authorized FTE Levels	3.7	3.7	3.7	-	0.0%	-	(3.7) -100.0%

The Office of the Mental Health Advocate (OMHA) ensures the legal, civil, and special rights of people with mental illness in Rhode Island. This includes providing legal representation at involuntary commitment proceedings, monitoring procedures and policies at in-patient treatment facilities and community-based mental health programs, proposing and evaluating legislation, and litigating civil rights and treatment rights disputes. The Office also advocates for improvements in the Mental Health System by monitoring and evaluating the quality of services available to clients of the mental health system. The Office seeks to close gaps in the services and programs administered by mental health providers including shortcomings in service related to emergency hospitalizations, psychiatric care for prison inmates, and homelessness among individuals with chronic serious mental illness.

MAJOR ISSUES AND TRENDS FOR FY2016

The Governor consolidates the Office of the Mental Health Advocate into a single, new Division of Advocacy within the Executive Office of Health and Human Services (OHHS) under Article 18, along with three additional advocacy agencies (the Governor's Commission on Disabilities, the Commission on the Deaf and Hard of Hearing, and the Office of the Child Advocate).

This consolidation is for administrative purposes only. The Budget Office anticipates that, through this consolidation, overlaps in administrative functions, including purchasing, finance, and grant administration, will be identified over time.

The Governor's budget funds 17.0 FTE positions for the proposed Division (increasing one currently part time attorney position within the OMHA to full time), and transfers current services funding from the four agencies to OHHS. This includes 1.0 mental health advocate position, 2.0 staff attorney positions (an increase of 0.3 FTE position), and 1.0 administrative assistant position from the OMHA. The Budget Office anticipates that future turnover among FTE positions will allow for the Secretariat to reevaluate personnel needs of the consolidated Division.

Analyst's Note: On March 31, 2015, the Governor submitted a budget amendment to withdraw Article 18 from the FY2016 Governor's Budget. However, the amendment does not remove the transferred funds from OHHS under Article 1.

Mental Health Advocate	General Revenue
FY2015 Enacted	\$495,010
<i>Target and Other Adjustments</i>	<i>(495,010)</i>
FY2016 Governor	\$0

Elementary and Secondary Education

Expenditures by Program	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted		FY2016 Governor	Change from Enacted	
Admin of the Comprehensive Education Strategy	\$226.9	\$235.2	\$239.0	\$3.7	1.6%	\$229.2	(\$6.1)	-2.6%
Central Falls	38.4	39.0	39.0	-	0.0%	39.4	0.4	0.9%
Davies Career and Technical School	17.3	19.1	20.1	1.0	5.4%	18.4	(0.7)	-3.4%
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%	0.1	(11.7)	-99.1%
Education Aid	742.8	776.7	777.2	0.5	0.1%	824.7	48.0	6.2%
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	89.0	(0.5)	-0.6%	92.8	3.3	3.7%
Total	\$1,197.4	\$1,246.1	\$1,251.8	\$5.7	0.5%	\$1,302.9	\$56.8	4.6%
Expenditures by Source								
General Revenue	\$959.9	\$1,004.4	\$1,003.6	(\$0.8)	-0.1%	\$1,067.3	\$62.9	6.3%
Federal Funds	203.8	208.5	213.8	5.3	2.6%	203.0	(5.5)	-2.7%
Restricted Receipts	25.5	27.0	27.4	0.4	1.6%	28.9	2.0	7.4%
Other Funds	8.1	6.2	7.0	0.8	12.4%	3.6	(2.6)	-42.0%
Total	\$1,197.4	\$1,246.1	\$1,251.8	\$5.7	0.5%	\$1,302.9	\$56.8	4.6%
Authorized FTE Levels	357.4	340.9	344.4	3.5	1.0%	339.4	(1.5)	-0.4%

\$ 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 Governor fully funds the fifth year of the education funding formula and provides funding for categorical aid accounting for most of the \$62.9 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 \$1.0 million 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 Governor eliminated 2.5 FTE positions, of the remaining 5.5 FTE positions, and shifts funding for 3.0 of these FTE positions from federal funds to general revenue. The Governor adds \$1.0 million 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 Governor recommends 158.4 FTE positions in FY2015 and 153.4 FTE positions in FY2016 for the program, an increase of 3.5 in FY2015 and a decrease of 1.5 FTE positions in FY2016. 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 Governor's recommended 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.

Race to the Top affiliated FTEs			
	FY2015	FY2015	FY2016
FY2014	Enacted	Governor	Governor
22.0	5.5	9.0	3.0

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 Governor removes the 2.5 positions from RTTT that are not being shifted to general revenue and the 3.5 that are added in the Governor's FY2015 recommendation.

In FY2016, The Governor recommends shifting funding for 3.0 FTE positions from federal to general revenue funding. The FTE decrease of 1.5 positions is due to the decrease of the 2.5 FTE federally funded, the shift of funding for 3.0 FTE positions, 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.)

Administration of the Comprehensive Education Strategy	General Revenue
FY2015 Enacted	\$20,418,574
<i>Target and Other Adjustments</i>	<i>475,020</i>
Maintain Race to the Top Operations	539,000
Woonsocket Grant for Full-Day Kindergarten	(500,000)
Maintain Race to the Top Systems (3.0 FTE positions)	420,965
Teacher Diversity Initiative	250,000
Vision Services	(246,666)
Department of Justice Monitoring and Issue Resolution	(125,000)
FY2016 Governor	\$21,231,893

Administration of the Comprehensive Education Strategy	Other Funds Changes
Race to the Top	(\$2,208,586)
Race to the Top Early Learning Challenge	501,168

Maintain Race to the Top Operations **\$539,000**

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 Governor recommends additional general revenue expenditures to

provide ongoing support for investments made through the federal RTTT grant and the priority in the strategic plan to *Ensure Educator Excellence*. Additional funding includes:

- **RI Instructional Management System:** \$180,000 in maintenance and fees for an on-line, informational system which combines curriculum, assessment, instructional practice tools, and student data for educators and administrators into one system. This is the largest and most expensive of the RTTT initiatives.
- **Teacher Assessment Training and Teacher Support:** \$150,000 for assessment training data analysis and maintenance support for Instruction Management System.
- **RI Evaluation Model:** \$140,000 to maintain the system that schedules observations, tracks scores, and is linked to the RI teacher certification system.
- **Single Sign-On System:** \$32,000 increase (for a total cost of \$95,750), to provide single sign-on for users of the new data system.
- **New Principals Evaluation:** \$25,000 to support professional evaluation models by providing technical assistance, policy support with research and new best practices.
- **New Teacher Center:** \$12,000 in additional funding for total funding of \$57,150 for the new teacher induction model that is used for training new teachers throughout the state. New Teacher Center (NTC) is a national non-profit dedicated to improving student learning by accelerating the effectiveness of new teachers and school leaders. NTC works with schools districts, state policymakers, and educators across the country to develop and implement induction programs aligned with district learning goals. NTC induction programs include one-on-one mentoring and professional development, all taking place within school environments that support new teachers. The funding is used to pay licensing fees for the model and related materials.

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 Governor 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 Systems (3.0 new FTE positions)

\$420,965

In FY2016, the Governor funds 3.0 FTE positions previously funded with federal RTTT funds. The Department considers the positions crucial to the Department's mission and the priority in the strategic plan to *Ensure Educator Excellence*, as well as ensuring that the progress made through the RTTT grant continues and is not lost. Federal funding for Race to the Top (RTTT) will expire on July 1, 2015. 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 recommended positions are as follows:

- **Performance Management Executive (1.0 FTE):** \$144,981 salary and benefits – responsible for operation and maintenance of the Department's performance management system, including ED Stats for major programs and performance review of professional staff.
- **Teacher Certification and Educator Performance Support (1.0 FTE):** \$139,790 salary and benefits – provide support for RIDE's e-certification platform, data analysis, helpdesk-like support to members in the field, and fulfill requests for certification and evaluation, as well as other data collections. Position responsibilities also include working with Local Education Agencies (LEAs) to ensure data quality.

- **Education Specialist to Support RI Evaluation Model (1.0 FTE):** \$136,193 salary and benefits – develop and implement professional practice and foundations training for evaluators using the RI Model developed by the Department, develop and provide training on student learning aspect for all approved models, produce guidebooks and other guidance documents on an annual basis. The model also provides technical support to LEA's.

Teacher Diversity Initiative

\$250,000

The Governor provides \$250,000 in general revenue to fund a new grant program to focus efforts on recruiting a more diverse pool of educators to reflect the demographics of the students in high-need districts around the State. The grants will be available to approved teacher preparation programs with a strategy to recruit, select, train, certify, and support teachers of color. Recipients will be required to track their progress in recruiting and certifying teachers of color and to describe their progress and challenges through quarterly reports.

Vision Services

(\$246,666)

FY2016 is the third and final year in a three-year plan to shift 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.

Department of Justice Monitoring and Issue Resolution

(\$125,000)

The FY2015 Budget as Enacted includes \$125,000 in general revenue for the Department's share of costs associated with settlement and monitoring fees regarding the United States Department of Justice's (USDOJ) investigation into the Training Thru Placement program. In January of 2013, the USDOJ notified Rhode Island that an investigation had been initiated into whether the State had violated Title II of the Americans with Disabilities Act of 1990 which prohibits discrimination on the basis of disability in the services, programs, or activities of all State and local governments. The investigation focused on the wages and conditions of people with disabilities working at the Training Thru Placement program housed at the Harold H. Birch Vocational Program at Mount Pleasant High School. In addition to investigating the Department, the USDOJ investigated the Office of Health and Human Services, the Department of Human Services, the Department of Behavior Health Developmental Disabilities and Hospitals, and a local school department. An interim agreement was signed that settles the case as filed in federal court and requires the Department to carry out certain remedial actions to address the rights of people with disabilities to receive state- and city-funded employment and daytime services in the broader community rather than in segregated facilities. The Department has not been notified of any additional actions or payments necessary in FY2016; consequently, the budget removes the \$125,000 in general revenue expenditures.

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 - 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 Governor recommends \$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 Governor recommends \$39.4 million for the Central Falls School Department in FY2016. This includes the formula distribution as well as \$1.9 million in funding through the Central Falls Stabilization Fund. (*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	(1,532,037)
Central Falls Stabilization	1,890,791
FY2016 Governor	\$39,369,337

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 Governor recommends funding 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 Governor recommends \$11.7 million in general revenue funding for the Davies Career and Technical School, a decrease of \$583,371 from the FY2015 Budget as Enacted. *(See Education Aid in the Special Report section of this publication for further detail.)*

The Governor recommends 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>(583,371)</i>
FY2016 Governor	\$11,656,803

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 Governor recommends \$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 March 23, 2015, the School has 8.0 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 Governor	\$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 Governor recommends \$10.0 million in general revenue funding for the Met, a decrease of \$513,855 from the FY2015 Budget as Enacted. The Governor also recommends merging the Met's funding formula aid into the education aid account with the other districts and charter schools, instead of showing the school as a separate account. 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>	-
Shifted to Formula Funding	(10,501,360)
FY2016 Governor	\$0

Shifting the Met School to Formula Funding ***(\$10.5 million)***

Shifting the Met School funding to the formula is an accounting change. The shift does not actually save the State money but the change reduces the amount in the account previously used for the Met School by the amount in the FY2015 Budget as Enacted and adds \$10.0 million to the formula distribution account for the FY2016 formula distribution. 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.

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	37,500,135
Shifting Met School to Funding Formula	9,987,505
Group Home Aid	(978,061)
Eliminate Non-Public Textbook Reimbursement	(240,000)
Categorical Aid	Informational
Charter School Growth	Informational
Telecommunications Access Fund (E-Rate)	Informational
FY2016 Governor	\$805,090,287

Education Aid	Other Funds
Statewide Transportation	\$965,554

Year 5 Funding Formula **\$37.5 million**

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

The formula establishes a per-pupil spending amount (\$8,928 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. (*See Education Aid in the Special Report section of this publication.*)

The Governor's FY2016 budget recommendation includes an additional \$37.5 million to fund the fifth year of the funding formula, for a total of \$742.2 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 \$1.4 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 Governor modifies the Full-Day Kindergarten Accessibility Act to require that all districts provide full-day kindergarten by August 2016 and based on a budget amendment 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 \$33.5 million. This total does not include the \$1.4 million for full-day kindergarten implementation. The

remaining difference is due to the decrease in funding to Central Falls (\$1.5 million), Davies (\$583,371), and the Met (\$513,855) in FY2016 relative to the FY2015 enacted level. The increase includes the reduction in the core instruction per pupil from \$8,966 to 8,928 (\$1.2 million decrease), the state share ratio updates (approximately a \$600,000 increase), full-day kindergarten (\$1.4 million increase), charter school growth (\$8.5 million increase), and the cost of the fifth year of the ten-year transition period (\$25.6 million).

Shifting the Met School to Formula Funding

\$10.0 million

Shifting the Met School funding to the formula is an accounting change. The shift does not actually cost the State money but the change adds \$10.0 million to the formula distribution account while providing an equivalent reduction in the account previously used for the Met School. The Met School is governed by a board, appointed by the Board of Education but operated independently. Unlike Davies, the employees at the Met School are not state employees.

Group Homes

(\$1.0 million)

The Governor's FY2016 budget 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, 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. This is a new adjustment to comply with current law.

LEA	Group Home Aid				Change from Enacted		Total Change	FY2016 Total Aid
	FY2015 Enacted	FY2015 Revised ¹	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.

Non-Public Textbook Reimbursement Fund

(\$240,000)

Through Article 6, the Governor eliminates the requirement that school committees provide free textbooks to all students in grades kindergarten through 12th grade who reside in the community, and eliminates \$240,000 in state funding for the reimbursement of costs for English/language arts and history/social studies textbooks. The statute being repealed is associated with the loaning of textbooks to

private-school students from a list published by the Department of Elementary and Secondary Education to private school students; however, the statute also applies to textbooks and school supplies used in the public schools. The repeal of this statute opens the door to allowing school committees to charge public school students for these items.

Analyst's Note: While the Governor eliminates the requirement for school committees to provide free textbooks, the article does not repeal the fund requiring the State reimbursement of costs associated with loaning textbooks. RIGL 16-23-3.1 requires the State to appropriate the funds needed to reimburse school districts for "the cost of English/language arts and history/social studies textbooks that the district has provided to students in grades K-12 pursuant to § 16-23-2." While the Governor eliminates funding for the reimbursement fund (\$240,000), it does not repeal the statutory language establishing the reimbursement.

The following table shows State reimbursements to districts for English/language arts and history/social studies textbooks, and unreimbursed costs to districts for textbooks loaned to private school students in FY2014. Since the cost of the qualified textbooks was reimbursed, districts will not realize any savings for these expenditures; however, by not funding this program in FY2016, the Governor will reduce State expenditures by \$240,000, the amount appropriated in the FY2015 Budget as Enacted. The same amount was appropriated in FY2014; however, the districts only spent \$195,052.

District Costs for Non-Public Textbook Loan Program (FY2014)

District	Reimbursed Unreimbursed			Reimbursed Unreimbursed	
	Cost	Cost		Cost	Cost
Barrington	\$1,460	\$7,171	Middletown	5,203	4,064
Bristol-Warren	2,769	8,714	Narragansett	2,374	4,783
Burrillville	1,471	2,895	New Shoreham	-	-
Central Falls	3,844	6,642	Newport	4,384	4,052
Chariho	2,399	8,749	North Kingstown	13,290	16,725
Coventry	18,941	15,338	North Providence	8,276	7,735
Cranston	6,919	5,455	North Smithfield	3,579	2,269
Cumberland	10,126	4,351	Pawtucket	27,899	18,031
East Greenwich	1,438	6,100	Portsmouth	5,970	12,383
East Providence	3,767	16,191	Providence	12,195	88,170
Exeter-West Greenwich	1,903	5,248	Scituate	2,858	7,361
Foster	458	277	Smithfield	1,719	3,784
Foster-Glocester	904	3,145	South Kingstown	2,021	12,773
Glocester	470	835	Tiverton	1,925	16,927
Jamestown	211	1,366	Warwick	17,686	21,166
Johnston	13,299	16,614	West Warwick	4,491	7,019
Lincoln	5,197	6,755	Westerly	1,939	6,265
Little Compton	723	2,377	Woonsocket	2,944	8,193
			Total	\$195,052	\$359,921

Categorical Funds

Informational

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.*)

The Governor's FY2016 Budget includes funding for all of these categories.

Categorical	Change from Enacted	Total Funding
Transportation	(\$2.0)	\$2.4
High-Cost Special Education	1.0	2.5
Career & Tech. Schools	-	3.5
Early Childhood	1.0	4.0
Regionalization Bonus	-	-
Total	\$0.0	\$12.4

\$ in millions.

- **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. Through Article 6, the Governor eliminates the requirement that school districts provide transportation and textbooks for private school students. Consequently, the Governor recommends funding this category at \$2.4 million in FY2016, a decrease of \$2.0 million from the FY2015 Budget as Enacted, eliminating funding for out-of-district, non-public transportation (\$1.7 million in savings) and reducing funding for regional transportation by \$282,440.
- **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 Governor recommends funding 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 Governor recommends funding 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 Governor recommends funding 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 Governor recommends no funding in FY2016, the fourth year of funding for the regionalized districts, as no new regional districts have been formed. This recommendation represents level funding from the FY2015 Budget as Enacted.

Charter School Growth

Informational

The Governor's FY2016 budget includes \$70.2 million for public charter schools, an increase of \$11.0 million from the FY2015 Budget as Enacted. The Governor's FY2016 Budget includes \$8.5 million for 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 a 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).

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

- 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 Governor also includes funding for new charter schools scheduled to open in FY2016.

- Engineering Early College, which will be located in and enroll students from Providence, will have grades nine through twelve, starting with 100 students in FY2016 and adding 100 students each year until reaching a maximum enrollment of 400 students.
- RIDE 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.

The FY2015 Budget as Enacted includes \$400,000 as the state general revenue match for the E-Rate program. The Department requests an additional \$600,000 in FY2016. It is estimated that the additional general revenue would leverage \$330,000 in federal support. The Governor does not recommend 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.

Analyst's Note: In FY2016, the Governor decreases state funding for the transportation of students to out-of-district non-public schools by \$1.7 million 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 FY2015, the minimum state share is 35.0 percent for school districts and the maximum is 95.7 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. However, through Article

9 of the FY2016 Budget, the Governor shortens the refinancing period to June 30, 2015, in order to direct the savings into the School Building Authority Capital Fund created through the legislation.

Housing Aid/ School Construction Aid	General Revenue
FY2015 Enacted	\$67,949,504
<i>Target and Other Adjustments</i>	-
<i>School Building Authority Capital Fund</i>	20,000,000
<i>Housing Aid</i>	2,957,606
FY2016 Governor	\$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 Governor 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 Department estimates that school housing aid reimbursements will increase by \$3.0 million in FY2016, for a total of \$70.9 million, due to the anticipated completion of some 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>	-
<i>Defined Benefit Plan</i>	3,238,944
<i>Defined Contribution Plan</i>	37,496
FY2016 Governor	\$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 \$6.7 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2015 and \$3.3 million in FY2016, including:

- \$2.4 million in FY2015 and \$2.0 million in FY2016 for capital repairs at three career and technical schools (Cranston, Warwick, and Woonsocket).
- \$1.5 million in FY2015 and \$395,000 in FY2016 to replace and repair the HVAC system at the Davies Career and Technical School.
- \$1.8 million in FY2015 to replace and repair the HVAC system for five buildings at the MET School's Peace Street and Public Street campuses.

Public Higher Education

Expenditures by Program	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted		FY2016 Governor	Change from Enacted Enacted	
Office of the Postsecondary Commissioner ¹	\$10.1	\$9.7	\$10.6	\$0.9	9.6%	\$29.1	\$19.4	201.2%
University of Rhode Island	730.9	743.6	734.0	(9.6)	-1.3%	717.8	(25.8)	-3.5%
Rhode Island College	168.1	171.4	175.1	3.7	2.2%	178.7	7.4	4.3%
Comm. College of Rhode Island	152.6	156.2	156.0	(0.1)	-0.1%	162.2	6.0	3.8%
Total	\$1,061.8	\$1,080.8	\$1,075.7	(\$5.1)	-0.5%	\$1,087.8	\$7.0	0.6%
Expenditures by Source								
General Revenue	\$179.2	\$191.0	\$188.3	(\$2.7)	-1.4%	\$195.7	\$4.7	2.5%
Federal Funds	5.2	5.1	5.1	0.0	0.1%	15.4	10.4	203.3%
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%	876.0	(8.1)	-0.9%
Total	\$1,061.8	\$1,080.8	\$1,075.7	(\$5.1)	-0.5%	\$1,087.8	\$7.0	0.6%
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%	3,518.4	22.2	0.6%
Total Authorized Positions	4,247.0	4,247.0	4,249.2	2.2	0.1%	4,264.2	17.2	0.4%

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 Governor's FY2016 budget proposal includes total funding of \$1,087.8 million, representing an increase of \$7.0 million (0.6 percent) over the FY2015 Budget as Enacted, including a general revenue increase of \$4.7 million (2.5 percent).

The Governor 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 \$19.1 million and 15.0 FTE positions (Article 7). This is a decrease of 7.0 FTE positions from the 22.0 FTE positions authorized in the FY2015 Budget as Enacted for RIHEAA. Five of the seven positions are currently filled.

Federal funds increase in FY2016 by \$10.4 million from the FY2015 Budget as Enacted. Major changes include a transfer of \$11.2 million due to the transfer of functions from RIHEAA to DHEAA 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

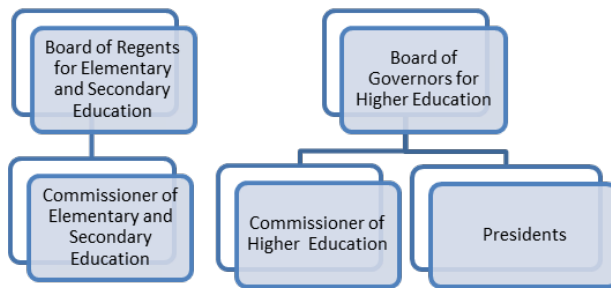
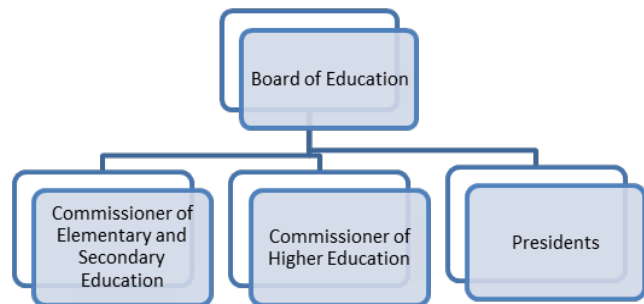
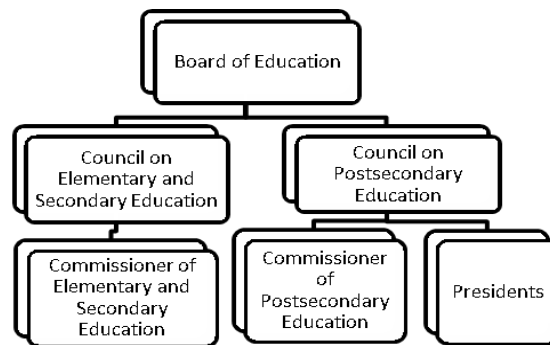
The FY2015 Budget as Enacted, through Article 4, authorized the Board of Education and the Department of Administration to enter into a multi-year lease with the developer (Commonwealth Ventures of Boston, Massachusetts) of the South Street Landing property in Providence for use as a Nursing Education 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 to 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 designed 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.

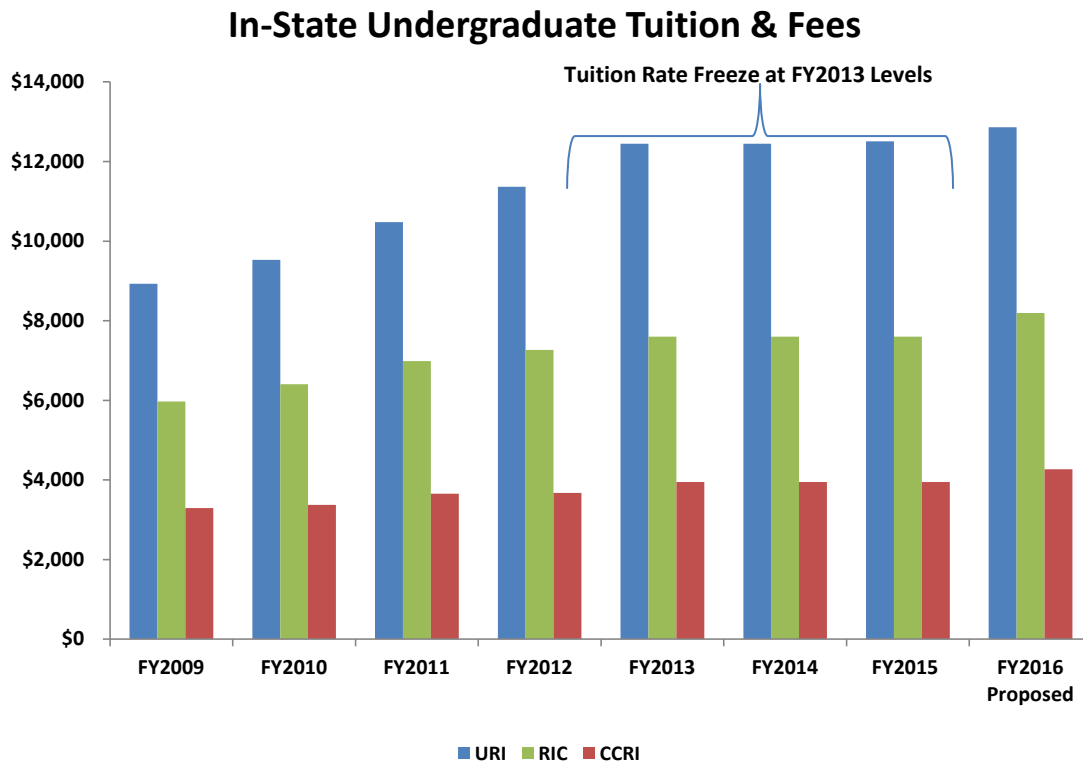
The Council on Elementary and Secondary Education has duties and responsibilities per RIGL 16-60-1 and 16-60-4, much the same as the former Board of Regents for Elementary and Secondary Education. The Council on Postsecondary Education will have duties and responsibilities per RIGL 16-59-1 and 16-59-4, 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, along with a projection for FY2015 and FY2016, are shown in the graph below.



Personnel

The Budget includes 2,462.2 FTE positions, which includes 745.8 third party funded positions, an overall increase of 17.2 FTE position.

- The Budget creates a Division of Higher Education Assistance in the Office of the Postsecondary Commissioner. The Governor transfers 15.0 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.

- Article 22 Section 1 amends RIGL 16-59-22 and transfers all employees of the State's three institutions of higher education and at the Office of Postsecondary Education, from classified service to non-classified service, and requires all employees of these institutions hired after July 1, 2015, to be employed in the non-classified service. There are approximately 1,322 FTE positions employed by the State's three institutions of higher education that will be transferred from classified service to non-classified service. In addition, these employees will no longer be subject to the personnel rules administered by the State Personnel Administrator or of the State's merit system law, thus eliminating multi-layered personnel procedures and the need for the Council of Postsecondary Education to negotiate with multiple collective bargaining units. The purpose of this is to create uniform employment policies and procedures for all employees within the institutions of higher education. According to the Department of Administration, there is no direct savings anticipated with passage of this section.

However, passage of this act will have an impact on the Employees' Retirement System (ERSRI). Current employees who are transferred from classified service to unclassified service will have the option pursuant to RIGL 16-17.1, to remain in ERSRI, or convert to the higher education retirement system (TIAA-CREF). However, new employees hired into the higher education system after July 1, 2015, will be required to join TIAA-CREF and will not be contributing members into ERSRI. The Department anticipates that most current classified employees will opt to remain in ERSRI. Upper management employees who are relatively new and who are not anticipated to be long term employees are likely to convert from ERSRI to TIAA-CREF.

Vacant Higher Education Positions									
		FTE	FTE	FTE	FTE			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
	Jan-15	11.8	9.0	2.8	23.7%			1.0	0.0
URI	Jan-14	1863.3	1828.7	34.6	1.9%			593.2	474.1
	Jan-15	1882.7	1832.6	50.1	2.7%			573.8	469.8
RIC	Jan-14	841.6	799.6	42.0	5.0%			82.0	6.6
	Jan-15	841.6	783.7	57.9	6.9%			82.0	62.8
CCRI	Jan-14	754.1	699.7	54.4	7.2%			100.0	56.5
	Jan-15	760.1	684.6	75.5	9.9%			94.0	51.1
Total	Jan-14	3,471.8	3,338.0	133.8	3.9%			776.2	537.2
	Jan-15	3,496.2	3,309.9	186.3	5.3%			750.8	583.7

- 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

Expenditures by Source ¹	FY2014	FY2015	FY2015	Change from		FY2016	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Revenue	\$4.9	\$4.6	\$5.5	\$0.9	20.2%	\$5.8	\$1.2	26.7%
Federal Funds	5.2	5.1	5.1	0.0	0.1%	15.4	10.4	203.3%
Other Funds	-	-	-	-	0.0%	7.9	7.9	0.0%
Total	\$10.1	\$9.7	\$10.6	\$0.9	9.6%	\$29.1	\$19.4	201.2%

¹ The figures for FY2014 are for the Office of Higher Education, which was replaced in FY2015 by the Office of the Postsecondary Commissioner.

\$ 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 Governor's FY2016 Budget proposal 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 \$19.1 million and 15.0 FTE positions (Article 7).

Office of the Postsecondary Commissioner	General Revenue
FY2015 Enacted	\$4,566,270
<i>Target and Other Adjustments</i>	<i>(103,395)</i>
Salaries, Wages and Benefits	1,322,448
FY2016 Governor	\$5,785,323
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 Governor's FY2016 Budget includes \$1.8 million for salaries, wages and fringe benefits for the Commissioner's Office. This is an increase of \$1.3 million over the FY2015 Budget as Enacted, and \$499,770 more than the Governor's FY2015 Revised proposal. 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, a communications director.

The Budget also includes the addition of 15.0 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 \$1.3 million 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 Governor includes \$10.1 million in needs-based scholarships for students with proven academic achievement but for whom higher education might be otherwise unaffordable. Of this amount, \$4.0 million is appropriated from the guaranty agency reserve and distribution is limited to students attending URI, RIC, or CCRI. The additional \$6.1 million is appropriated from the tuition savings program. According to the Governor's Office, campus financial aid offices will be given the flexibility in awarding these funds so that more students can be funded a meaningful level. Although not a part of the legislation, the Governor proposes that CCRI would receive \$4.0 million for distribution, allowing 40.0 percent of students to attend for free; RIC would receive \$2.5 million; URI would receive \$2.5 million; and \$1.0 million would be appropriated for proprietary schools, 3-year schools, vocational technical schools, and 4-year private colleges. This 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 Governor 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 at no cost to the student (URI, CCRI, and RIC). 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 Governor 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 Governor	Change from Enacted		FY2016 Governor	Change from Enacted	
General Revenue	\$85.4	\$91.2	\$89.2	(\$2.1)	-2.3%	\$90.4	(\$0.9)	-1.0%
Other Funds	645.5	652.4	644.8	(7.5)	-1.2%	627.4	(24.9)	-3.8%
Total	\$730.9	\$743.6	\$734.0	(\$9.6)	-1.3%	\$717.8	(\$25.8)	-3.5%

\$ 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>
Personnel	1,810,788
Debt Service	(2,717,382)
Tuition and Fees	Informational
Enrollment	Informational
Article 2 - Debt Resolution	Informational
College of Engineering	Informational
URI/RIC Nursing Education Center	Informational
FY2016 Governor	\$90,362,378

Personnel**\$1.8 million**

The Governor's FY2016 Budget proposal recommends 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 Governor does not include any new FTE positions for FY2016.

Debt Service**(\$2.7 million)**

The Governor's FY2016 Budget proposal 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.

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 from FY2015	Change	
						% 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 Governor's FY2016 budget 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 Governor 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 maintained at the 2014/2015 academic year levels.

Student Aid/Tuition and Fee Revenue

	FY2011	FY2012	FY2013	FY2014	FY2015 Projected	FY2016 Projected	FY2016	FY2016
							Change from FY2011	Change from 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	Change	% Change
				Projected		
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 of the Governor’s budget 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	Governor	Enacted		Governor	Enacted	
General Revenue	\$42.5	\$47.4	\$46.2	(\$1.2)	-2.4%	\$49.9	\$2.5	5.4%
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%	\$178.7	\$7.4	4.3%

\$ 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 a cres 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>	<i>1,156,302</i>
Personel	1,385,310
Tuition and Fees	Informational
Enrollment	Informational
Approved Bond Issues	Informational
FY2016 Governor	\$49,903,011

Personnel **\$1.4 million**

The Governor's FY2016 Budget proposal recommends 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 Governor does not include any new FTE positions for FY2016.

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.

					<i>Change from</i>	
RIC	FY2013	FY2014	FY2015	FY2016	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 Governor's FY2016 budget 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 Governor 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 maintained at the 2014/2015 academic year levels.

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
Instate	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, Gage 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 Governor	Change from Enacted	FY2016 Governor	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	107.9	0.2 0.2%	111.9	4.1 3.8%
Total	\$152.6	\$156.2	\$156.0	(\$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>	229,542
Personnel	1,617,560
Enrollment	Informational
Tuition and Fees	Informational
FY2016 Governor	\$49,642,376

Personnel **\$1.6 million**

The Governor's FY2016 Budget proposal recommends 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 three 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 Governor's FY2016 budget 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 Governor 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 maintained at the 2014/2015 academic year levels.

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 FY2015.

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 Governor recommends a total of \$80.4 million in asset protection funding for URI, RIC, and CCRI from FY2015 to FY2020, including \$10.7 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 Governor 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 Governor recommends 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 Governor 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 Governor recommends 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 Governor	Change from Enacted		FY2016 Governor	Change from Enacted	
State Council on the Arts	\$1,376,375	\$1,860,385	\$1,918,412	\$58,027	3.1%	\$2,626,833	\$766,448	41.2%
Grants Program	904,574	1,054,574	1,054,574	-	0.0%	1,054,574	0	0.0%
Total	\$2,280,949	\$2,914,959	\$2,972,986	\$58,027	2.0%	\$3,681,407	\$766,448	26.3%

Expenditures by Source								
General Revenue	\$1,310,474	\$1,483,075	\$1,491,068	\$7,993	0.5%	\$1,507,761	\$24,686	1.7%
Federal Funds	686,230	799,348	735,546	(63,802)	-8.0%	775,353	(23,995)	-3.0%
Other Funds	284,245	632,536	746,372	113,836	18.0%	1,398,293	765,757	121.1%
Total	\$2,280,949	\$2,914,959	\$2,972,986	\$58,027	2.0%	\$3,681,407	\$766,448	26.3%

Authorized FTE Levels	6.0	6.0	6.0	-	0.0%	6.0	-	0.0%
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The Rhode Island State Council on the Arts (RISCA) provides grants, technical assistance and support to arts organizations, schools, community centers, social service organizations, and local governments to bring the arts into the lives of Rhode Islanders. RISCA provides these services through grant making, partnerships, education and technical assistance. RISCA also manages the Art for Public Facilities Program providing art for state buildings.

The Governor recommends 6.0 FTE positions for FY2016, consistent with the FY2015 Budget as Enacted.

RI State Council on the Arts	General Revenue
FY2015 Enacted	\$1,483,075
<i>Target and Other Adjustments</i>	<i>24,686</i>
Percent for the Arts Program	Informational
Cultural Arts and the Economy	Informational
FY2016 Governor	\$1,507,761

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 is currently establishing 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.

Rhode Island Atomic Energy Commission

Expenditures by Program	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted		FY2016 Governor	Change from Enacted	
Atomic Energy Commission	\$1,133,765	\$1,271,174	\$1,605,088	\$333,914	26.3%	\$1,337,169	\$65,995	5.2%
Expenditures by Source								
General Revenue	\$859,903	\$913,197	\$907,737	(\$5,460)	-0.6%	\$957,170	\$43,973	4.8%
Federal Funds	12,301	-	351,171	351,171	-	54,699	54,699	-
Other Funds	261,561	357,977	346,180	(11,797)	-3.3%	325,300	(32,677)	-9.13%
Total	\$1,133,765	\$1,271,174	\$1,605,088	\$333,914	26.3%	\$1,337,169	\$65,995	5.2%
Authorized FTE Levels	8.6	8.6	8.6	-	0.0%	8.6	-	0.0%

The Rhode Island Atomic Energy Commission (Commission) operates and maintains the Rhode Island Nuclear Science Center (RINSC), which is used for medical, biological, environmental, and materials research, education and commercial activities. The Commission also provides assistance to other state agencies in their radiation and emergency response programs.

RINSC operates a research reactor and provides laboratories and classrooms for research and education programs for the University of Rhode Island as well as for other colleges and universities in the state and throughout New England. In 2010, the University of Rhode Island (URI) 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 recently utilized the facility.

MAJOR ISSUES AND TRENDS FOR FY2016

The proposed 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
Target adjustments and statewide changes	43,973
FY2016 Governor	\$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 proposed budget removes this funding.

Rhode Island Historical Preservation and Heritage Commission

Expenditures by Program	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted		FY2016 Governor	Change from Enacted	
Historical Preservation & Heritage Commission	\$2,000,284	\$5,909,976	\$6,080,581	\$170,605	2.9%	\$3,911,203	(\$1,998,773)	-33.8%
Expenditures by Source								
General Revenue	\$1,282,682	\$1,320,610	\$1,206,107	(\$114,503)	-8.7%	\$1,355,972	\$35,362	2.7%
Federal Funds	522,900	2,183,588	2,255,295	71,707	3.3%	2,054,893	(128,695)	-5.9%
Restricted Receipts	45,108	434,910	428,630	(6,280)	-1.4%	428,630	(6,280)	-1.4%
Other Funds	149,594	1,970,868	2,190,549	219,681	11.1%	71,708	(1,899,160)	-96.4%
Total	\$2,000,284	\$5,909,976	\$6,080,581	\$170,605	2.9%	\$3,911,203	(\$1,998,773)	-33.8%
Authorized FTE Levels	16.6	16.6	16.6	-	0.0%	16.6	-	0.0%

The Rhode Island Historical Preservation and Heritage Commission (Commission) operates a statewide historical preservation program that identifies and protects historic buildings, districts, structures, and archaeological sites. The Commission also develops and carries out programs to document and celebrate the rich cultural heritage of Rhode Island's people. Through a site manager, the Commission administers the Eisenhower House at Fort Adams State Park in Newport as a venue for events and social functions.

The Budget authorizes 16.6 FTE positions for 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>35,362</i>
Hurricane Sandy Disaster Relief Federal Grant	Informational
FY2016 Governor	\$1,355,972

Hurricane Sandy Disaster Relief Federal Grant **Informational**

The Governor's 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 Governor's capital budget reflects the completion of renovations to the Eisenhower House. Renovations began in early 2014 and are scheduled to be completed by spring 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 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted		FY2016 Governor	Change from Enacted	
General Division	\$2.9	\$3.1	\$3.0	(\$0.0)	-1.0%	\$3.2	\$0.1	2.6%
Criminal Division	21.3	26.4	29.4	2.9	11.1%	17.1	(9.3)	-35.3%
Civil Division	5.5	5.7	6.2	0.5	7.9%	6.2	0.4	7.8%
Bureau of Criminal Identification	1.4	1.5	1.6	0.0	2.2%	1.6	0.0	3.2%
Total	\$31.0	\$36.8	\$40.2	\$3.4	9.2%	\$28.0	(\$8.8)	-23.8%
Expenditures by Source								
General Revenue	\$23.2	\$23.6	\$24.5	\$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%	1.3	(10.0)	-88.9%
Other Funds	0.2	0.3	0.3	(0.1)	-16.7%	0.3	0.0	0.0%
Total	\$31.0	\$36.8	\$40.2	\$3.4	9.2%	\$28.0	(\$8.8)	-23.8%
Authorized FTE Level	233.1	236.1	236.1	-	-	236.1	-	-

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

The Department of the Attorney General is the central legal agency of the State. The Department is responsible for the prosecution of all felony criminal cases and misdemeanor appeals as well as prosecution of misdemeanor cases brought by state law enforcement in the various district courts. Additionally, as chief legal officer of the state, the Attorney General acts to protect consumers against fraudulent business practices; investigates Opens Meetings Act and Access to Public Records compliance; and, acts as the central repository for criminal history and information in the State. The Department is divided into four budget programs: Criminal, Civil, General, and Bureau of Criminal Identification. 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 \$28.0 million in total funding for the Department, a decrease of \$8.8 million from the FY2015 Budget as Enacted, primarily due to a \$10.0 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.

Google forfeiture funds decrease by \$10.0 million. Projects such as renovation at office space purchased in 2014 are underway, and the Attorney General plans to complete these projects before requesting additional Google funds for new projects. In 2011, three state agencies and two Rhode Island police departments received \$230.0 million from a settlement associated with the online advertisement of illegal pharmacies on Google. Of the total award, the State directly received \$110.0 million, of which \$60.0 million was allocated to the Department of the Attorney General. The Department is only permitted to spend this money on projects approved by the United States Department of Justice. This previously included upgrades to the criminal and fingerprint databases and purchasing and renovating office space. Through April 2015, the Department has spent \$8.5 million.

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 Governor	\$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 Governor	\$15,461,041

Criminal Division	Other Fund Changes
Google Forfeiture Funds	(\$10,000,000)

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 Governor 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 those to safety and may include housing expenses, cell phone costs, or money while in protection, dependent on the risk of the person.

Google Forfeiture Funds (restricted receipts)**(\$10.0 million)**

The FY2015 Enacted Budget included \$10.0 million in Google Forfeiture Funds in FY2015 for information technology (IT) projects and for the acquisition of 180 South Main Street in Providence, adjacent to their headquarters at 150 South Main Street. The Department did not request spending authority from DOJ for Google funds in FY2016. Projects such as the building renovation for the recently purchased office space are still underway and the Department plans to finish projects current projects before requesting additional funds. The table below outlines current expenditures of these funds to date.

Google Funds Expenditures			
Item	FY2013	FY2014	FY2015
Building Maintenance and Repairs	-	\$1,118,978	\$2,029,085
Vehicles	53,769	-	-
Building Acquisition	-	3,400,000	-
IT System Design	-	574,205	708,304
General Operating Expenses	4,600	40,994	591,693
Total	\$58,369	\$5,134,177	\$3,329,082
Balance Remaining from Award			\$51,478,372
<i>\$ in millions. As of April 5, 2015.</i>			

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 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 Governor	\$5,285,996

Pension Litigation**\$250,000**

The Budget increases \$250,000 to support the State's role in the pension litigation. This is based on past expenditures which were funded through the Governor's office. The Office is 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 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. The financial requirements of this matter 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
<i>Target and Other Adjustments</i>	<i>49,038</i>
FY2016 Governor	\$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.

Department of Corrections

Expenditures by Program	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted		FY2016 Governor	Change from Enacted	
Central Management	\$8.2	\$9.5	\$9.8	\$0.3	3.0%	\$9.4	(\$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%	127.1	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%	27.7	(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%	\$212.6	\$3.2	1.6%

Expenditures by Source	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted		FY2016 Governor	Change from Enacted	
General Revenue	\$188.2	\$187.7	\$196.3	\$8.5	4.5%	\$200.1	\$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	14.7	(4.9)	-24.9%	11.1	(8.4)	-43.1%
Total	\$195.8	\$209.3	\$213.3	\$4.0	1.9%	\$212.6	\$3.2	1.6%

Authorized FTE Levels	1,419.0	1,419.0	1,419.0	-	-	1,419.0	-	-
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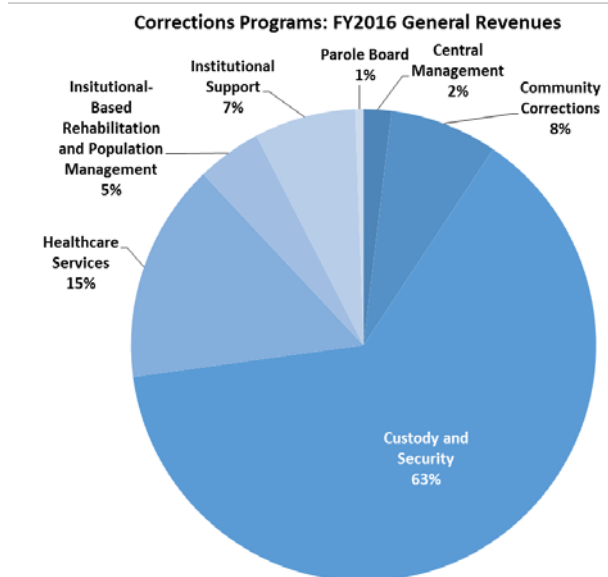
\$ in millions. Totals may vary due to rounding.

The Rhode Island Department of Corrections (DOC) provides appropriate, safe, secure, and humane control of offenders, while actively assisting and encouraging offenders to become productive and law-abiding members of the community. Additionally, the Rhode Island State Parole Board is budgeted as a unit of the Department, but has independent programmatic decision-making authority. Collectively known as the Adult Correctional Institutions (ACI), there are seven separate occupied facilities, which have a total current capacity of 3,774 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 \$212.6 million in total expenditures for FY2016, including \$200.1 million in general revenue, an increase of \$3.2 million (1.6 percent) from the enacted level. 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 enacted level of 3,170. The Governor includes \$4.6 million in FY2015 and \$5.2 million in FY2016 for estimated 2.0 percent 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. RIBCO is currently in contract negotiations with the state.

The Governor amends the current weapons qualification statute to clarify that this qualification will only happen every two years. Article 25 removes \$500,019 in general revenue for the annual Correctional Officer weapons requalification.



The Governor includes \$809,602 in general revenue 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; however, recruitment outreach is funded in FY2015 (\$104,000).

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>	<i>63,405</i>
Correctional Officer Training Class	809,602
Weapons Requalification	(500,019)
Capital and Operating Expenses	(135,126)
Electronic Medical Records	100,000
Employee Time Tracker Project	(100,000)
FY2016 Governor	\$9,308,836

Correctional Officer Training Class **\$809,602**

The Governor 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; 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. As of April 4, 2015, 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.

Weapons Requalification**(\$500,019)**

The Governor amends the current weapons qualification statute to state that correctional officers “shall not qualify on an annual basis but instead shall qualify every two (2) years only.” Article 25 removes the annual Correctional Officer weapons requalification in FY2016 and decreases expenses by \$500,019 in general revenue that would have been for rental of a firing range, transportation, ammunition for practice and qualifying rounds, and staffing of the range by training personnel.

Analyst’s Note: In 2007, the General Assembly amended the weapons qualification statutes to require Correctional Officers to qualify with their service weapons every two years instead of the then-current practice of yearly weapons qualification. This was challenged by the Rhode Island Brotherhood of Correctional Officers (RIBCO) and ultimately an arbitrator ruled in favor of the collective bargaining agreement, which mandated yearly weapons qualification, and restored the annual requirement. Article 25 again amends the statute to include the biannual requirement.

Capital and Operating Expenses**(\$135,126)**

The Governor reduces expenses for office supplies and computer maintenance in the Central Management program by \$135,126 based on FY2014 experience.

Electronic Medical Records**\$100,000**

The Governor includes \$100,000 for required system upgrades, and software maintenance and licensing agreements for the electronic medical records (EMR) system. In FY2009, the Department initiated 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 Governor 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 an RFP. ODE has not provided status 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.

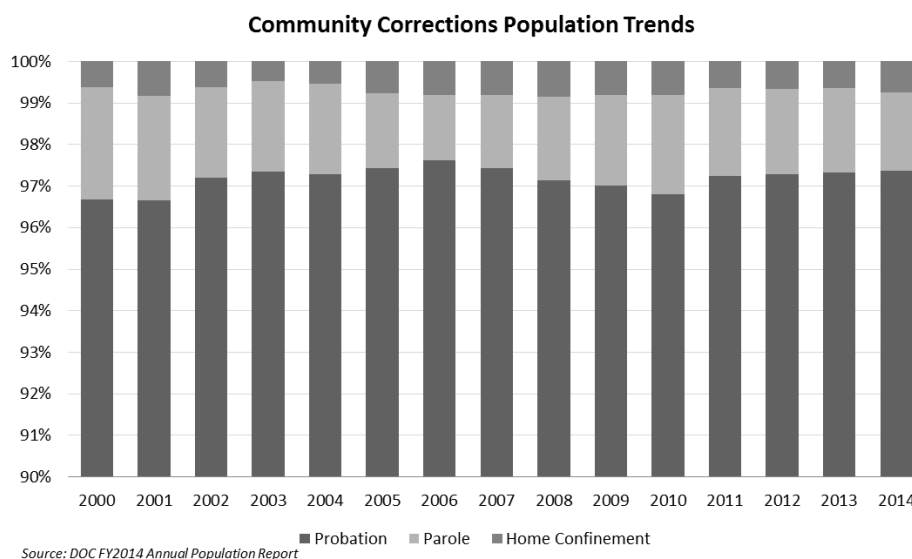
Community Corrections	General Revenue
FY2015 Enacted	\$15,035,529
<i>Target and Other Adjustments</i>	<i>(3,847)</i>
Personnel	926,155
Community Corrections Population	Informational
Probation Office Space	Informational
FY2016 Governor	\$15,957,837

Personnel **\$926,155**

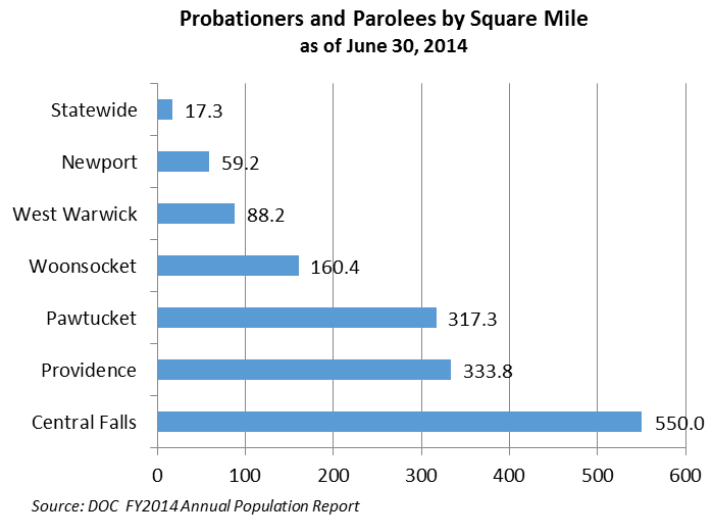
The Governor includes an increase of \$926,155 in general revenue funding for estimated cost-of-living adjustments for the anticipated salary and benefits increase that all members of the Rhode Island Brotherhood of Correctional Officers will receive once a contract has been finalized. The increase includes \$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. RIBCO is currently in contract negotiations with the State.

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 at Pinel. 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 Governor's proposal.

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>343,350</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 Governor	\$126,571,465

Personnel

\$5.2 million

The Governor 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, recommending these 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 the associated costs will be included in the RFP process for new projects.

State Criminal Alien Assistance Program (SCAAP)

\$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 SCAAP (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 due to the reduction in federal funding.

Inmate Population

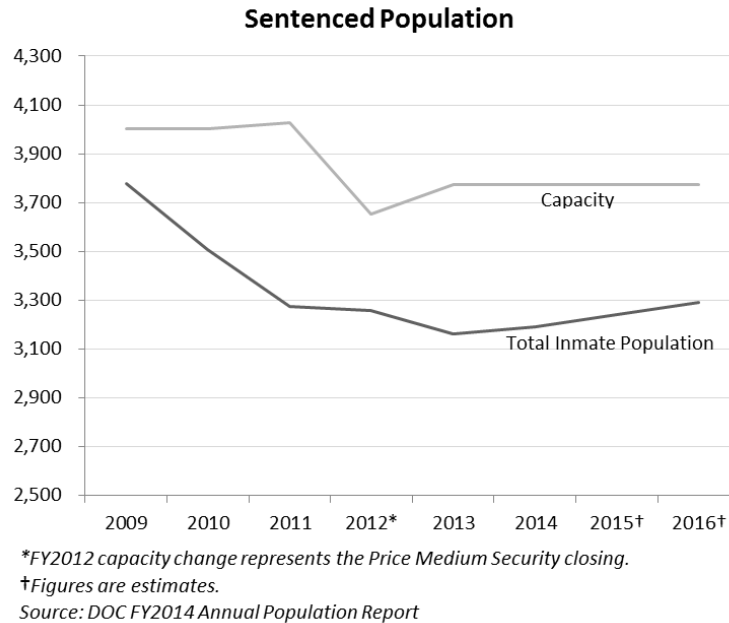
Informational

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 FY2015, 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 since FY2008 have aided in the reduction of the inmate population.

- The Public Defender's Defender Advocacy Program increases the use of alternatives to sentencing, including drug and alcohol treatment, counseling, and probation and/or parole, in lieu of prison time. 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 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>	<i>297,354</i>
Per Diem Pharmaceutical Treatment	663,000
Hepatitis C Treatment	500,000
Outside Hospital Expenses	393,932
Inmate Medicaid	Informational
FY2016 Governor	\$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 Governor 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 Governor recommends funding 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 Governor 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 Governor 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.

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, consistent with the enacted level.

Institutional Based Rehab/Pop Mgmt	General Revenue
FY2015 Enacted	\$8,972,305
<i>Target and Other Adjustments</i>	<i>442,254</i>
Waterplace Park Maintenance	110,000
FY2016 Governor	\$9,524,559

Waterplace Park Maintenance **\$110,100**

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.

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
<i>Target and Other Adjustments</i>	<i>335,456</i>
Per Diem Inmate Costs	776,196
Capital Consolidation	(242,051)
FY2016 Governor	\$16,595,667

Per Diem Inmate Costs **\$776,196**

Due to the projected increase in population, per diem expenses are expected to increase \$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 Governor shifts \$242,051 in general revenue to the Department of Administration (DOA) for the salary and benefit costs of 2.0 maintenance supervisor positions. The Governor recommends the consolidation of the capital function within DOA 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 Governor	\$1,345,685

Unachieved Turnover

The Budget increases general revenue by \$89,524 for unachieved turnover that was included in the enacted budget.

CAPITAL PROJECTS

The Budget includes a total of \$49.1 million in capital projects from FY2016 through post-FY2020.

Major items in FY2016 include:

- \$4.0 million for asset protection projects at correctional facilities including drainage system improvements, window replacement, painting and HVAC.
- \$3.0 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 proposal 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.
- \$1.0 million in FY2016 to restore and renovate the Intake Service Center.

Judiciary

Expenditures by Program	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted		FY2016 Governor	Change from Enacted	
Supreme Court	\$34.8	\$33.8	\$35.2	\$1.4	4.0%	\$35.4	\$1.6	4.7%
Superior Court	22.0	22.5	23.1	0.6	2.6%	23.6	1.1	4.7%
Family Court	22.4	21.0	23.4	2.4	11.5%	23.9	3.0	14.2%
District Court	12.2	11.8	12.2	0.4	3.7%	12.6	0.8	6.4%
Traffic Tribunal	8.3	8.8	8.4	(0.3)	-3.8%	8.5	(0.2)	-2.5%
Workers' Compensation Court	7.2	7.7	7.6	(0.1)	-1.3%	7.8	0.1	0.7%
Judicial Tenure & Discipline	0.1	0.1	0.1	0.0	3.2%	0.1	0.0	5.2%
Total	\$107.1	\$105.7	\$110.0	\$4.4	4.1%	\$111.9	\$6.2	5.9%
Expenditures by Source								
General Revenue	\$91.6	\$91.6	\$94.1	\$2.4	2.6%	\$95.8	\$4.2	4.5%
Federal Funds	3.0	1.9	3.2	1.3	67.1%	3.2	1.3	68.5%
Restricted Receipts	10.4	10.8	11.3	0.6	5.3%	10.4	(0.4)	-3.5%
Other Funds	2.1	1.4	1.4	0.1	6.2%	2.5	1.2	85.2%
Total	\$107.1	\$105.7	\$110.0	\$4.4	4.1%	\$111.9	\$6.2	5.9%
Authorized FTE Levels	726.3	723.3	723.3	-	-	723.3	-	-

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

Rhode Island has a unified court system composed of six statewide courts. The Supreme Court is the court of review, the Superior Court is the general trial court, and the Family, District, Traffic Tribunal, and Workers' Compensation Courts are trial courts of special jurisdiction. The entire system is state-funded with the exception of probate courts, which are the responsibility of cities and towns, and the municipal courts, which are local courts of limited jurisdiction.

The Chief Justice of the Supreme Court is the executive head of the state court system and has authority over the Judicial budget. The Chief Justice appoints the State Court Administrator and an administrative staff to handle budgetary and general administrative functions. Under the direction of the Chief Justice, the Court Administrator manages appropriations for all state courts, except those as provided otherwise by law. Each court has responsibility over its own operations and has a chief judge who appoints an administrator to handle internal court management.

MAJOR ISSUES AND TRENDS FOR FY2016

Total general revenue funding is approximately \$4.2 million (4.5 percent) more than the FY2015 Budget as Enacted, primarily due to personnel costs. The Budget provides \$2.5 million in FY2015 for the unbudgeted cost of living adjustment (COLA) in FY2015, which is continued in FY2016, resulting in an increase of \$4.1 million over both years. Additionally, Article 1 caps at \$932,340 the amount the Judiciary may charge five state agencies for public courthouse occupancy costs based on a March 2014 study of actual occupied space throughout the Courts.

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 \$4.0 million through FY2017 for capital and programming expenses.

The Budget includes \$1.4 million in FY2015 and \$2.5 million in FY2016 in Rhode Island Capital Plan Fund financing, primarily for court-wide HVAC projects and asset protection. The capital plan includes \$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 FY2019.

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 Governor	\$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 offset was not achievable. 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 Governor proposes \$1.1 million in restricted receipts in FY2015, available from the Department's indirect cost recoveries on federal grants, to fund personnel and capital expenses related to this project. The Budget does not include funding in FY2016, suggesting instead that the Judiciary apply for the requested \$1.4 million through the Information Technology Investment fund.

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).

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 enacted level.

Superior Court	General Revenue
FY2015 Enacted	\$22,144,027
<i>Target and Other Adjustments</i>	<i>906,757</i>
Operating Expenses	159,156
FY2016 Governor	\$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>	<i>1,672,963</i>
FY2016 Governor	\$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 FY2016 for the program, consistent with the FY2015 enacted level.

District Court	General Revenue
FY2015 Enacted	\$11,508,535
<i>Target and Other Adjustments</i>	<i>847,011</i>
FY2016 Governor	\$12,355,546

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
Personnel	(239,284)
FY2016 Governor	\$8,542,221

Temporary Services **(\$239,284)**

The Budget decreases general revenue by \$239,284 for various personnel expenses. Contract expenses decrease by \$170,000 in general revenue for temporary staffing services. 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 changes inclusive of 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	Other Fund Changes
FY2015 Enacted	\$7,712,640
<i>Target and Other Adjustments</i>	51,167
FY2016 Governor	\$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>	6,014
FY2016 Governor	\$121,527

CAPITAL PROJECTS

The Budget includes \$23.1 million in RICAP funds for FY2016 through post-FY2020 for capital projects, including \$2.5 million in FY2016.

- 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 \$900,000 for ongoing projects to replace, clean and restore HVAC systems in judicial buildings and ongoing asset protection projects.

- 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.
- The Budget includes \$3.0 million in RICAP funding beginning in FY2019 with an additional \$7.0 million post-FY2020 to expand the capacity of the Noel Judicial Complex by adding courtroom space to the interior shell and additional parking to accommodate the expansion. 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.

Military Staff

Expenditures by Program	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted		FY2016 Governor	Change from Enacted	
National Guard	\$20.2	\$18.4	\$18.8	\$0.4	2.2%	\$19.4	\$1.0	5.4%
Emergency Management	28.9	-	-	-	-	-	-	-
Total	\$49.1	\$18.4	\$18.8	\$0.4	2.2%	\$19.4	\$1.0	5.4%
Expenditures by Source								
General Revenue	\$3.6	\$1.8	\$2.1	\$0.3	16.7%	\$2.0	\$0.2	11.1%
Federal Funds	41.3	14.8	14.5	(0.3)	-2.0%	15.4	0.6	4.1%
Restricted Receipts	0.8	0.4	0.4	-	-	0.3	(0.1)	-25.0%
Other Funds	3.4	1.4	1.8	0.4	28.6%	1.7	0.3	21.4%
Total	\$49.1	\$18.4	\$18.8	\$0.4	2.2%	\$19.4	\$1.0	5.4%
Authorized FTE Levels	112.0	85.0	85.0	-	-	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 Governor recommends 85.0 FTE positions in FY2015 and 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>	<i>39,653</i>
Fire Protection	192,000
Inaugural Expenses	(75,000)
Operating, Purchased Services, and Assistance and Grants	66,685
FY2016 Governor	\$2,065,434

National Guard	Other Fund Changes
Maintenance Positions	\$525,551

Fire Protection **\$192,000**

The Governor increases general revenue funded personnel costs by \$192,000 in general revenue. The increase reflects additional costs for firefighters at Quonset Air Base. The firefighters at Quonset Air Base 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)**

This item reflects the removal of \$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, Purchased Services, and Assistance and Grants **(\$66,685)**

The Governor includes \$1.0 million in general revenue (\$5.8 million in all funds) in FY2016 for operating, purchased services, and assistance and grants, reflecting a decrease of \$66,685 from the FY2015 Budget as Enacted.

	FY2015	FY2016	
Operating	Enacted	Governor	Change
Purchased Services	\$65,265	\$81,797	\$16,532
Operating	796,365	841,518	45,153
Assistance and Grants	91,000	96,000	5,000
Total	\$952,630	\$1,019,315	\$66,685

The Governor 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.

	FY2015	FY2016	
Operating	Enacted	Governor	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

The Governor 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 the 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 Governor	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

The Governor 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 \$60.00.

Assistance and Grants	FY2015 Enacted	FY2016 Governor	Change
Assistance and Grants	\$91,000	\$96,000	\$5,000
Total	\$91,000	\$96,000	\$5,000

Maintenance Positions (federal funds)

\$525,551

The Governor 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 Governor recommends a total of \$46.8 million (\$10.7 million RICAP) in capital projects between FY2015 and FY2020, including:

- \$2.5 million in federal funds in FY2015 and \$600,000 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. The Governor's capital plan includes \$22.5 million in

FY2017 (\$19.5 million in federal funds) and out-year RICAP appropriations of \$3.0 million in FY2018 and \$4.1 million in FY2019.

- \$1.6 million in FY2015 (\$850,661 in federal funds) and \$2.1 million in FY2016 (\$1.4 million in federal funds) for asset protection projects.
- \$550,000 in FY2015 (\$300,000 federal funds) and \$715,000 in FY2016 (\$357,500 federal funds) for the Armory of Mounted Commands Rehabilitation project which includes the roof and HVAC replacement project.
- \$412,500 in RICAP funds in FY2015 for the Benefit Street Arsenal Rehabilitation. The Governor increases funding for the building rehabilitation project to preserve and maintain the historic structure.

Rhode Island Emergency Management Agency

	FY2014	FY2015	FY2015	Change from		FY2016	Change from	
Expenditures by Program ¹	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$28.9	\$20.6	\$23.8	\$3.2	15.5%	\$18.5	(\$2.1)	-10.2%
Expenditures by Source								
General Revenue	\$1.9	\$1.9	\$1.9	\$0.0	0.0%	\$1.7	(\$0.2)	-10.5%
Federal Funds	26.8	18.3	21.4	3.1	16.9%	16.6	(1.7)	-9.3%
Restricted Receipts	0.2	0.2	0.2	-	0.0%	0.2	0.0	0.0%
Other Funds	-	0.2	0.3	0.1	-	0.0	(0.2)	-
Total	\$28.9	\$20.6	\$23.8	\$3.2	15.5%	\$18.5	(\$2.1)	-10.2%
Authorized FTE Levels	32.0	32.0	32.0	-	-	32.0	-	-

\$ 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 Governor recommends funding 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 Governor recommends 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 Governor	\$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 Governor reduces general revenue expenses for personnel by \$172,486, reflecting the reorganization of the agency's staff. The previous director changed the job title and job description on 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.

Disaster and Emergency Preparedness Grants (federal funds) **(\$3.6 million)**

The Governor recommends \$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 Governor recommends 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.

	FY2015 Enacted	FY2016 Governor	Change
RIEMA Federal Grants			
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 Governor recommends \$2.8 million in federal and restricted receipt funds for personnel costs, reflecting an increase of \$221,707 in federal offset by a decrease of \$1,843 in restricted receipts, for a net increase of \$220,353 from the FY2015 Budget as Enacted. The Governor 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.

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 preliminary estimate 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 are expected to set up temporary offices at the RIEMA headquarters in Cranston to receive and process the 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.

CAPITAL PROJECTS

The Governor recommends a total of \$14.0 million (\$254,943 RICAP) in capital projects between FY2015 and FY2020, including:

- \$1.3 million in RICAP funds in FY2015 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 federal funds and \$254,943 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 will be the last year with funding related to Hurricane Sandy.
- \$2.0 million in FY2016 (\$1.0 million in general revenue and \$1.0 million in federal funds) to support the Rhode Island Statewide Communications System Network (RISCON). The project enhances and further develops RISCON, the main communications platform used by all public safety agencies in the state for the daily operations.

Department of Public Safety

Expenditures by Program	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted		FY2016 Governor	Change from Enacted	
Central Management	\$5.2	\$5.3	\$5.2	(\$0.1)	-2.0%	\$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%	5.7	0.4	7.0%
Municipal Police Training	0.5	0.6	0.5	(0.2)	-26.8%	0.4	(0.2)	-37.9%
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)	-2.9%	83.7	(4.5)	-5.1%
Total	\$111.6	\$126.6	\$123.3	(\$3.2)	-2.5%	\$122.9	(3.6)	-2.9%
Expenditures by Source								
General Revenue	\$96.0	\$95.3	\$98.0	\$2.7	2.8%	\$96.5	\$1.2	1.2%
Federal Funds	6.6	6.9	8.1	1.2	17.6%	6.3	(0.5)	-7.9%
Restricted Receipts	4.1	12.9	9.5	(3.3)	-26.0%	11.4	(1.5)	-11.5%
Other Funds	4.9	11.5	7.7	(3.8)	-35.1%	8.7	(2.8)	-26.3%
Grand Total	\$111.6	\$126.6	\$123.3	(\$3.2)	-2.5%	\$122.9	(3.6)	-2.9%
Authorized FTE Levels	634.2	633.2	633.2	-	-	633.2	-	-

\$ 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

In the State Police program, 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 would be awarded once the Rhode Island Trooper Association contract has been finalized. Additionally, the Governor funds a class of 30.0 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 in FY2017, generating turnover savings from vacancies created by members eligible or mandated to retire in FY2016 and whose FTE position's will remain vacant until new troopers fill them in FY2017. Article 25 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 Governor uses one-time funding 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 COLAs, includes filling a vacancy and several promotions, fully funding the 180.0 authorized sheriff FTE positions. The Governor notes that the recommendation is intended to provide the judicial courtrooms with an adequate number of Sheriffs available for duty on a daily basis. The Governor also increases personnel costs by \$165,107 for the Sheriffs in FY2015.

The E-911 Division has been 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>	<i>86,180</i>
New Assistant Administrator of Financial Management	62,822
FY2016 Governor	\$1,325,286

Assistant Administrator of Financial Management **\$62,822**

The Governor increases general revenue funding 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 since being established, the administration staffing levels have not. The Budget includes funding for the position beginning December 2015 (6 months' salary). As to not add to the overall Department of Public Safety's FTE cap, the Governor removes 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>	<i>30,903</i>
Software Maintenance Agreements	(81,968)
Next Generation 911	Informational
Surcharge Revenues	Informational
FY2016 Governor	\$5,377,414

Software Maintenance Agreements **(\$81,968)**

The Budget decreases 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 since the 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 enacted level based on past expenditures in operating costs.

Next Generation 911**Informational**

The E-911 Division has been 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 use a Voice over Internet Protocol (VoIP) based network solution that allows a text message to be delivered to a 911 call center. On 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 tele-communicators 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 Revenue vs. Expenditures

Fiscal Year	Revenue	Expenditures	Net Amount to	
			General Fund	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 FY2016 Governor's Budget. The reduction in FY2016 reflects the transfer of 10.0 percent (\$1.5 million) of the surcharge revenue to the 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>
Fire Safety Inspector	71,809
Project Review Initiative	Informational
Fire Marshal Office Relocation	Informational
FY2016 Governor	\$2,946,169

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 a vacant Fire Safety Inspector position in FY 2016, 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, the previous Governor did not include the requested FTE increases. As projects move past the initial planning stages, for example, 2 land parcels have purchase and sales agreements, the Governor recommends utilizing an existing vacant Fire Safety Inspector FTE position rather than increasing the Department's FTE authorization.

Project Review Initiative

Informational

Article 29 allows all capital investment projects receiving incentives from the Rhode Island Commerce Corporation to bypass local building and fire codes. Instead, Commerce Corporation projects would be subject to state building and fire codes, and required inspections would be conducted by the State Building Commissioner. In addition, the article authorizes municipalities with a population exceeding 150,000 (Providence), to have the State Building Commissioner or State Fire Marshal assume responsibility for the review and inspection of any projects; if either of these state inspectors assume responsibility, only the state building and fire code would be applicable to those projects in that municipality. The Governor includes \$250,000 in general revenue for Commerce Corporation to fund this initiative. It is unclear whether these funds are intended to compensate the State Building Commissioner and State Fire Marshal for expenses incurred on these projects.

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 Governor's 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 recommended 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 Academy	General Revenue
FY2015 Enacted	\$245,379
<i>Target and Other Adjustments</i>	<i>9,288</i>
FY2016 Governor	\$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 Governor	\$22,680,304

Sheriffs Division – Personnel**\$841,330**

The Budget includes an additional \$841,330 in personnel costs, including \$550,613 in general revenue funding for estimated cost of living adjustments and \$128,487 to fill the Deputy Sheriff Major position

that had previously been vacant. Additionally, the Budget 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.

The Governor recommends an increase of \$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 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 notes that the recommendation 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 Governor's 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
<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	905,451
Vehicle Overhead Expenses	(405,000)
Delayed Promotions - Detective Unit	(103,083)
State Police Vehicles	Informational
Google Forfeiture Funds	Informational
FY2016 Governor	\$63,870,459

Assumed COLA Increase

\$1.1 million

The Governor 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 25 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 Governor uses one-time funding from the Google settlement awarded to the State Police 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.

Analyst Note: The Governor 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, is drafting a letter 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 Governor recommends an initial deposit in FY2016 of \$31.7 million, including \$15.0 million in Google forfeiture funds and \$16.7 million in general revenue. The State has traditionally contributed general revenues to pay for the benefits of roughly \$17.6 million per year. As compared to the FY 2015 enacted budget, this proposal would 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 \$16.7 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. 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 Beneficiaries	Proposed State Contributions	Changes to Estimated Fiscal Year Obligations
2016	\$17,872,862	\$31,743,504	(\$1,129,358)
2017	17,642,128	16,743,504	(898,624)
2018	17,401,106	16,743,504	(657,602)
2019	17,149,895	16,743,504	(406,391)
2020	16,888,212	16,743,504	(144,708)
2021	16,642,566	16,743,504	100,938
2022	16,415,701	16,743,504	327,803
2023	16,148,070	16,743,504	595,434
2024	15,836,146	16,743,504	907,358

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 until year 19, at which point the trust will be fully funded.

56th State Police Training Academy

\$905,451

The Budget includes a general revenue increase of \$905,451 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 \$535,671 for 30.0 recruits. The Budget also includes \$369,770 (\$12,326 per recruit) to purchase uniforms and for overhead costs. Additionally, the Governor recommends the use of

Google Forfeiture Funds in the amount of \$293,127 to finance equipment and additional services provided to the 30.0 recruits during the academy.

FY2016 State Police Academy Costs	
Item	General Revenue
Personnel Costs (During Academy - 22 Weeks)	\$535,681
Clothing, Accessories, Boots	268,883
Catering/Meals	110,600
Training Injuries	41,250
Beverage for Training Classes	3,863
Subtotal	\$960,277
Google Funds	
CF-31 Panasonic Laptops	\$138,278
Motorola - Portable Radios	84,975
Police/Safety Supplies	62,815
Clothing Recruits	16,526
Laundry Services	5,205
Bus transportation services	1,854
Subtotal	\$309,653
Total	\$1,269,930

The 30.0 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. The Governor's recommendation is set up as such that graduation 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.

Vehicle Overhead Cost (\$405,000)

The Budget includes general revenue savings of \$405,000 for state fleet vehicle overhead costs. 154 new vehicles were purchased 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)

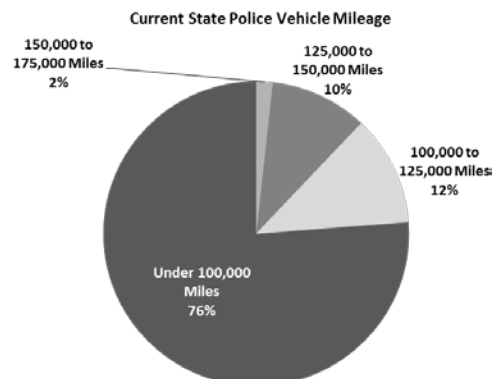
The Governor recommends general revenue savings of \$103,083 by delaying five internal promotions from the level of Senior Trooper to Detective Trooper. The Budget includes a total of 51.0 Detective positions within the State Police program.

Analyst Note: The Budget notes that the Detective Unit has grown over the last few years, while the position of Detective, unlike uniformed sworn members, receives additional contractual bonuses and tends to cost more than uniformed troopers. The recommendation includes a total of 51.0 Detective positions within the State Police. The delay does not impact the overall FTE cap within the State Police program.

State Police Vehicles

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 100

Informational



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 Governor recommends \$7.7 million in FY2015 and \$10.9 million in FY2016 from the balance of its award, mostly for capital projects. Approximately \$9.1 million has been spent to date, primarily to upgrade its existing vehicle fleet in FY2013 (\$5.4 million). Of the balance, the Governor recommends \$15.0 million 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 proposes 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 facility 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 including FY2015 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 will be 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 Governor recommends \$1.5 million in Google forfeiture funds. It is expected that the project will be completed in FY2017 as the Governor recommends \$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 to the present portion of the Exeter facilities. "Phase 1" of this project was funded by general obligation bonds to include 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.

Office of the Public Defender

Expenditures by Program	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted		FY2016 Governor	Change from Enacted	
Public Defender	\$10.9	\$11.4	\$11.2	(\$0.2)	-1.6%	\$11.7	\$0.3	2.8%
Expenditures by Source								
General Revenue	\$10.7	\$11.1	\$11.0	(\$0.1)	-0.7%	\$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	\$11.2	(\$0.2)	-1.6%	\$11.7	\$0.3	2.8%
Authorized FTE Levels	93.0	93.0	93.0	-	-	93.0	-	-

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

The Office of the Public Defender represents indigent adults and juveniles who are charged with criminal offenses or who are in jeopardy of losing custody of their children to the State. Referrals come from the Supreme, Superior, District and Family Courts. All who are financially eligible are assigned to a staff attorney for representation in the appropriate court. The main office and two branch locations are in Providence. Three additional offices are located in the southern half of the state. The metropolitan areas of Providence and Newport account for the bulk of the cases. The Office includes four basic divisions of attorneys: appellate, criminal trial (including separate felony and misdemeanor units), juvenile, and parental rights. The Public Defender is appointed by the Governor to a six-year term, with the advice and consent of the Senate.

MAJOR ISSUES AND TRENDS FOR 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 also includes an increase of \$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
Target and Other Adjustments	35,550
Personnel	\$429,311
Contracted Services	26,300
FY2016 Governor	\$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 Governor increases general revenue by \$26,300 for trial related services and general contract expenses, including stenographic services, temporary personnel services, computer technician services, security guard services, and temporary employment services. Expenditures are based on past levels and the additional 5.5 percent surcharge (\$971). 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 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted		FY2016 Governor	Change from Enacted	
Office of the Director	\$7.4	\$8.1	\$8.7	\$0.7	8.0%	\$8.0	(\$0.1)	-1.5%
Bureau of Natural Resources	44.4	65.0	67.5	2.5	3.8%	54.7	(10.4)	-15.9%
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	\$107.3	\$3.5	3.4%	\$93.5	(\$10.3)	-9.9%
Expenditures by Source								
General Revenue	\$34.5	\$35.5	\$36.1	\$0.6	1.6%	\$36.5	\$1.0	2.7%
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%	18.5	2.5	15.8%
Other Funds	9.3	20.5	20.7	0.2	1.1%	9.2	(11.3)	-55.0%
Total	\$79.5	\$103.8	\$107.3	\$3.5	3.4%	\$93.5	(\$10.3)	-9.9%
Authorized FTE Levels	399.0	399.0	399.0	-	0.0%	399.0	-	0.0%
<i>\$ in millions. Totals may vary due to rounding.</i>								

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 \$10.3 million, or 9.9 percent from the FY2015 Budget as Enacted, primarily due to funding changes in capital projects. The Budget includes a \$965,462 (2.7 percent) increase in general revenue expenditures compared to the FY2015 Budget as Enacted. The decrease in other funds (\$11.3 million) is due primarily to project completions and changes to work schedules as programed in the enacted capital plan.

Through Article 16, the Governor 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	(500,000)
FY2016 Governor	\$4,712,770

Community Service Grants **(\$500,000)**

The Budget decreases community service grants by \$500,000, relative to the FY2015 Budget as Enacted, to reflect the elimination of one-time grants including \$250,000 for repairs to dams in Johnston and \$250,000 for improvements to an athletic field in Woonsocket.

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>	491,087
Capital Consolidation	(592,049)
Operating	476,424
Seasonal Workers Minimum Wage Increase	420,828
WWII State Park	Informational
Beach Parking Vendor Contract	Informational
FY2016 Governor	\$20,040,905

Capital Consolidation **(\$592,049)**

The Governor proposes consolidating construction, property, and asset management functions within the Department of Administration to prevent further delays in capital project management. The positions in DEM being consolidated include the Chief of Planning and Development, two Principal Civil Engineers, and a Supervising Civil Engineer. This proposal results in a reduction of \$592,049 in personnel expenses within the Department; however, there is no decrease in FTE positions, the positions will stay in DEM but be paid and managed through the Department of Administration.

Operating **\$476,424**

The Governor 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 Governor	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**\$420,828**

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 Governor provides \$420,828 in general revenue in FY2016 for seasonal recreation positions due to scheduled minimum wage increases.

WWII State Park**Informational**

The FY2015 Budget as Enacted includes \$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>	509,969
FY2016 Governor	\$11,751,892

CAPITAL PROJECTS

The Budget includes a total of \$19.1 million in capital expenditures from Rhode Island Capital Plan funds in FY2015 and \$8.8 million in FY2016, including:

- \$3.7 million in FY2015 for remediation and renovations at 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.

- \$2.4 million in FY2015 and \$400,000 in FY2016 for repairs and upgrades at the Galilee Piers
- \$3.2 million in FY2015 and \$2.9 million in FY2016 for infrastructure and facility improvements at state parks and management areas.
- \$1.8 million in FY2015 and \$770,000 in FY2016 for the World War II Memorial State Park in Woonsocket.
- \$1.5 million in FY2015 and \$750,000 in FY2016 for repairs to “high-hazard” state-owned dams.

Coastal Resources Management Council

Expenditures by Program	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted		FY2016 Governor	Change from Enacted	
Coastal Resources Management Council	\$4.5	\$5.0	\$10.5	\$5.5	111.8%	\$5.3	\$0.4	7.8%
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	0.0%	0.3	0.0	0.0%
Other Funds	0.0	0.8	0.8	0.1	11.0%	0.1	(0.7)	-93.3%
Total	\$4.5	\$5.0	\$10.5	\$5.5	111.8%	\$5.3	\$0.4	7.8%
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 Governor's FY2016 budget recommendation for CRMC includes an all funds increase of \$387,927 (7.8 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 \$700,000 in other funds. The Governor recommends 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 in FY2016 reflects the completion of the Rhode Island Capital Plan (RICAP) funded portion of the Beach Erosion Special Area Management Plan (Beach SAMP) (\$300,000) and the match for Army Corps of Engineers funding for tidal and breachway dredging and eelgrass restoration in Winnapaug Pond (\$450,000).

Coastal Resources Management Council	General Revenue
FY2015 Enacted	\$2,185,538
<i>Target and Other Adjustments</i>	247,722
Personnel	Informational
Federal Funds	Informational
FY2016 Governor	\$2,433,260

Personnel

Informational

For FY2016, the CRMC requested 6.0 new FTE positions to address the growing permitting and planning work needed for marine resources development and the Beach SAMP. The CRMC requested additional personnel to handle permitting associated with two offshore projects including the Deep Water Wind project off of Block Island and two federal lease sales. The CRMC seeks personnel to address the economic development projects in the Metro-bay region, the increasing amount of habitat restoration projects, and the reconstruction of the Urban Coastal Greenway. According to the CRMC, there are over

\$4.0 billion of projects in the waterfront area under review. The Governor does not recommend the personnel increase.

Federal Funds

Informational

Federal funds increase by \$5.3 million in FY2015 and \$840,205 in FY2016 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 Governor's 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 \$882,432 in RICAP funded capital projects, between FY2015 and FY2020, including the following:

- **South Coast Restoration Project:** The Budget as Enacted provides RICAP funding of \$450,000 in FY2015 to match Army Corps of Engineers funding for tidal and breachway dredging and eelgrass restoration in Winnapaug Pond. This project is designed to prevent shoaling and high nutrient concentrations that choke aquatic vegetation and shellfish habitat. Since the current estimate for the Winnapaug project has decreased to \$260,677, the Governor recommends an additional \$132,423 bringing the total funding to \$582,432, to provide \$321,775 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 as Enacted includes \$300,000 in RICAP funding in FY2015 to address issues concerning climate change. The CRMC proposed the development of 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. RICAP funds are being used to leverage the following federal funding:
 - **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

	FY2014	FY2015	FY2015	Change from		FY2016		
Expenditures by Program ¹	Actual	Enacted	Governor	Enacted		Governor	Change from Enacted	
Central Management	\$8.8	\$11.0	\$11.2	\$0.3	2.3%	\$10.7	(\$0.2)	-2.3%
Infrastructure-Engineering	345.3	472.5	380.1	(92.4)	-19.6%	386.2	(86.3)	-18.3%
Infrastructure-Maintenance	46.8	39.4	53.6	14.2	36.1%	57.4	18.0	45.8%
Management and Budget	0.5	2.2	3.0	0.8	33.9%	4.5	2.3	102.0%
Total	\$401.5	\$525.1	\$447.9	(\$77.2)	-14.7%	\$458.9	(\$66.3)	-12.6%

	FY2014	FY2015	FY2015	Change from		FY2016		
Expenditures by Source ¹	Actual	Enacted	Governor	Enacted		Governor	Change from Enacted	
Federal Funds	\$284.5	\$352.1	\$271.0	(\$81.1)	-23.0%	\$263.6	(\$88.5)	-25.1%
Restricted Receipts	7.2	12.4	1.0	(11.4)	-91.9%	1.0	(11.4)	-91.9%
Other Funds	109.8	160.7	175.9	15.3	9.5%	194.3	33.6	20.9%
Total	\$401.5	\$525.1	\$447.9	(\$77.2)	-14.7%	\$458.9	(\$66.3)	-12.6%

Authorized FTE Levels	752.6	752.6	752.6	-	0.0%	752.6	-	0.0%
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\$ in millions. Totals may vary due to rounding.

¹ Does not reflect debt service transfers of \$8.0 million in FY2013 and \$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 in 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. 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 Governor’s budget proposal includes a provision to suspend the transfer of \$13.2 million in general revenue from motor vehicle license and registrations fees to the Rhode Island Highway Maintenance Account (HMA) within the Transportation Infrastructure Fund (Article 21). Instead, an additional \$20.0 million in Rhode Island Capital (RICAP) funds are added. The Governor’s budget also 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 May 31, 2015.

The Governor allocates a total of \$458.9 million to RIDOT, a decrease of \$66.3 million from the FY2015 Budget as Enacted (12.6 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 increase in restricted receipts, reflecting the transfer of the RI Highway Maintenance Account – DMV Fees to the Infrastructure Maintenance Program
- \$33.6 million increase in other funds due primarily to:
 - \$16.0 million net increase in Rhode Island Capital Plan expenditures
 - \$11.1 million increase for winter maintenance and vehicle maintenance
 - \$3.7 million for the Drainage Repair, Improvement, and Preservation Program
 - \$1.5 million for computer upgrades

The Governor recommends 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 which remains unfunded.

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 in Article 21.
- 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.

Analyst's Note: The Governor suspends the transfer of \$13.2 million in general revenue from motor vehicle license and registrations fees to the Rhode Island Highway Maintenance Account (HMA) within the Transportation Infrastructure Fund. The FY2015 Budget as Enacted shifted these funds to the HMA to be used by the Department of Transportation for highway, road, and bridge maintenance expenses. The scheduled transfers would resume in FY2017. Under Article 1 the Governor proposes to use \$20.0 million in Rhode Island Capital Plan funds in lieu of the transferred fees in FY2016.

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	5.7	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	\$17.5	\$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 ¹	\$0.0	\$0.0	\$39.3	\$50.2	\$49.7	\$49.3
Motor Vehicle Title	9.0	9.3	8.8	8.4	8.3	8.4
Inspection Sticker Increase	5.7	5.9	6.0	6.1	6.2	6.2
Rental Car Surcharge	2.8	3.0	3.2	3.2	3.1	3.1
Total Revenue Transferred from General Fund	\$17.6	\$18.2	\$57.3	\$67.8	\$67.2	\$67.1
Total Revenue to Highway Maintenance Account	\$35.0	\$41.4	\$80.5	\$91.1	\$90.6	\$90.5

¹ The Governor recommends that the transfer of \$13.2 million in motor vehicle registration and license fees be suspended in FY2016.

\$ in millions.

Source: Office of Revenue Analysis and State Budget Office

Analyst's Note: The Governor suspends the transfer of \$13.2 million in general revenue from motor vehicle license and registrations fees to the Rhode Island Highway Maintenance Account (HMA) within the Transportation Infrastructure Fund. The FY2015 Budget as Enacted shifted these funds to the HMA to be used by the Department of Transportation for highway, road, and bridge maintenance expenses. The scheduled transfers would resume in FY2017. Under Article 1 the Governor proposes to use \$20.0 million in Rhode Island Capital Plan funds in lieu of the transferred fees in FY2016.

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 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.

Year	Per Penny Yield
2007	\$4,707,603
2008	4,513,744
2009	4,327,710
2010	4,289,568
2011	4,210,324
2012	4,205,959
2013	4,137,712
2014	4,236,402
2015*	4,299,099
2016*	4,274,912

*Dept. of Revenue estimate

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 \$4.3 million per penny in revenue, with RIDOT receiving 19.25 cents per gallon of gasoline sold (\$82.3 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					Underground	
	General Revenue	DOT / Highway	RIPTA / Transit	RI Turnpike and Bridge Authority	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. 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 Governor's proposal 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 May 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 approximately \$213.1 million in FFY2016 in federal funds authorized under MAP-21 for Rhode Island.

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 Governor	Change from Enacted		FY2016 Governor	Change from Enacted	
Federal Funds	\$7.6	\$9.2	\$9.0	(\$0.2)	-1.7%	\$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	\$11.2	\$0.3	2.3%	\$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 from 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 \$659,986 in FY2016, reflecting changes in several federal grants.

Federal Grant	FY2015 Enacted	FY2016 Proposed	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	0	(200,000)
NHTSA - Fatality Report/Seatbelt Use/Repeat DUI	25,000	0	(25,000)
Primary Seatbelt Law	300,000	100,000	(200,000)
NHTSA - Grant to Prohibit Racial Profiling	200,000	0	(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 Governor	Change from Enacted		FY2016 Governor	Change from Enacted	
Federal Funds	\$276.9	\$342.9	\$262.0	(\$80.9)	-23.6%	\$255.1	(\$87.8)	-25.6%
Restricted Receipts	7.2	12.4	1.0	(11.4)	-91.9%	1.0	(11.4)	-91.9%
Other Funds	61.2	117.2	117.1	(0.1)	-0.1%	130.1	12.9	11.0%
Total	\$345.3	\$472.5	\$380.1	(\$92.4)	-19.6%	\$386.2	(\$86.3)	-18.3%
Authorized FTE Levels	425.0	425.0	432.0	7.0	0.0	432.0	7.0	0.0

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

Federal funding for the Infrastructure Engineering program for FY2016 decreases by \$87.8 million from the FY2015 Budget as Enacted, primarily attributable to a decrease of \$89.6 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. Restricted receipts decrease by \$11.4 million, reflecting the transfer of the RI Highway Maintenance Account – DMV Fees to the Infrastructure Maintenance Program, and other funds increase

by \$12.9 million due to an increase of \$20.0 million in RICAP funds for the Highway Improvement Program, 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 will be 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, project being paid for with bond proceeds will continue through FY2017, based on the Department's projected expenditures. For FY2015 the Governor 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 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. 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 Governor's proposal 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 May 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 Governor	Change from Enacted		FY2016 Governor	Change from Enacted	
Other Funds	\$46.8	\$39.4	\$53.6	\$14.2	36.1%	\$57.4	\$18.0	45.8%
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 Governor recommends an increase of \$18.0 million in other funds, including an increase of \$11.2 million for winter maintenance and vehicle maintenance costs, \$3.7 million for the Drainage Repair, Improvement, and Preservation program, 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 Governor recommends \$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 expects to incur 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.

As of March 29, 2015, approximately 76 inches of snow have fallen. Thirty storms have been recorded, and 669 hours have been 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 (projected)	24,823,407	669	37,105	16,122,612

The Governor 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 Governor 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 Governor 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 Governor	Change from Enacted		FY2016 Governor	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 the 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 Governor recommends Rhode Island Capital Plan (RICAP) funding of \$631,061 in FY2015 and \$500,000 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 Governor's 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 Governor recommends RICAP funding of \$1.3 million 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 Governor recommends \$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 Governor recommends \$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 Actual	FY2015 Enacted	FY2015 Revised	Change from Enacted		FY2016 Board	Change from FY2015 Revised	
Motor Fuel Tax	\$40.8	\$40.9	\$42.6	1.7	4.2%	\$41.7	(\$0.9)	-2.2%
Passenger Revenue	24.9	24.8	21.4	(3.4)	-13.7%	19.4	(2.0)	-9.5%
Special Revenue	0.9	0.9	0.9	(0.0)	-1.9%	0.9	0.0	1.9%
Other Revenue	11.3	12.1	12.1	-	0.0%	12.1	0.0	0.2%
Federal Funds	19.8	20.6	20.7	0.1	0.4%	20.4	(0.2)	-1.1%
Department of Human Services	\$0.8	0.8	0.8	-	0.0%	\$0.9	0.1	7.8%
State Highway Fund Revenues	-	-	-	-	0.0%	2.1	2.1	0.0%
Total	\$98.5	\$100.1	\$98.5	(1.6)	-1.6%	\$97.5	(1.0)	-1.0%
Expenditures by Category								
Salaries, Wages, and Benefits	\$70.6	\$70.2	\$69.9	(\$0.3)	-0.5%	\$72.5	\$2.5	3.6%
Contract Services	9.3	9.9	9.8	(0.1)	-1.4%	10.2	0.4	4.5%
Operating Costs	13.0	13.1	13.1	-	0.0%	13.4	0.3	2.1%
Utilities	1.8	2.1	1.9	(0.2)	-10.6%	2.1	0.2	11.2%
Insurance and Settlements	3.8	4.1	4.1	-	0.0%	3.9	(0.3)	-6.8%
Capital Match	-	0.3	0.3	-	0.0%	0.1	(0.2)	-61.2%
Debt Service	-	-	-	-	-	-	-	0.0%
Revolving Loan Fund	-	0.5	0.5	(0.0)	-1.1%	0.7	0.2	29.8%
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%	\$103.1	\$3.2	3.2%
Surplus/(Deficit)		(\$0.5)	(\$1.4)			(\$5.6)		
Authorized FTE Levels	826.0	817.0	817.0	-	0.0%	818.0	1.0	0.1%

\$ 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 FY2016 Budget approved by the Board reflected a deficit of \$5.0 million; however, the Governor's proposal to suspend the transfer of 25.0 percent of motor vehicle related fees (\$13.2 million) into the HMA, results in a \$660,000 decrease in RIPTA's projected allocation, bringing the projected deficit to \$5.6 million.

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 Governor 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. Additionally, the Department of Administration assumed RIPTA's debt service of \$1.6 million in FY2013 and \$1.7 million in FY2014.

RIPTA's outlook was expected to improve over the next few years with the addition of funds in FY2016 from the State Highway Maintenance Account. Events outside of RIPTA's control have resulted in revenue decreases. Passenger revenues have decreased due to nonemergency medical transportation funding changes by Office of Health and Human Services' new broker, combined with a change in a Upass client's policies. Additionally, when RIPTA proposed its budget, it was expecting to receive an additional \$660,000 in funds from the Department of Transportation's Highway Maintenance Account.

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 RId 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 RId 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 RId Care customers are no longer distributed in grocery stores; instead, RId 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 Reduction: The FY2015 Budget as Enacted included a provision that RIPTA would receive 5.0 percent of available proceeds from revenue deposited into the Rhode Island Highway Maintenance Account (HMA) beginning in FY2016. RIPTA's share of this account was estimated to be \$2.7 million in FY2016; however, the Governor's FY2016 Budget proposal includes the suspension of the transfer of 25.0 percent of motor vehicle related fees (\$13.2 million) into the HMA, resulting in a \$660,000 decrease in RIPTA's projected allocation.

Johnson & Wales UPass program: Johnson & Wales University, which had offered a free Upass for all students to take the RIPTA bus, will begin charging students \$45 per trimester to activate their UPass cards. Johnson and Wales will continue to pay RIPTA \$1.25 per student ride; however, since the new

program has been instituted, RIPTA has experienced an 83.0 percent decrease in student ridership. Revenue loss is estimated at \$393,000 in FY2015 and \$440,000 in FY2016.

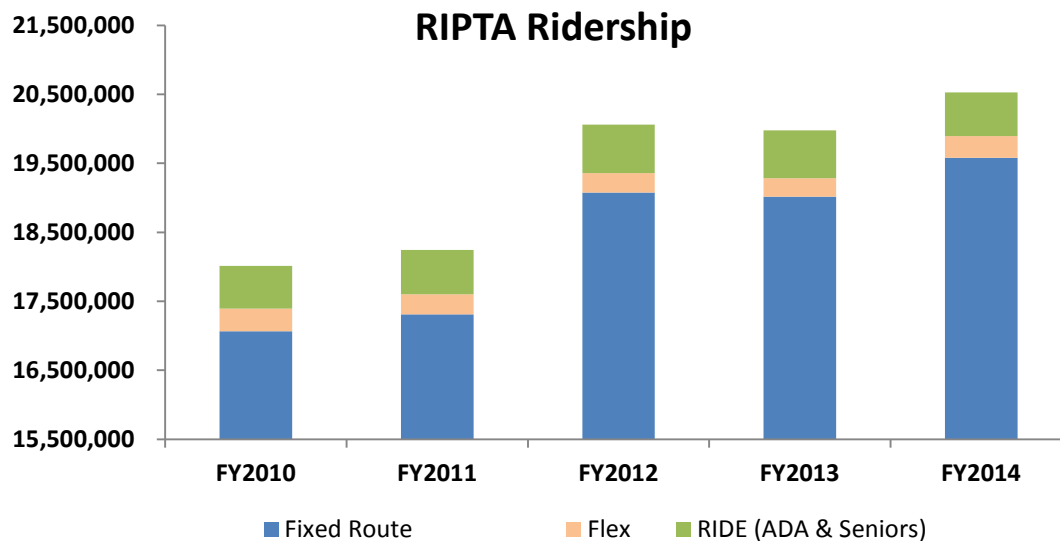
Mass Transit Hub Infrastructure

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 table 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 Governor recommends \$62.2 million in capital expenditures, of which \$3.1 million 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 will replace 11 Flex vehicles, at a cost of \$98,364 per bus. RIPTA will use \$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 will purchase 25 vehicles in FY2015 at an expected cost of \$91,700 per vehicle, replacing 25 buses manufactured in 2006. RIPTA will 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.

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

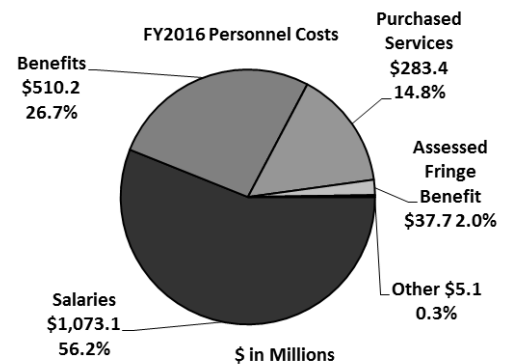
Personnel

The Governor's FY2016 Budget includes a total of \$1,909.5 million for personnel expenditures, an increase of \$47.4 million compared to the FY2015 Budget as Enacted, and \$34.9 million less than the Governor's FY2015 Supplemental Budget recommendation. Salaries and benefits total \$1,583.3 million and comprise 82.9 percent of FY2016 personnel expenditures (52.8 percent of the salaries and benefits costs are supported by general revenue).

The Governor's FY2015 Supplemental Budget includes \$1,944.4 million for personnel expenditures, an increase of \$82.3 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 \$1,073.1 million, comprising 56.2 percent of total personnel costs, an increase of \$29.2 million (2.8 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 \$510.2 million and comprise 26.7 percent of total personnel costs. Benefits increase \$13.4 million (2.7 percent) from the FY2015 Budget as Enacted, primarily due to medical costs inflation. Purchased services costs are \$283.4 million (14.8 percent) of the total personnel costs. Purchased services increase \$2.5 million (0.9 percent) from the FY2015 Budget as Enacted.



Expenses by Description	FY2013 Actual	% of Total	FY2014 Actual	% of Total	FY2015 Enacted	% of Total	FY2015 Governor	% of Total	FY2016 Governor	% of Total
Salaries	\$993.3	57.3%	\$1,023.1	55.5%	\$1,043.9	56.1%	\$1,060.8	54.6%	\$1,073.1	56.2%
Benefits	448.3	25.8%	478.0	25.9%	496.8	26.7%	501.4	25.8%	510.2	26.7%
Purchased Services	257.6	14.9%	302.3	16.4%	280.9	15.1%	340.4	17.5%	283.4	14.8%
Assessed Fringe Benefits	30.9	1.8%	35.9	1.9%	36.1	1.9%	37.1	1.9%	37.7	2.0%
Other	4.5	0.3%	4.5	0.2%	4.4	0.2%	4.7	0.2%	5.1	0.3%
Total	\$1,734.6	100.0%	\$1,843.8	100.0%	\$1,862.1	100.0%	\$1,944.4	100.0%	\$1,909.5	100.0%

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

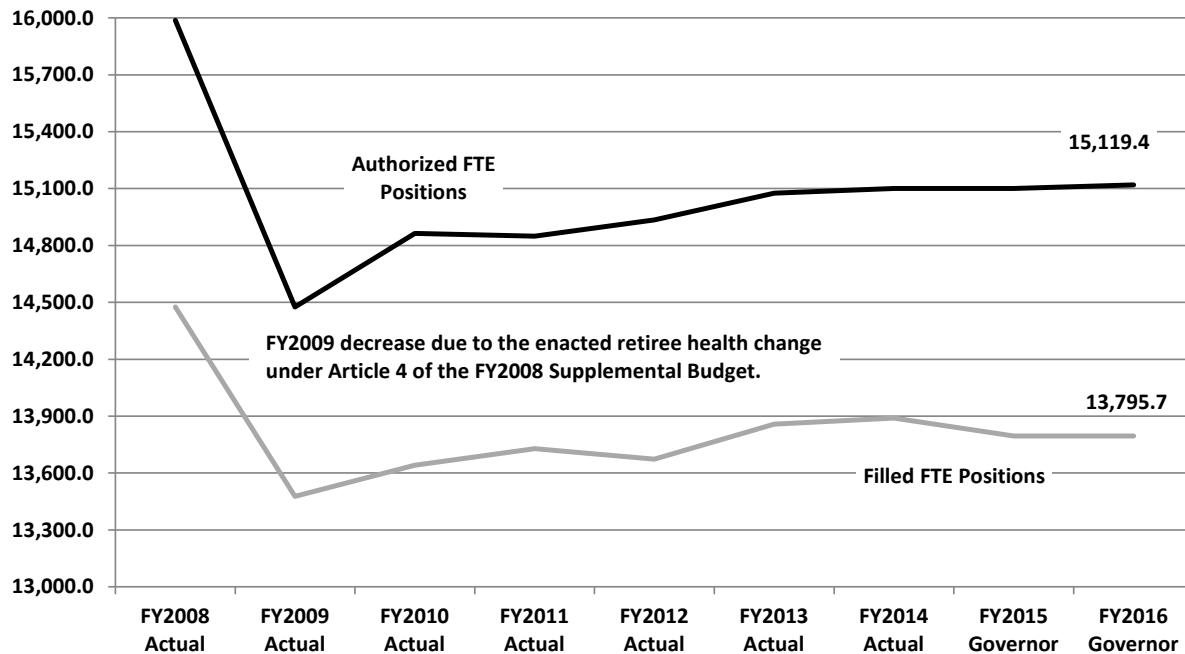
Expenses by Function	FY2013	FY2014	FY2015 Enacted	FY2015 Governor	FY2016 Governor	% of Pers. Budget	FY2016 General Revenue	FY2016 General Revenue %
General Government	\$249.6	\$285.9	\$265.1	\$311.3	\$275.6	14.4%	\$139.7	50.7%
Human Services	412.8	452.7	472.1	489.3	489.2	25.6%	219.6	44.9%
Education	560.9	562.0	572.3	578.1	580.2	30.4%	151.8	26.2%
Natural Resource	54.2	54.4	58.6	62.3	59.7	3.1%	31.6	52.9%
Public Safety	362.4	375.4	381.7	397.0	399.0	20.6%	365.3	91.6%
Transportation	94.7	113.4	112.3	106.4	105.8	5.5%	-	0.0%
Total	\$1,734.6	\$1,843.8	\$1,862.1	\$1,944.4	\$1,909.5	100.0%	\$908.0	47.6%

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

FTE POSITIONS

The FY2015 Budget as Enacted authorizes 15,086.0 FTE positions. At the start of the fiscal year, 13,851.1 FTE positions (91.8 percent of the original enacted authorized amount) were filled, leaving 1,234.9 FTE positions vacant. Over the last six fiscal years, the state vacancy rate has averaged 7.9

percent, or 1,172.0 FTE positions. Since the start of the fiscal year, the State has a net decrease of 55.4 filled FTE positions. As of April 4, 2015, 13,795.7 FTE positions (91.4 percent of the authorized amount) were filled, leaving 1,290.3 FTE positions vacant.



The following table illustrates the number of FTE positions by government function.

Government Function	FY2015 Enacted	FY2015 Governor	Change to Enacted	FY2016 Governor	% of Total	FY16/FY15 Governor	FY16/FY15 Enacted
						Change	Change
General Government	2,298.7	2,307.7	9.0	2,331.8	15.4%	24.1	33.1
Human Services	3,744.0	3,744.0	-	3,743.6	24.8%	(0.4)	(0.4)
Education	3,890.3	3,896.0	5.7	3,889.0	25.7%	(7.0)	(1.3)
Public Safety	3,221.6	3,221.6	-	3,228.6	21.4%	7.0	7.0
Natural Resources	428.0	428.0	-	428.0	2.8%	-	-
Transportation	752.6	752.6	-	752.6	5.0%	-	-
Subtotal	14,335.2	14,349.9	14.7	14,373.6	95.1%	23.7	38.4
Sponsored Research	750.8	750.8	-	745.8	4.9%	(5.0)	(5.0)
Total FTE Positions	15,086.0	15,100.7	14.7	15,119.4	100.0%	18.7	33.4

FY2015: The Governor's FY2015 Revised Budget proposes 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 Governor adds 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 Strategic Planning and Monitoring, 1.0 Director of Communications, and 1.0 Chief Implementation Aide. In addition, the Governor 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 Governor 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 Governor recommends 158.4 FTE positions in FY2015 and 153.4 FTE positions in

FY2016 for the program, 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 Governor's recommended 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.

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 Governor removes the 2.5 positions from RTTT that are not being shifted to general revenue and the 3.5 that are added in the Governor's FY2015 recommendation.

Human Services includes changes that have a zero net change in the number of authorized FTE positions. The Governor 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 be through adoption, or reunification with his or her birth parent(s).

The Governor 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 Governor's FY2016 Budget proposes 15,119.4 FTE positions. The major changes include:

General Government increases by 33.1 FTE positions, including the following:

- **An increase of 18.6 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 13.6 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), and 2.6 FTE positions for the RI Film Office.
- **An increase of 5.0 FTE positions in the Department of Business Regulation.** The Governor 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. The Governor transfers 1.0 FTE Small Business Ombudsman position (Programming Services Officer) from the Office of Management and Budget within the Department of Administration to the Department of Business Regulation.
- **An increase of 9.5 FTE positions in the Department of Revenue:** The Governor 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 are 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.

Human Services decreases by 0.4 FTE positions. This including the following:

- **A shift of 18.0 FTE positions to the Office of Health and Human Services:** This reflects the consolidations of the Office of the Child Advocate, Commission on the Deaf and Hard of Hearing, Governor's Commission on Disabilities, and Office of the Mental Health Advocate into the Office of Health and Human Services. The Governor's budget funds 17.0 FTE positions within the new Division (increasing one currently part time attorney position within the Office of the Mental Health Advocate to full time), and transfers current services funding from the four agencies to OHHS. This includes 1.0 child advocate position, 1.0 assistant child advocate position, 1.0 staff attorney position, 1.0 senior monitoring and evaluation specialist position, 1.0 chief field investigator position, and 1.0 administrative assistant position from the OCA.
- **An increase of 2.0 FTE position to the Department of Children, Youth, and Families:** The Governor 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 be through adoption, or reunification with his or her birth parent(s).

The Governor 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 2.7 FTE positions in the Department of Health:** The Governor eliminates 2.7 FTE positions from the enacted level. This reduction includes 2.0 FTE positions eliminated through the consolidation of 25 non-prescribing health boards. The Governor consolidates 25 of the non-prescribing health professional boards overseen by the Department of Health (DOH) into one new board, the Health Professions Board of Review.

The Governor also adds 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.

To offset 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 2.7 FTE positions from the enacted level within DOH.

Education increases by 1.3 FTE positions. This reflects the following:

- **An increase of 22.2 FTE positions in Higher Education:** The Governor transfers 15.0 FTE positions to Public Higher Education from the Rhode Island Higher Education Assistance Authority (RIHEAA) and eliminates 7.0 FTE from RIHEAA, reflecting the elimination of RIHEAA and the transfer of its authority to the Office of Postsecondary Commissioner (OPC). The Governor 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.

- A decrease of 1.5 FTE positions in the Department of Elementary and Secondary Education. The Governor recommends shifting funding for 3.0 FTE positions from federal to general revenue funding. The FTE decrease of 1.5 positions is due to the decrease of the 2.5 FTE federally funded, the shift of funding for 3.0 FTE positions, 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.)

Public Safety increases by 7.0 FTE positions for the Military Staff. This reflects an increase of 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.

PERSONNEL REFORMS

The Governor proposes to achieve \$22.0 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 Governor proposes Article 22 in the FY2016 Budget that amends several statutory provisions pertaining to the State personnel system in an attempt to modernize the system. Most of the statutory items selected for amendment have no direct savings attached to them. Only the freezing of longevity benefit at the dollar amount has an identified savings amount of \$300,000 to \$977,000. Both the retiree medical and non-union medical plan changes will have savings, but the savings is unknown at this time because new rates will need to be established for those impacted by the change.

More information concerning Article 22 and the proposed Personnel Reforms can be found in the Article Summaries section of this document.

Analyst's Note: On April 16, 2015, the Governor submitted a budget amendment for Article 22. The Governor eliminates several of the personnel proposals of the article including the proposed change to the longevity benefit. Many of the other proposed changes will maintain intact much of the current Merit System law.

If the budget amendment is accepted by the General Assembly, then the only quantifiable savings proposal will be eliminated from the article.

ANALYSIS OF STATE PERSONNEL SYSTEM

The Governor instructed the Director of the Department of Administration to undertake a comprehensive analysis of the State's personnel system before the close of FY2013, to recommend alternatives to what the Governor believes is a cumbersome and outdated system, and to provide opportunities to attract talented individuals to the State in light of the recent reforms impacting the state pension system and longevity benefits. The FY2013 Budget as Enacted included \$250,000 to commence the analysis. The Department of Administration awarded a contract to The Segal Group to conduct this review. On January 28, 2013, the Department of Administration released the Comprehensive Personnel Study Report with the following findings:

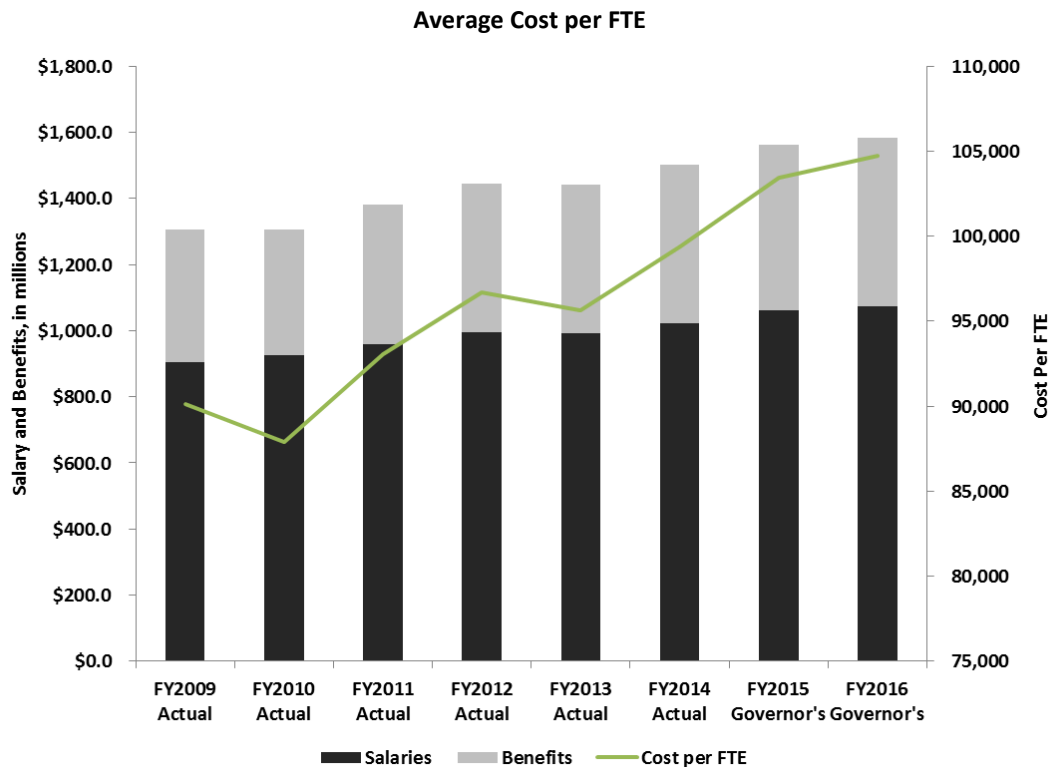
- The structure, organization, and staffing of the State's Human Resources division is not sufficient to support the State's human capital needs.
- The current recruitment and selection processes are highly paper-based, with outdated and cumbersome procedures that often delay the process and impede hiring managers' ability to identify and employ qualified candidates on a timely basis.

- The job classification structure and job descriptions do not reflect the skills and qualifications required to deliver 21st century government services.
- The compensation structures and pay delivery policies are non-competitive, highly rigid and insufficient to attract and retain skilled employees.

To begin implementing the findings of this report, the Governor recommends \$500,000 in the FY2015 Revised Budget and recommends 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.

AVERAGE COST PER FTE

The projected average cost per FTE position is \$104,719 in FY2016, reflecting an increase of 1.2 percent over the FY2015 Governor's Revised Budget, and an increase of 16.2 percent since FY2009. The cost per FTE has grown by an average of 2.2 percent each year from COLA and benefit cost increases. The cost per FTE position decreased slightly in FY2010 as a result of enacted pension reforms and overall statewide reductions to personnel expenditures.



PURCHASED SERVICES

Purchased services expenditures provide for contractors (non-state employees) who deliver special expertise to the State or where the work is temporary or project-specific. There are 10 categories of purchased services: 4 of the 10 categories, Design and Engineering, Information Technology, Management and Consultant Services, and Training and Educational Services, comprise 77.4 percent of the total FY2016 purchased service expenditure recommendation in the Governor's FY2016 budget.

	FY2012	FY2013	FY2014	FY2015	FY2015	FY2016	FY16 to
Purchased Services	Actual	Actual	Actual	Enacted	Governor	Governor	FY15
							Change
Design & Engineering	\$47.1	\$43.5	\$44.8	\$45.0	\$41.5	\$36.5	-\$8.5
Management & Consultant Services	50.5	65.0	80.0	73.6	94.5	88.2	14.6
Training & Educational Services	49.8	56.8	44.4	45.6	49.6	42.9	-2.7
Information Technology	12.3	38.0	74.9	55.2	84.5	51.8	-3.4
Medical Services	12.8	12.6	10.6	13.0	12.4	12.7	-0.3
Other Contracts	8.4	8.6	13.0	15.5	22.0	17.0	1.5
Clerical & Temporary Services	7.4	6.3	5.3	6.5	5.7	5.2	-1.3
Buildings & Grounds Maintenance	5.0	5.8	6.2	5.8	5.9	6.3	0.5
Legal Services	7.1	6.0	5.4	4.8	6.8	6.0	1.2
University & College Services	15.4	15.0	17.7	15.9	17.5	16.8	0.9
Total	\$215.8	\$257.6	\$302.3	\$280.9	\$340.4	\$283.4	\$2.5

\$ in Millions

Does not include ISFs

For FY2016 Budget, the Governor recommends \$283.4 million for purchased service expenses, of which \$50.7 million (17.9 percent) is general revenue. The FY2016 Budget recommendation reflects an increase of \$2.5 million over the FY2015 Budget as Enacted. Approximately \$230.8 million (82.9 percent) of the appropriation funds services in seven state departments.

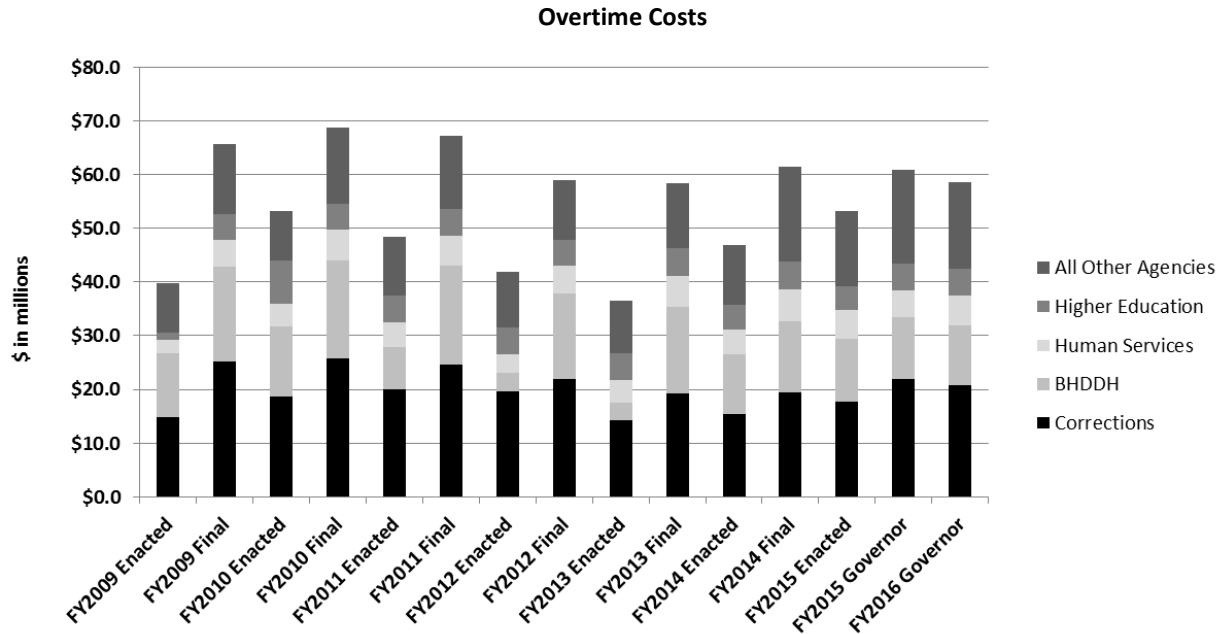
Purchased Services

Department	FY2015 Enacted	FY2015 Governor	FY2016 Governor	FY2016 General Revenue
Office Health and Human Services	\$66.9	\$84.5	\$76.4	\$13.7
Elementary & Secondary Education	39.8	42.7	38.2	4.8
Transportation	39.2	35.1	30.9	-
Administration	25.6	58.2	34.9	4.6
Human Services	22.5	20.5	17.5	5.5
Higher Education	20.4	21.0	26.5	3.4
Corrections	9.8	11.0	10.4	9.8
Health	8.0	9.0	6.6	0.9
Environmental Management	7.7	8.5	6.6	0.2
Children, Youth, and Families	5.6	5.5	5.2	2.1
All Other Agencies	35.4	44.4	30.2	5.6
Total	\$280.9	\$340.4	\$283.4	\$50.6

\$ in Millions

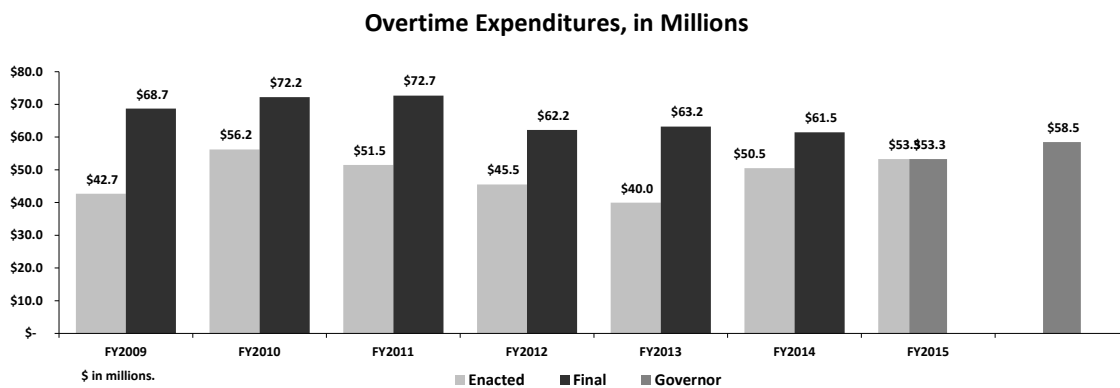
OVERTIME

Overtime costs in FY2016 are projected to total \$58.5 million, \$5.2 million more than the FY2015 Budget as Enacted and \$2.3 million less than proposed in the Governor's FY2015 Revised Budget. Overtime expenses are projected to be \$2.9 million less than expended in FY2014. General revenue supports 66.5 percent of overtime expenses. 35.3 percent of the total FY2016 projected overtime expenditures for the State occur with the Department of Corrections, a 16.3 percent increase in overtime expenses in FY2016.



State agencies regularly over spend their overtime appropriation. Over the last six fiscal years, overtime expenditures have exceeded enacted amounts by an average of \$19.0 million (41.2 percent).

The Department of Corrections and Behavioral Healthcare, Developmental Disabilities, and Hospitals generally exceed their overtime appropriations by the largest amounts. Overtime costs often result from staffing shortages, due either to high turnover rates or insufficient FTE authorizations in the enacted budget. Where there are state or federally mandated minimum staffing levels (such as at Eleanor Slater Hospital in BHDDH), or caseload-driven personnel requirements (such as inmate population levels at the Department of Corrections) agencies must use overtime or contract personnel to provide adequate coverage. The following chart illustrates the variances between the enacted and actual expenditures for overtime costs:



STATE EMPLOYEE HEALTH INSURANCE RATES

Rhode Island offers three forms of health benefit coverage to state employees: medical coverage (through UnitedHealthcare), dental coverage (through Delta Dental), and vision coverage (through Vision Service Plan). The plan rates for UnitedHealthcare and Vision Services are determined each fiscal year and are effective every July 1. The plan rates for Delta Dental are determined on a calendar year basis and are effective every January 1. The FY2016 projected rates for all health insurance are 1.3 percent higher than the rates for FY2015 and 165.0 percent higher than the rates set in FY2001.

Health Insurance Rates Annual Employer Cost per Employee

	FY2001	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2015	FY2016	% Change
Individual	Actual*	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Enacted	Governor	Governor	FY16/FY15
Medical	\$2,772	\$5,427	\$5,970	\$6,020	\$6,558	\$6,559	\$7,062	\$6,967	\$7,525	\$7,123	\$7,622	1.3%
Dental	241	327	327	360	349	350	376	382	405	399	411	1.5%
Vision	41	76	82	83	83	84	63	59	60	57	59	-1.7%
Total	\$3,054	\$5,831	\$6,379	\$6,463	\$6,991	\$6,993	\$7,501	\$7,408	\$7,990	\$7,579	\$8,092	1.3%
Family												
Medical	\$7,772	\$15,215	\$16,736	\$16,877	\$18,386	\$18,386	\$19,799	\$19,531	\$21,093	\$19,967	\$21,365	1.3%
Dental	674	917	917	1,008	978	978	1,052	1,068	1,132	1,116	1,149	1.5%
Vision	88	162	173	177	177	177	173	161	165	157	162	-1.8%
Total	\$8,533	\$16,293	\$17,827	\$18,062	\$19,540	\$19,541	\$21,024	\$20,760	\$22,390	\$21,240	\$22,676	1.3%

Source: State Budget Office

* Medical included BCBSRI & United Healthcare

Dental projected to increase 3.0% January 1, 2015, and January 1, 2016

State Employee Health Plan Costs

The FY2016 proposed total employer expenditure for state employee health plan costs is \$192.3 million, of which \$97.8 million is general revenue. This is \$10.0 million higher than the FY2015 Budget as Enacted, and \$8.6 million more than the Governor's proposed FY2015 Revised Budget.

State Employee Health Plan Total Costs

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2015	FY2016	FY16 to FY15	% Change
Health Plan	Actual	Actual	Actual	Actual	Actual	Actual	Enacted	Governor	Governor	Change	FY16/FY15
Medical	\$142.5	\$126.7	\$148.6	\$145.9	\$155.2	\$162.1	\$173.8	\$171.1	\$179.5	\$5.7	3.3%
Dental	9.1	9.0	9.2	9.2	9.3	9.8	11.4	11.1	11.3	(0.1)	-0.9%
Vision	1.6	1.6	1.6	1.5	1.4	1.4	1.6	1.5	1.5	(0.1)	-6.3%
Total	\$153.2	\$137.3	\$159.4	\$156.6	\$165.9	\$173.3	\$186.8	\$183.7	\$192.3	\$5.5	2.9%

\$ in millions

STATE EMPLOYEE CONTRACT AGREEMENT

On April 10, 2014, the Governor Chafee announced an agreement between the State and the 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,

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%

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.

State Employee Health Co-shares

Since 2005, state employees are required to pay a co-share for health insurance. The rate charged to each employee is based on a percent of premium cost and assessed by salary range. These rates increased between FY2010 and FY2012, and have since held constant, 15.0 percent for employees earning \$47,741 or less, 20.0 percent for employees earning \$47,741 to \$95,481, and 25.0 percent for employees earning more than \$95,481.

To ensure that the lower paid state employees are not negatively impacted by the COLA increase, the 2014 agreement will reset the lowest salary threshold of \$47,741 by 2.0 percent as of April 6, 2014, (\$48,696) and adjust the lowest threshold again by 2.0 percent to \$49,670 on October 5, 2014.

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 \$48,696*	15.0%	\$122.54
25,000 - 34,999	13.5%	46,350 - 92,700	20.0%	\$48,696 - \$95,481	20.0%	163.38
35,000 - 44,999	13.5%	Over \$92,700	25.0%	Over \$95,481	25.0%	204.23
45,000 - 74,999	20.0%					
75,000 - 89,999	20.0%					
Over \$90,000	25.0%					

* Will increase to \$49,670 on 10/5/2014 and 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%	\$58.30
45,000 - 74,999	20.0%	46,350 - 92,700	20.0%	Over \$95,481	25.0%	72.88
75,000 - 89,999	20.0%	Over \$92,700	25.0%			
Over \$90,000	25.0%					

Analyst's Note: although the salary rates changed as of October 5, 2014, new plan rates for FY2016 are being prepared and will not be posted by the Office of Employee Benefits until mid-May 2015.

Deductibles

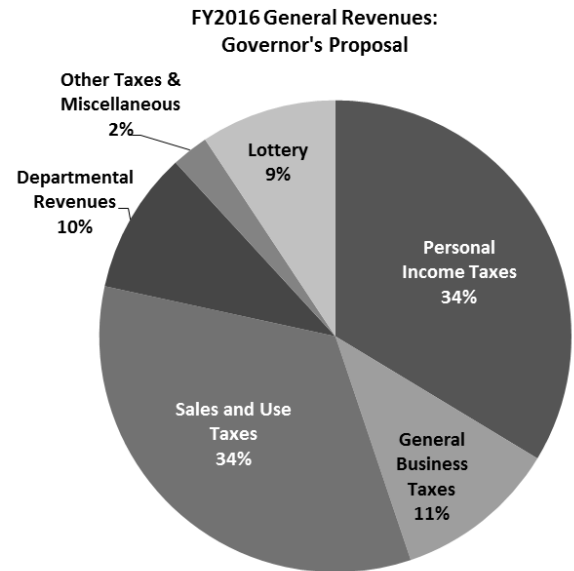
The April 10, 2014, contract agreement creates new deductibles on state employee health insurance. Effective January 1, 2015, the medical deductibles will be \$250 for an individual plan and \$500 for a family plan. In addition, the agreement increases the point of service co-payments effective the first 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

Revenue

The Governor's FY2016 Budget recommendation totals \$3,597.1 million in general revenue, 4.4 percent more than the FY2015 enacted level.

The Governor's proposal increases general revenue collections by an estimated \$60.9 million (1.8 percent) above the November 2014 revenue estimate for FY2016, exclusive of the annually-enacted hospital license fee (HLF). After adjusting for the HLF (\$156.1 million), the net increase amounts to \$216.9 million (6.4 percent) above the adjusted FY2016 base estimate. After the HLF, the additional revenue is largely attributable to transferring proceeds from bond refinancing at quasi-public agencies to general revenue (\$39.7 million). The Governor also suspends the transfer of \$13.2 million to the Rhode Island Highway Maintenance Account as was required in the enacted budget. An additional \$11.8 million in revenue is attributable to a new state property tax on non-owner occupied properties with an assessed value of \$1.0 million or more. Other changes include an excise tax increase on cigarettes (\$7.1 million), reduction for personal income tax exemptions (\$3.9 million), and transferring the State's portion of hotel taxes from general revenue to the Commerce Corporation (\$3.8 million).



FY2016 GENERAL REVENUE ADJUSTMENTS

Revenue Changes	FY2014 Actual	FY2015 Nov. REC	FY2015 Governor	FY2015 Change	FY2016 Nov. REC	FY2016 Governor	FY2016 Change
Personal Income Tax	\$1,115.5	\$1,167.7	\$1,167.7	-	\$1,216.6	\$1,210.7	(\$5.9)
Business Corporations	115.2	112.8	112.8	-	119.1	119.5	0.4
Public Utilities	101.4	103.6	103.6	-	105.0	105.0	-
Financial Institutions	22.0	16.0	16.0	-	16.5	16.5	-
Insurance Companies	102.4	113.6	113.6	-	116.0	115.1	(0.9)
Bank Deposits	2.5	2.5	2.5	-	2.5	2.5	-
Healthcare Providers	42.1	43.2	43.2	-	44.3	43.3	(1.0)
Sales and Use	916.1	955.0	955.0	-	1,000.0	1,003.4	3.4
Motor Vehicle	52.4	49.9	49.9	-	39.6	50.2	10.6
Motor Fuel	0.5	0.5	0.5	-	0.5	0.5	-
Cigarettes	139.5	136.8	136.8	-	134.2	140.7	6.5
Alcohol	18.3	19.0	19.0	-	13.0	13.0	-
Inheritance	43.6	27.0	27.0	-	19.2	19.2	-
Racing	1.2	1.1	1.1	-	1.1	1.1	-
Realty Transfer	8.0	8.8	8.8	-	9.3	10.0	0.7
State Property Tax	-	-	-	-	-	11.8	11.8
Departmental Revenues	360.3	349.3	348.9	(0.4)	199.3	351.0	151.7
Unclaimed Property	12.7	11.0	12.3	1.3	8.1	8.1	-
Lottery	376.3	383.3	383.3	-	334.8	334.8	-
Other Misc.	6.4	7.8	7.8	-	1.1	40.8	39.7
Total	\$3,436.4	\$3,508.9	\$3,509.8	\$0.9	\$3,380.2	\$3,597.1	\$216.9

\$ in millions

Governor's Recommended Revenue Changes	FY2016
Business	
Hospital License Fee	\$156.1
Increase Excise Tax on Cigarettes	7.1
Sales Tax Exemption on Utilities	(4.9)
Hotel Base Expansion	3.3
Increased Collections from Tax Compliance	1.8
Controlling Interest Transfer Tax	0.7
Eliminate Surcharges on Net Patient Revenues for Imaging Services	(0.6)
Taxation Self-Audit Program	0.5
Eliminate Occupational Licenses	(0.4)
Eliminate Enterprise Zone Wage Tax Credit	0.4
Individuals	
State Property Tax on Non-Owner Occupied Second Properties	11.8
Income Tax Exemption on Taxable Social Security Benefits	(3.9)
Changes to Earned Income Tax Credit	(3.0)
State Agencies	
Transfers from Quasi-Public Agencies	39.7
Suspend Transfer of Motor Vehicle Fees to RI Highway Maintenance Account	13.2
Delay License Plate Reissuance	(2.6)
Other	
Reduction from Decreased Medicaid Spending	(1.9)
Urban Institute Work Support Strategies Grant Transfer	(0.4)
Total	\$216.9

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

BUSINESS

The Governor proposes several tax changes aimed to help businesses, enhance tax collection enforcement, or in some way impact tax liabilities of businesses. These changes are estimated to generate \$164.0 million in FY2016.

Hospital License Fee **\$156.1 million**

For FY2016, the Governor recommends \$156.1 million as part of Article 3, which reinstates the annually-enacted Hospital License Fee. Like many states, Rhode Island levies a licensing fee on hospitals which is used, in part, to help fund the state share of the Medicaid Disproportionate Share Hospital (DSH) payments. This licensing fee is assessed on all hospitals equal to 5.703 percent applied to the current base of hospital fiscal year 2013 net patient revenues, excluding hospitals located in Washington County, Rhode Island subject to the approval of the Centers for Medicare and Medicaid Services, which receive a 3.593 percent discounted rate. These license fees are payable by July 11, 2016.

Increase Excise Tax on Cigarettes **\$7.1 million**

The Governor recommends a \$0.25 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, from \$8.88 to \$9.17 per individual pack. The additional excise tax and associated sales taxes would generate an additional \$7.1 million in revenue above the projections from the November 2014 Revenue Estimating Conference. 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 table below compares the current end price of a pack of cigarettes to the Governor's proposed excise increase, and outlines Rhode Island's markups compared to neighboring states.

Cigarette Pricing and Taxing Provisions - Regional Comparison

	Rhode Island			Massachusetts		Connecticut	
		Current	Proposed				
Base Price per Pack in \$		\$4.12	\$4.12	\$3.61		\$4.12	
Excise Tax in \$		3.50	3.75	3.51		3.40	
Subtotal base price + Excise		7.62	7.87	7.12		7.52	
Wholesale Markup	2.0%	0.15	0.16	2.0%	0.14	6.5%	0.49
Wholesale Cartage	0.75%	0.06	0.06	0.75%	0.05	0.0%	0.00
Retail Markup	6.0%	0.47	0.49	25.0%	1.83	8.0%	0.64
Total Base Cost		8.30	8.57	9.15		8.65	
Sales Tax	7.0%	0.58	0.60	6.25%	0.57	6.4%	0.55
Total Price per Pack in \$		\$8.88	\$9.17	\$9.72		\$9.20	

Note: The Office of Revenue Analysis calculated base price per pack using available data on wholesale prices as listed on states' Department of Revenue websites. No base price was available for CT, so it was assumed that CT would be the same as RI.

Hotel Base Expansion

\$3.3 million

Article 11 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. Currently, rental accommodations with less than three rooms are 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 State currently levies a 5.0 percent gross receipts tax on hotels that have more than three rooms and are rented for 30 days or less.

Lodging Tax Expansion: The Budget expands the definition of hotels subject to the State's lodging taxes to include houses, condominiums, or other residential units, regardless of number of rooms, which are advertised for rent for occupancy. 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 on All Lodging Rentals

	7% Sales	1% Local
General Revenue	\$5,422,316	-
CommerceRI	-	-
Municipalities	-	774,617
Subtotal	\$5,422,316	\$774,617
Total		\$6,196,933

Note: The Governor does not impose the 5.0% hotel tax on vacation rentals and bed and breakfasts.

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.

FY2016 Hotel Tax Expansion on Online Resellers

	7% Sales	5% Hotel	1% Local
General Revenue	\$820,662	-	-
CommerceRI	-	194,519	-
Municipalities	-	146,053	117,237
<i>Tourism Districts:</i>			
Aquidneck Island	-	99,409	-
All Other Tourism Districts	-	32,511	-
Convention Authority of Providence	-	23,133	-
Warwick Dept. of Economic Development	-	12,131	-
Prov/Warwick Convention & Visitors Bureau	-	78,430	-
Subtotal	\$820,662	\$586,186	\$117,237
Total			\$1,524,085

Unlicensed Rentals: Article 11 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 (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. Lodging tax shares were applied to the total revenue of \$12.2 million, which are broken down in the following table:

FY2016 Hotel Tax Expansion on Unlicensed Rentals

	7% Sales	5% Hotel	1% Local
General Revenue	\$851,512		
CommerceRI		197,627	
Municipalities		152,056	121,645
<i>Tourism Districts:</i>			
Aquidneck Island	-	119,289	-
All Other Tourism Districts	-	34,298	-
Convention Authority of Providence	-	29,325	-
Warwick Dept. of Economic Development	-	857	-
Prov/Warwick Convention & Visitors Bureau	-	74,770	-
Subtotal	\$851,512	\$608,222	\$121,645
Totals			\$1,581,379

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.

FY2016 Current Hotel Tax Collections Summary and Increases from Hotel Tax Base Expansion

Municipality	*FY2016 Est.	Increases from Base Expansion	Total	Municipality	*FY2016 Est.	Increases from Base Expansion	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
Cumberland	-	-	-	Providence	2,019,681	162,919	2,182,600
East Greenwich	905	3,843	4,748	Richmond	3,577	637	4,215
East Providence	44,947	5,660	50,607	Scituate	5,037	173	5,210
Exeter	-	514	514	Smithfield	152,721	15,023	167,744
Foster	254	9	263	South Kingstown	143,481	73,564	217,045
Glocester	2,808	1,564	4,371	Tiverton	-	9,739	9,739
Hopkinton	-	953	953	Warren	-	6,384	6,384
Jamestown	9,467	45,856	55,323	Warwick	1,059,108	39,403	1,098,511
Johnston	7,743	781	8,523	Westerly	460,049	99,977	560,026
Lincoln	106,834	4,185	111,020	West Greenwich	98,522	3,900	102,422
Little Compton	4,489	40,217	44,706	West Warwick	102,452	3,520	105,972
Middletown	709,165	58,938	768,103	Woonsocket	53,703	1,845	55,549
Narragansett	84,305	274,001	358,305	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.

Reallocation to CommerceRI: The Governor proposes to redirect \$6.4 million in new and existing hotel tax proceeds, based on reallocation of hotel tax revenue in the following table, to fund operations at CommerceRI, including \$4.5 million to enhance statewide tourism and promote Rhode Island as a vacation and leisure destination. The following table shows the reallocation using the existing hotel tax base and does not include the additional \$380,000 which would be generated through the base expansion and reallocation. (\$6.0 million + \$380,000 = \$6.4 million)

FY2016 Reallocation of Current Hotel Tax Revenues

Recipient	Current Law		Proposed		Change
	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	47%	\$2,893,084	-
Statewide District	47%	130,544	-	-	(130,544)
All Other Districts	47%	1,778,772	25%	946,156	(832,616)
Convention Authority of Providence	31%	1,391,336	15%	673,227	(718,109)
Warwick Department of Economic Development	31%	729,608	15%	353,036	(376,572)
Providence/Warwick Convention & Visitors Bureau*	23/7/12%	2,172,656	23/7/12%	2,172,656	-
RI Convention Center Authority	30%	316,906	-	-	(316,906)
Municipalities	25%	4,000,819	25%	4,000,819	-
State General Revenue	21%	3,645,903	-	-	(3,645,903)
RI Commerce Corporation	0%	-	35.1%	6,020,650	6,020,650

*Shares of state hotel tax revenue are received as follows: 23.0% from rooms rented in Providence and Warwick, 12.0% from rooms rented at the Omni Providence, and 7.0% from room rentals in the rest of the State.

Analyst Note: Reducing the distribution to the RI Convention Center Authority could increase general revenue expenditures to the State in covering the Authority's operating losses.

On April 6, 2015, the Budget Office submitted amendments to Article 11: Relating to Revenues to clarify the Governor's intent of the legislation. These changes are not anticipated to impact revenue projections.

Section 3: *The definition of hotel is changed to "any facility offering a minimum of 1 room." Currently, the hotel tax means any facility offering a minimum of three rooms. According to the Office of Revenue Analysis (ORA), this change was necessary to capture bed and breakfasts with less than three rooms to rent as well as unlicensed rentals with less than three rooms to rent. There is no fiscal impact as this was assumed with the initial revenue estimate.*

Section 8: *This section makes two changes to clarify types of accommodations subject to the 5.0 percent hotel tax.*

- *The article is amended to include travel packages under the hotel tax. According to the Division of Taxation, the intent of the amendment is to target online hotel resellers: if the reseller bundles the transaction, then the entire cost would be subject to the sales and hotel taxes. However, if the reseller itemizes the bill, only the charge for the hotel room would subject to the tax.*
- *The amendment also adds language to exclude vacation homes from the hotel tax. This is to differentiate between an unlicensed rental of a single bedroom and the rental of a vacation home or condo. The latter is subject only to the sales and use tax and the local hotel tax while the former is subject to the sales and use tax, the state hotel tax, and the local hotel tax.*

Increased Collections from Tax Compliance Contract

\$1.8 million

The Governor 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.

Controlling Interest Transfer Tax

\$695,970

The Governor proposes to apply 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. Under current law, however, the owner of a business may 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.

Analyst Note: The article is unclear as to whether this tax will apply to only real estate holdings of a business or all other assets transferred in the sale.

Taxation Self-Audit Program

\$500,000

This proposal implements an audit program managed within the Division of Taxation permitting businesses to perform self-audits. This type of audit would replace the traditional field-audit program, which, according to the Governor, allows 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. Pennsylvania recently implemented a similar program. During the first full year, \$10.0 million in new revenue was generated. The Office of Management and

Budget expects the Rhode Island program to generate \$500,000, based on a ratio of the State's comparable population and revenue data to that of Pennsylvania.

Eliminate Enterprise Zone Wage Tax Credit

\$356,347

The Governor eliminates the Enterprise Zone Wage tax credit, which provides employment-based tax incentives for businesses located in certain defined areas of the state. 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). 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.

This tax expenditure may be applied against the business corporations tax, public service corporations tax, bank tax, and insurance companies tax. To calculate the fiscal impact, ORA used an average of the tax credits used over the past 4 years and estimated out-year growth using the growth rate adopted at the 2014 November Revenue Estimating Conference for business corporations taxes.

Enterprise zones are economically distressed areas, or more specifically, United States bureau of the census divisions, in need of expansion of business and industry. The following municipalities have areas designated as enterprise zones under RIGL 42-64.3-5:

- Cranston (which includes the site of the former Narragansett Brewery and the census blocks that are along the following streets: Hartford Avenue to the Johnston town line, Plainfield Street to the Johnston town line, and Pocasset Avenue to the Cranston city line)
- Providence (Providence II enterprise zone)
- Cumberland (Highland II Corporate Park and Woonsocket/Cumberland enterprise zone)
- East Providence
- Middletown
- Newport
- Pawtucket
- Richmond
- Portsmouth
- Woonsocket (Singleton Street Mill District and Ashton/Berkeley Mill Village area)
- Warren (Mount Hope enterprise zone)
- West Warwick

Analyst's Note: The proposed legislation eliminates the credit entirely. The legislation is silent as to whether businesses certified prior to this date would be allowed to receive new credits under this program and whether or not the carry forward provisions for issued but unused but earned credits would be allowed.

Sales Tax Exemption on Utilities**(\$4.9 million)**

The State currently exempts electricity, natural gas, and heating fuels used in the manufacturing process from the sales and use tax. The Governor proposes to expand the current exemption to consumption of these utilities by all businesses over the next five years. Exemptions would be phased in by 20.0 percent annually through FY2020. Expands the current sales tax exemption for electricity, gas, and fuel used in the manufacturing process.

5 Year Impact of Sales Tax Exemption Phase-In for All Businesses

Energy Item	FY2016	FY2017	FY2018	FY2019	FY2020
Electricity	(\$3,500,540)	(\$7,106,634)	(\$10,888,608)	(\$14,779,715)	(\$18,606,863)
Natural Gas	(1,162,798)	(2,401,203)	(3,708,744)	(5,029,919)	(6,427,874)
Heating Fuels	(214,418)	(435,565)	(669,898)	(918,986)	(1,176,627)
Total	(\$4,877,756)	(\$9,943,402)	(\$15,267,250)	(\$20,728,620)	(\$26,211,364)

<i>Exemption Rate</i>	20%	40%	60%	80%	100%
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Source: Office of Revenue Analysis

Eliminate Surcharges on Net Patient Revenues for Imaging Services**(\$574,399)**

The Governor proposes phasing out the 2.0 percent surcharge on net patient services revenue generated by outpatient healthcare facilities and imaging services providers in equal increments over four years (FY2016 through FY2019). The initiative is expected to reduce revenues by \$574,399 in FY2016.

5-Year Revenue Impact

Surcharge Item	FY2016	FY2017	FY2018	FY2019	FY2020
Imaging Service	(\$386,908)	(\$768,660)	(\$1,118,834)	(\$1,500,964)	(\$1,529,760)
Outpatient Healthcare	(187,492)	(375,799)	(559,750)	(745,924)	(746,613)
Total	(\$574,399)	(\$1,144,459)	(\$1,678,584)	(\$2,246,888)	(\$2,276,373)

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.

Eliminate Occupational Licenses**(\$365,906)**

Based upon the results of a review conducted by the Office of Regulatory Reform (ORR), Article 20 eliminates licensing requirements for 32 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 \$365,906 in FY2016 and \$218,051 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.

INDIVIDUALS

The Governor proposes a new state property tax on certain residential properties as well as modifications that affect personal income taxes, increasing revenue by \$4.9 million.

State Property Tax on Non-Owner Occupied Residential Properties**\$11.8 million**

The Governor proposes a state property tax on non-owner occupied residences and vacant residential land with an assessed value of \$1.0 million or more. The proposed tax rate of \$2.50 per \$1,000 of total assessed value is estimated to increase general revenue by \$11.8 million. Currently, there is no state property tax in Rhode Island. The Governor relies on the local assessed value of each property impacted by this proposal.

The Office of Revenue Analysis (ORA) reviewed a sample of municipal property tax rolls to identify non-owner occupied property (land and residential buildings) valued at \$1.0 million or more. Based on the sample reviewed, ORA estimates that 2,359 properties, valued at \$4.7 billion in total, would be subject to this tax.

Top 5 Municipalities with >\$1.0 million Non-Owner Occupied Properties

Municipality	Total Non-Owner Occupied Properties >\$1.0mil in Assessed	Total Assessed Value of the Properties	State Property Tax Revenues at \$2.50 per \$1,000 Rate
	Value		
Westerly	568	\$1,452.7	\$3.6
New Shoreham	423	631.0	1.6
Newport	217	558.8	1.4
Little Compton	222	431.1	1.1
Charlestown	193	335.7	0.1

\$ in millions

Source: Office of Revenue Analysis

Analyst Note: ORA's estimated revenues are based on non-owner occupied single family residences, two to five family residences, estates, seasonal and beach property, residential condominiums, times shared condominiums, dockominiums (boat slips), mobile homes and residential vacant land with total assessed values of \$1.0 million or more. Residences, such as apartment buildings with 6 or more units, were excluded.

The Budget Office submitted a revised version of this section on April 6, 2015, to clarify the intent of the state property tax on non-owner occupied residential properties. The amendment does not change revenue projections for FY2016. The amendment also:

- *Clarifies non-owner occupied as a residential property not occupied by the owner of the property for the majority of the tax year (July 1 through June 30).*
- *Defines residential property as property with 5 or less units, estates, residential condominium, time-shared condominium, dockominium, mobile homes, or vacant land zoned as residential. This amendment clarifies that buildings, such as residential apartment buildings with 6 units or more, are not subject to this tax.*
- *Clarifies the hearing and appeals process in that appeals should be submitted subsequent to the final decision of the tax administrator.*

Income Tax Exemption on Taxable Social Security Benefits**(\$3.9 million)**

The Governor exempts Social Security benefits from the State's income tax for individuals whose adjusted gross income (AGI) is \$50,000 a year or less, and for joint filers couples whose AGI is \$60,000 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 \$3.9 million in FY2016 and by \$8.1 million in FY2017.

	5-Year Revenue Impact				
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Social Security Exemption	(\$3.9)	(\$8.1)	(\$8.3)	(\$8.5)	(\$8.7)

\$ in millions

Source: Office of Revenue Analysis

Sample Modification of Taxable Social Security Income		
Federal Return	Current	Proposed
Pension	15,000	15,000
Interest/Dividends	1,500	1,500
Taxable Distribution from Personal 401K	12,000	12,000
Taxable Social Security*	13,199	13,199
Federal Adjusted Gross Income (AGI)**	41,699	41,699

Rhode Island Tax Return

Starting Point: Federal AGI	41,699	41,699
Taxable Social Security Benefits Included in Federal AGI*	-	(13,199)
Adjusted State Income	41,699	28,500
Less: Standard Deduction Amount	(8,100)	(8,100)
Less: Personal Exemption Amount	(3,800)	(3,800)
Total State Taxable Income	29,799	16,600
Tax Rate for Taxable Income Under \$59,600	3.75%	3.75%
Total Tax Due to State **	\$1,117	\$623

Note: Calculation shows a scenario modifying income tax for a taxpayer with AGI under \$50,000, filing under single status, claiming the average monthly social security benefit (ssa.gov), investment distributions (USNews.com), and wages for part-time work.

*The federal government taxes SSI on a rate based on income. In this case, the taxpayer's income is over \$34,000, so the federal government only taxes 85% of the SSI benefit. (\$15,528*85%=\$13,199).

**Rhode Island income tax is based on tax year 2014 rates.

Changes to Earned Income Tax Credit (\$3.0 million)

The Governor modifies the calculation of the earned income tax credit (EITC), authorizing eligible taxpayers to claim 12.5 percent in TY2016 and 15.0 percent in TY2017 of the allowable federal credit EITC amount. The changes are expected to reduce revenues by \$3.0 million in FY2016 and \$9.4 million in FY2017.

	Changes to Earned Income Tax Credit				
	TY2013 (Prior)	TY2014 (Current)	TY2015 (Current)	TY2016 (Proposed)	TY2017 (Proposed)
Income*	\$37,870	\$38,511	\$39,131	\$39,131	\$39,131
Maximum EITC	3,250	3,305	3,305	3,359	3,359
Allowable Federal Credit Amount	25.0%	10.0%	10.0%	12.5%	15.0%
Deduction Allowable from RI Tax Owed	122	331	331	420	504
Refundable Amount	15.0%	100%	100%	100%	100%
Total Refunded to Taxpayer	\$18	\$331	\$331	\$420	\$504

*Single filer, one qualifying child.

Note: TY2016 and TY2017 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.

STATE AGENCIES

The Governor recommends transferring revenue from quasi-public agencies to general revenue and two delays impacting departments. These changes total \$50.2 million.

Transfers from Quasi-Public Agencies

\$39.7 million

The Governor transfers approximately \$19.0 million in excess bond proceeds from a tobacco bond settlement, as well as \$20.7 million in reserves from several quasi-public agencies, to offset debt service issued by the State on the agencies' behalf. Article 1 requires the following transfers be made to the State Controller by June 30, 2016:

Agency	Amount
Tobacco Settlement Financing Corporation	\$19.0
Clean Water Finance Agency	11.0
Health and Educational Building Corporation	5.0
Narragansett Bay Commission	2.8
Resource Recovery Corporation	1.5
Airport Corporation	0.4
Total	\$39.7
<i>\$ in millions</i>	

Suspend Transfer of Motor Vehicle Fees to RI Highway Maintenance Account

\$13.2 million

The Governor suspends the transfer of \$13.2 million in general revenue from motor vehicle license and registrations fees to the Rhode Island Highway Maintenance Account (RIHMA) within the Transportation Infrastructure Fund. The FY2015 Budget as Enacted shifted these funds to the RIHMA to be used by the Department of Transportation for highway, road, and bridge maintenance expenses. The scheduled transfers would resume in FY2017. Under Article 1, the Governor proposes to use \$20.0 million in Rhode Island Capital Plan funds in lieu of the transferred fees in FY2016.

Analyst Note: The FY2016 Budget approved by the Rhode Island Public Transit Authority (RIPTA) board reflected a deficit of \$5.0 million; however, the Governor's proposal to suspend the transfer of 25.0 percent of motor vehicle related fees (\$13.2 million) into the RIHMA, results in a \$660,000 decrease in RIPTA's projected allocation, bringing the projected deficit to \$5.6 million.

Delay License Plate Reissuance

(\$2.6 million)

Article 26 delays the issuance of new reflective license plates from September 2015 until September 2016. Under current law, the Division of Motor Vehicles (DMV) is required to issue new reflective license plates for all registered vehicles beginning September 1, 2015, and no less than every 10 years thereafter. The requirement was originally twice delayed, first to FY2013 and then again to FY2015. The Governor includes a revenue loss of \$2.6 million which would have been generated from a \$6 fee imposed per new set of license plates. The delay will also save \$2.6 million in FY2016 expenditures.

OTHER REVENUE CHANGES

Reduction from Decreased Medicaid Spending

(\$1.9 million)

The Governor proposes a number of changes to Medicaid expenditures, which have the following impacts on general revenues:

- The Governor 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 Governor also proposes 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 Governor estimates a general revenue reduction of \$871,584 in insurance gross premiums tax receipts.

Urban Institute Work Support Strategies Grant Transfer

(\$408,000)

The Governor recommends transferring 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, Supplemental Nutrition Assistance Program (SNAP), subsidized employment and workforce training within the Department of Human Services (DHS).

FY2015 SUPPLEMENTAL CHANGES

National Grid Energy Rebates

\$1.3 million

The Governor includes a deposit 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.

Transfer of Urban Institute Work Support Strategies Grant

(\$364,341)

The Governor 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 DHS.

Municipal Aid

For FY2016, Distressed Community Relief Aid, Motor Vehicle Excise Tax Reimbursement, and Library Aid are funded at the FY2015 Enacted level. Payment in Lieu of Taxes (PILOT) is funded at the FY2014 level. A one-time, \$5.0 million increase in funding for the PILOT program in FY2015 is not included. 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, while other indirect aid is projected to increase slightly for FY2016 based on historic collection rates. There is no additional funding for the Municipal Roads and Bridges Revolving Loan Fund in FY2016.

Tables showing impacts by community are included at the end of this analysis.

Municipal Aid FY2014 - FY2016								
Program	FY2014	FY2015	FY2015	Change from Enacted		FY2016	Change from Enacted	
		Enacted	Governor			Governor		
Payment in Lieu of Taxes	\$35.1	\$40.1	\$40.1	\$0.0	0.0%	\$35.1	(\$5.0)	-12.5%
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	5.0	5.0	5.0	-	0.0%	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	\$71.7	\$76.5	\$76.5	\$0.0	0.0%	\$71.8	(\$4.7)	-6.1%
Public Service Corporations Tax	\$13.2	\$14.3	\$14.3	\$0.0	0.0%	\$14.3	\$0.0	0.0%
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%	\$48.4	\$2.9	6.4%
Total Aid	\$114.2	\$122.0	\$122.9	\$0.9	0.7%	\$120.2	(\$1.8)	-1.4%

\$ in millions.

DIRECT AID TO LOCAL GOVERNMENT

Payment in Lieu of Taxes (PILOT)

The Payment in Lieu of Taxes (PILOT) program was established in 1986 to reimburse cities and towns for property taxes that would have been due on real property owned by nonprofit higher education institutions and nonprofit hospitals if it were subject to taxation. The objective is to offset the costs to the community for providing public safety or other municipal services to the properties and facilities covered by the statute.

For FY2016, PILOT is funded at the FY2014 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 is not included. Current law requires reimbursement at 27.0 percent of forgone tax revenue, but allows for a ratable reduction if the appropriation is less than this amount. The FY2016 Budget represents a reimbursement rate of 20.75 percent.

PILOT Funding Trends			
Fiscal Year	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	35.1	-12.4%	20.8%

\$ in millions.

Distressed Community Relief

The Distressed Community Relief program was established in 1990 to provide state assistance to communities with the highest property tax burdens relative to the wealth of taxpayers. For FY2015, \$10.4 million was appropriated and distributed to 7 qualifying municipalities. 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.

Distressed Community Relief Fund Distribution			
	FY2015	FY2016	
Municipality	Enacted	Governor	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	-

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.

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: Although the Town of Coventry submitted a FIP to the Department of Revenue, the plan sponsor and the local governing body did not approve the FIP, as required by law. Therefore, the Town did not receive its Municipal Incentive Aid allocation of \$166,126 for FY2014. These funds have been reappropriated in FY2015 and will be distributed to the eligible communities in May 2015 if the Town again fails to meet the eligibility requirements.

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.

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.

Fiscal Year	Library Aid		Total Aid	% Change
	Grant in Aid	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.

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 funding of \$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 frequent revaluations together with a dramatic increase in real estate values, resulting in a reduced tax rate

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	14.3	0.0%

\$ in millions.

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 \$14.3 million be distributed to municipalities on July 31, 2015.

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 8.4 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.

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	21.8	2.0%
2015	23.6	8.4%
2016	24.1	2.1%

\$ in millions.

Hotel Tax

The State levies a 5.0 percent gross receipts tax on charges for occupancy of any space furnished in buildings or structures with a minimum of three rooms that are kept, used, maintained, advertised or held out to the public to be a space where living quarters are supplied for pay to transient use (30 days or less). This tax is collected by the hotel and remitted to the Division of Taxation on a monthly basis.

This tax is in addition to all other taxes and fees currently imposed. The Division of Taxation collects the tax and is responsible for distribution, except for the City of Newport, which is authorized to collect and disburse taxes from all hotels physically located in the City. Twenty-five percent of the original 5.0 percent hotel tax is distributed to the city or town where the hotel which generated the tax is physically located.

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.

The Governor also proposes expanding 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 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. 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. 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 Governor does not include additional funding for this fund 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 Governor includes an additional \$50,000 in FY2016.

The legislation 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.

Presently, there is no state oversight in any of the state’s fire districts. Through this legislation, 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 29 creates a statewide Main Street Rhode Island Streetscape Improvement Fund. The Governor designates \$1.0 million in general revenue to fund this initiative in FY2016 and intends 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 section 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.

Municipal Innovation Fund

The Budget includes \$100,000 in competitive grant funding in the Office of the Lieutenant Governor to incentivize municipalities to regionalize and/or consolidate their services. The Lieutenant Governor, under an executive order signed by the Governor, will develop best practices for shared services in an effort to help municipalities address growing costs.

Legal Notices

Article 27 would allow the posting of any statutorily required legal notices and advertisements initiated by any State, municipal, or other public body to be posted on-line, in lieu of the current print media requirement. The article requires public entities to follow certain steps; including the posting of “transitional notices” in print media, prior to posting notices on-line. The article requires the Department of Administration to promulgate rules and regulations to implement the new public posting provisions, and establishes the Office of the Attorney General as the entity to process any complaints from aggrieved individuals regarding the posting of these public notices.

The Budget Office does not have a specific savings attached to the article. However, fewer postings of these notices in newspapers should decrease expenses for State, local, and other public bodies.

<p><i>Analyst's Note: Governor's Budget Amendment #3 requests the withdrawal of Article 27.</i></p>

FY2015 (Revised) Direct Municipal Aid to Cities and Towns

Municipality	FY2015		Payment In		Distressed Communities		Municipal		Motor Vehicle		Library		FY2015		Change from	
	Enacted	Lieu of Taxes	Lieu of Taxes	Relief Fund	Incentive Aid	Excise Tax	Grant-Aid ¹	Construction	Aid	Municipal Aid	Revised	FY2015	Enacted			
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			166,126	246,097	222,474	-	634,697	26,530							
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)							
Gloicester	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		-	136,438	422,956	124,729	-	684,123	46,411							
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		-	138,805	233,530	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	\$5,000,000	\$10,000,000	\$8,710,790	\$2,331,591	\$76,507,248	\$0							

¹ Providence Library Aid includes \$1.0 million for the Statewide Reference Library Resource Grant.

FY2016 Direct Municipal Aid to Cities and Towns

Municipality	FY2015			Distressed			Motor Vehicle			Library			Change from	
	Revised	Payment In	Lieu of Taxes	Communities	Relief Fund	Incentive Aid	Excise Tax	Grant- in-Aid ¹	Construction	Aid	Total FY2016	FY2015	Revised	FY2015
Barrington	\$734,057	\$12,812	\$0	\$0	\$0	\$77,484	\$230,537	\$337,167	\$66,417	\$66,417	\$724,417	\$724,417	(\$9,640)	
Bristol	1,444,096	686,512	-	-	-	107,118	95,718	168,505	275,531	275,531	1,333,384	1,333,384	(110,712)	
Burrillville	836,760	111,567	-	-	-	76,139	201,655	144,949	276,501	276,501	810,811	810,811	(25,949)	
Central Falls	422,981	18,740	211,123	211,123	-	92,170	94,066	26,046	-	-	442,145	442,145	19,164	
Charlestown	129,387	-	-	-	-	37,183	44,361	46,654	-	-	128,198	128,198	(1,189)	
Coventry	634,697	-	-	-	-	166,346	246,097	217,150	-	-	629,593	629,593	(5,104)	
Cranston	9,162,004	4,941,490	-	-	-	382,573	1,006,431	553,271	0	0	6,883,765	6,883,765	(2,278,239)	
Cumberland	890,260	104	-	-	-	160,241	247,431	266,665	211,415	211,415	885,856	885,856	(4,404)	
East Greenwich	688,835	298,535	-	-	-	62,395	81,789	121,208	61,265	61,265	625,192	625,192	(63,643)	
East Providence	1,382,984	191,019	685,142	685,142	-	223,919	505,623	354,339	65,332	65,332	2,025,374	2,025,374	642,390	
Exeter	244,516	-	-	-	-	31,773	92,010	45,910	75,968	75,968	245,661	245,661	1,145	
Foster	110,864	363	-	-	-	22,003	57,184	30,796	-	-	110,346	110,346	(518)	
Gloster	221,132	-	-	-	-	46,596	103,123	70,625	-	-	220,344	220,344	(788)	
Hopkinton	143,043	-	-	-	-	38,737	69,637	31,101	-	-	139,475	139,475	(3,568)	
Jamestown	135,469	-	-	-	-	25,782	22,069	87,375	-	-	135,226	135,226	(243)	
Johnston	684,123	-	-	-	-	137,340	422,956	116,751	-	-	677,047	677,047	(7,076)	
Lincoln	489,025	-	-	-	-	100,680	197,861	195,339	-	-	493,880	493,880	4,855	
Little Compton	59,890	-	-	-	-	16,592	12,978	30,355	-	-	59,925	59,925	35	
Middletown	341,283	-	-	-	-	76,771	69,136	135,162	54,568	54,568	335,637	335,637	(5,646)	
Narragansett	259,221	-	-	-	-	75,160	60,561	120,040	-	-	255,761	255,761	(3,460)	
Newport	2,115,859	1,094,494	-	-	-	115,718	77,876	380,016	217,409	217,409	1,885,513	1,885,513	(230,346)	
New Shoreham	153,893	-	-	-	-	3,975	6,564	80,325	62,405	62,405	153,269	153,269	(624)	
North Kingstown	618,902	1,308	-	-	-	125,293	184,758	266,128	32,047	32,047	609,534	609,534	(9,368)	
North Providence	2,302,662	624,679	989,710	989,710	-	152,777	393,578	175,272	-	-	2,336,016	2,336,016	33,354	
North Smithfield	301,303	-	-	-	-	57,141	181,773	65,478	-	-	304,392	304,392	3,089	
Pawtucket	3,394,103	444,891	1,430,131	1,430,131	-	338,325	792,999	336,605	-	-	3,342,951	3,342,951	(51,153)	
Portsmouth	264,234	-	-	-	-	82,434	78,523	101,476	-	-	262,433	262,433	(1,801)	
Providence ¹	37,327,840	24,583,441	5,332,583	5,332,583	-	846,519	1,868,582	2,151,268	273,833	273,833	35,056,225	35,056,225	(2,271,615)	
Richmond	129,727	-	-	-	-	36,403	66,715	26,246	-	-	129,364	129,364	(363)	
Scituate	213,631	-	-	-	-	49,249	69,579	94,694	-	-	213,522	213,522	(109)	
Smithfield	1,271,122	525,939	-	-	-	101,997	253,182	269,640	-	-	1,150,758	1,150,758	(120,364)	
South Kingstown	668,707	151,913	-	-	-	145,475	138,803	201,734	-	-	637,925	637,925	(30,782)	
Tiverton	236,329	-	-	-	-	75,141	58,977	100,382	406,000	406,000	640,500	640,500	404,171	
Warren	196,777	-	-	-	-	50,381	91,943	54,101	-	-	196,425	196,425	(352)	
Warwick	3,814,730	1,272,221	-	-	-	391,644	964,785	673,157	164,959	164,959	3,466,766	3,466,766	(347,964)	
Westerly	972,748	120,380	-	-	-	108,016	208,608	274,847	253,767	253,767	965,618	965,618	(7,130)	
West Greenwich	116,029	-	-	-	-	29,010	59,278	29,133	-	-	117,421	117,421	1,392	
West Warwick	1,311,074	-	-	835,708	-	138,039	233,530	152,016	-	-	1,359,293	1,359,293	48,219	
Woonsocket	2,082,951	-	-	900,062	-	195,461	408,725	178,865	165,138	165,138	1,848,251	1,848,251	(234,700)	
Total	\$76,507,248	\$35,080,408	\$10,384,458	\$5,000,000	\$10,000,000	\$8,710,791	\$10,000,000	\$8,710,791	\$2,662,555	\$2,662,555	\$71,838,212	\$71,838,212	(\$4,669,036)	

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
Gloicester	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	\$221,639	\$162,111	\$4,840	\$388,590	\$7,832
Bristol	716,815	308,928	377,506	56,246	742,680	25,865
Burrillville	416,195	216,868	203,076	1,543	421,487	5,292
Central Falls	377,568	262,600	117,130	1,029	380,759	3,191
Charlestown	263,756	106,035	139,438	92,261	337,734	73,978
Coventry	946,442	474,601	398,643	89,853	963,097	16,655
Cranston	2,757,324	1,090,383	1,688,939	16,367	2,795,689	38,365
Cumberland	876,415	454,704	429,643	-	884,347	7,932
East Greenwich	753,019	178,130	584,810	4,748	767,688	14,669
East Providence	1,582,522	639,014	917,015	50,607	1,606,636	24,114
Exeter	177,725	90,136	89,236	514	179,886	2,161
Foster	79,077	62,363	16,779	263	79,405	328
Glocester	212,463	132,587	78,615	4,372	215,574	3,111
Hopkinton	162,232	110,548	52,656	953	164,157	1,925
Jamestown	169,882	73,464	88,914	55,323	217,701	47,819
Johnston	903,636	390,714	514,948	8,524	914,186	10,550
Lincoln	1,185,939	286,509	811,193	111,019	1,208,721	22,782
Little Compton	90,708	47,318	39,787	44,706	131,811	41,103
Middletown	1,593,084	218,914	702,013	768,103	1,689,030	95,946
Narragansett	851,182	214,997	565,173	358,306	1,138,476	287,294
Newport	4,218,578	330,398	1,996,556	2,229,881	4,556,835	338,257
New Shoreham	613,929	11,697	309,919	374,713	696,329	82,400
North Kingstown	936,816	358,048	510,313	104,669	973,030	36,214
North Providence	768,647	435,538	339,375	1,029	775,942	7,295
North Smithfield	407,534	161,729	247,337	3,763	412,829	5,295
Pawtucket	1,767,266	965,684	763,503	58,948	1,788,135	20,869
Portsmouth	432,112	234,854	189,138	30,349	454,341	22,229
Providence	9,389,312	2,415,159	5,117,433	2,182,600	9,715,192	325,880
Richmond	235,938	103,920	130,980	4,214	239,114	3,176
Scituate	212,738	140,191	68,954	5,210	214,355	1,617
Smithfield	1,126,688	291,036	701,051	167,744	1,159,831	33,143
South Kingstown	1,298,908	412,970	761,377	217,045	1,391,392	92,484
Tiverton	424,222	213,316	214,872	9,739	437,927	13,705
Warren	408,180	144,380	268,762	6,384	419,526	11,346
Warwick	4,793,828	1,120,907	2,699,564	1,098,511	4,918,982	125,154
Westerly	1,544,765	308,860	806,342	560,026	1,675,228	130,463
West Greenwich	309,745	82,423	134,626	102,422	319,471	9,726
West Warwick	834,219	394,835	346,809	105,972	847,616	13,397
Woonsocket	1,108,787	559,030	507,239	55,548	1,121,817	13,030
Total	\$45,328,954	\$14,265,427	\$24,091,775	\$8,988,344	\$47,345,546	\$2,016,592

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 Governor's FY2016 recommendation is based on student enrollments as of March 2014, adjusted for projected charter school enrollments for the 2015 to 2016 school year. However, since the statute requires the use of enrollment data from the prior school year, the Department of Education intends to update this distribution based on the March 2015 enrollments, subject to the transition period.

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 Governor's 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.

$$\text{Total Foundation Budget} = (\$8,928 \times \text{RADM}) + (0.40 \times \$8,928 \times \text{FRLP})$$

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:

$$\text{State Share Ratio (SSR)} = \sqrt{\frac{EWAV^2 + \%PK - 6FreeReducedLunchPlan^2}{2}}$$

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 recommended by the Governor includes an update to the median family income component of the EWAV based on the socio-economic data from the American Community Survey (ACS) provided by the United States Census Bureau. The index used to adjust for MFI is the ratio of the median family income of the municipality relative to the median family income statewide as reported in the American Community Survey (ACS) provided by the United States Census Bureau.

Step 6 - State Share of Foundation Budget: The State's share of the total foundation budget equals the state share ratio, discussed above, times the total foundation budget. Unlike many foundation formulas, the statute neither requires a minimum nor sets a maximum local spending level beyond the limits in the maintenance of effort requirements found in RIGL 16-7-23 and 16-7-23.1. Nonetheless, a municipality is responsible, to some degree, for the difference between the state share and the total foundation amount.

TABLE

The table on the following page provides a step-by-step calculation of each district's recommended formula distribution for FY2016. The actual distributions may vary when new enrollment data becomes available in March and is incorporated into the formula. The Act requires that the distribution be based on the enrollment data from the previous school year, but does not provide a specific enrollment date.

FY 2016 Governor's Education Aid Calculator¹

Districts	PK-12 RADM (Projected based on March 2014 Data)		FRPL RADM (Projected based on March 2014 Data)		Core Instruction Funding (C = \$8,928)		Student Success Factor Funding (F = 0.4*\$8,928 = \$3,571)		Total Foundation		%FRPL PK6	EWAV	State Share Ratio	State Share of Foundation Budget	FY2015 Enacted (excludes group 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	C=D	B	F=G	D+G=H			I	H*=I	K	J-K=L				
Barrington	3,414	212	\$30,480,192				\$757,094	\$31,237,286	7.1%	27.0%	19.7%	\$6,166,536	\$4,605,699	\$1,560,837	\$520,279				
Burrillville	2,375	963	21,204,000				3,439,066	24,643,066	37.6%	66.8%	54.2%	\$13,357,360	12,881,582	475,778	158,593				
Charlestown	914	249	8,160,192				889,229	9,049,421	27.3%	0.0%	19.3%	\$1,746,902	1,708,666	38,236	12,745				
Coventry	4,723	1,451	42,166,944				5,181,811	47,348,755	30.7%	62.6%	49.3%	\$23,343,585	20,875,838	2,467,747	822,582				
Cranston	9,968	4,255	88,994,304				15,195,456	104,189,760	44.8%	62.9%	54.6%	\$56,892,999	46,449,281	10,443,718	3,481,239				
Cumberland	4,402	1,062	39,301,056				3,792,614	43,093,670	24.6%	54.8%	42.5%	\$18,303,907	15,614,646	2,689,261	896,420				
East Greenwich	2,366	190	21,123,648				678,528	21,802,176	9.1%	20.6%	15.9%	\$3,471,855	2,393,842	1,078,013	359,338				
East Providence	5,256	2,723	46,925,568				9,724,378	56,649,946	55.5%	63.8%	59.8%	\$33,873,375	28,665,701	5,207,674	1,735,891				
Foster	284	59	2,535,552				210,701	2,746,253	22.1%	56.5%	42.9%	\$1,178,117	1,178,487	(370)	(62)				
Gloster	540	103	4,821,120				367,834	5,188,954	19.8%	53.3%	40.2%	\$2,086,234	2,616,917	(530,683)	(88,447)				
Hopkinton	1,189	295	10,615,392				1,053,504	11,668,896	27.2%	57.4%	44.9%	\$5,241,010	5,576,348	(335,338)	(55,890)				
Jamestown	646	67	5,767,488				239,270	6,006,758	12.3%	0.0%	8.7%	\$522,433	399,684	122,749	40,916				
Johnston	3,048	1,366	27,212,544				4,878,259	32,090,803	46.5%	48.9%	47.7%	\$15,312,156	12,903,199	2,408,957	802,986				
Lincoln	3,026	841	27,016,128				3,003,379	30,019,507	30.8%	44.6%	38.3%	\$11,505,346	9,663,767	1,841,579	613,860				
Little Compton	393	58	3,508,704				207,130	3,715,834	15.3%	0.0%	10.8%	\$402,006	401,928	78	26				
Middletown	2,268	714	20,248,704				2,549,837	22,798,541	32.5%	33.9%	33.2%	\$7,570,798	8,516,446	(945,648)	(157,608)				
Narragansett	1,379	312	12,311,712				1,114,214	13,425,926	26.7%	0.0%	18.9%	\$2,534,781	1,987,115	547,666	182,555				
Newport	1,982	1,210	17,695,296				4,321,152	22,016,448	65.0%	0.0%	46.0%	\$10,119,187	10,368,288	(249,101)	(41,517)				
New Shoreham	115	16	1,026,720				57,139	1,083,859	11.7%	0.0%	8.3%	\$89,669	82,308	7,361	2,454				
North Kingstown	3,826	860	34,158,528				3,071,232	37,229,760	26.2%	28.4%	27.3%	\$10,171,972	10,713,692	(541,720)	(90,287)				
North Providence	3,439	1,602	30,703,392				5,721,062	36,424,454	48.2%	66.6%	58.1%	\$21,174,485	16,205,220	4,969,265	1,656,422				
North Smithfield	1,726	318	15,409,728				1,135,642	16,545,370	21.9%	46.6%	36.4%	\$6,023,935	5,442,118	581,817	193,939				
Pawtucket	8,524	6,452	76,102,272				23,041,382	99,143,654	79.6%	86.5%	83.1%	\$82,409,819	74,103,107	8,306,712	2,768,904				
Portsmouth	2,501	398	22,328,928				1,421,338	23,750,266	17.2%	15.3%	16.3%	\$3,866,008	4,303,672	(437,664)	(72,944)				
Providence	22,269	19,178	198,818,160				68,488,474	267,306,634	89.7%	85.9%	87.8%	\$234,750,171	213,028,339	21,721,832	7,240,611				
Richmond	1,173	225	10,472,544				803,520	11,276,064	20.9%	52.0%	39.6%	\$4,468,517	5,205,437	(736,920)	(122,820)				
Scituate	1,472	264	13,142,016				942,797	14,084,813	19.1%	35.1%	28.3%	\$3,979,826	3,913,720	66,106	22,035				
Smithfield	2,456	444	21,927,168				1,585,613	23,512,781	19.3%	30.1%	25.3%	\$5,944,829	4,798,909	1,145,920	381,973				
South Kingstown	3,347	677	29,882,016				2,417,702	32,299,718	21.4%	16.2%	19.0%	\$6,130,143	7,533,977	(1,403,834)	(233,972)				
Tiverton	1,809	527	16,150,752				1,882,022	18,032,774	30.6%	39.2%	35.2%	\$6,341,027	5,800,664	540,363	180,121				
Warwick	9,047	3,233	80,771,616				11,545,690	92,317,306	37.2%	43.3%	40.4%	\$37,264,244	35,657,699	1,606,545	535,515				
Westerly	3,068	1,170	27,391,104				4,178,304	31,569,408	43.0%	0.0%	30.4%	\$9,598,865	7,620,089	1,978,776	659,592				
West Warwick	3,378	1,815	30,158,784				6,481,728	36,640,512	56.4%	71.1%	64.2%	\$23,513,062	20,973,995	2,539,067	846,356				
Woonsocket	5,833	4,509	52,077,024				16,102,541	68,179,565	80.8%	89.1%	85.1%	\$57,987,612	50,568,580	7,419,032	2,473,011				
Bristol-Warren	3,402	1,280	30,373,056				4,571,136	34,944,192	40.0%	30.6%	35.6%	\$12,444,156	15,946,146	(3,501,990)	(583,665)				
Exeter-West Greenwich	1,676	274	14,963,328				978,509	15,941,837	18.0%	32.5%	26.3%	\$4,187,957	5,642,766	(1,454,809)	(242,468)				
Charlho													229,922		(229,922)	(38,320)			
Foster-Gloster	1,149	218	10,258,272				778,522	11,036,794	23.8%	54.5%	42.1%	\$4,641,159	4,947,131	(305,972)	(50,995)				
Central Falls	2,513	2,115	22,436,064				7,553,088	29,989,152	89.8%	97.0%	93.5%	\$28,030,666	37,222,887	(9,192,221)	(1,532,037)				
District Total	130,896	61,705	\$1,168,640,016				\$220,360,896	\$1,389,000,912				\$776,646,708	\$716,747,812	\$59,898,896	\$23,277,331				
Charter School Total	7,689	5,593	68,647,392				19,973,722	88,621,114				69,839,997	59,166,676	10,673,321	10,998,741				
Davies ²	875	603	7,812,000				2,153,434	9,965,434				8,057,966	12,240,174	(4,182,208)	(583,371)				
Met School	888	660	7,928,064				2,356,992	10,285,056				7,418,229	10,501,360	(3,083,131)	(513,855)				
Urban Collaborative	138	121	1,232,064				432,115	1,664,179				1,428,033	574,513	853,520	274,683				
Total	140,486	68,682	\$1,254,259,536				\$245,277,158	\$1,499,536,695				\$863,390,932	\$799,230,535	\$64,160,397	\$33,453,529				

¹ Based on March 2014 enrollment updated for projected charter school growth. Subject to change based on March 2015 updates.² Reflects \$113,664 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 (70.0% of (\$8,000 minus 5.0%))	\$2,280 (30.0% of (\$8,000 minus 5.0%))
District Share to Charter School:	\$2,280 (30.0% of (\$8,000 minus 5.0%))	\$5,320 (70.0% of (\$8,000 minus 5.0%))

WILLIAM M. DAVIES, JR. CAREER AND TECHNICAL HIGH SCHOOL AND THE METROPOLITAN REGIONAL CAREER AND TECHNICAL CENTER (MET)

In FY2011, the State paid the total tuition costs of students attending the Davies and Met Schools, while the local districts provided transportation. Pursuant to the new funding formula, the state payment to these state schools is calculated by the same method used to calculate school district and charter school payments. However, the formula requires local districts to pay tuition, but allows the district to charge the state schools for transportation costs. The local tuition costs are calculated by dividing the local appropriation to education from property taxes, net debt service and capital projects, by the district RADM (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.

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 Governor's FY2016 budget 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	Group Home Aid							
	Change from Enacted							FY2016 Total Aid
	FY2015 Enacted	FY2015 Revised ¹	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 Governor includes \$1.4 million in formula aid for districts that may convert to full-day kindergarten 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. The aid will be distributed only to districts that convert from a half-day to a full-day program pursuant to the requirements and limitations RIGL 16-99- 4, and will be updated to reflect the new March enrollment data and FY2015 share ratios. Through Article 6, the Governor modifies the Full-Day Kindergarten Accessibility Act to implement a requirement that all districts provide full-day kindergarten by August 2016.

Analyst's Note: In the past, full-day kindergarten formula funding has been provided only upon implementation of the full-day kindergarten program. The Administration has indicated that a budget amendment is forthcoming to clarify that funding added in the FY2016 formula for this purpose may be used for district startup costs if the program is not implemented in FY2016.

Categorical Programs: The Act includes the following categorical programs that are outside the formula but subject to the transition plan. The Governor recommends funding all the categorical except the Regional Bonus since no new regional districts have been formed and the three years of funding for existing regional districts has ended.

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. Through Article 6, the Governor eliminates the requirement that school districts provide transportation and textbooks for private school students. Consequently, the Governor recommends funding this category at \$2.4 million in FY2016, a decrease of \$2.0 million from the FY2015 Budget as Enacted, eliminating funding for out-of-district, non-public transportation (\$1.7 million in savings) and reducing funding for regional transportation by \$282,440.

Governor's FY2016 Education Aid		
Categorical	Change from Enacted	Total Funding
Transportation	(\$2.0)	\$2.4
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	\$1.9	\$16.1

\$ in millions.

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 \$62,760 for FY2015). While the distribution method for this category has not been defined, the program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Governor recommends funding this category at \$2.5 million in FY2016, an increase of \$1.0 million over the FY2015 Budget as Enacted.

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 Governor recommends funding this category at \$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 Governor recommends funding this category at \$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 Governor recommends funding this category at \$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

Governor recommends no funding in FY2015, the fourth year of funding for the regionalized districts, and no new regional districts have been formed. This recommendation represents level funding from the FY2014 Budget as Enacted.

The following table shows the Governor's proposed education aid including the formula distribution, full-day kindergarten projected aid, categorical aid, and group home aid.

FY2016 Governor's Education Aid ¹								
Districts	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	\$520,279	\$0	\$0	\$75,924	\$0	\$0	\$5,201,902
Burrillville	12,881,582	158,593	-	-	21,038	(76,626)	360,000	13,344,587
Charlestown	1,708,666	12,745	-	-	-	-	-	1,721,411
Coventry	20,875,838	822,582	240,622	-	30,662	(24,511)	120,000	22,065,193
Cranston	46,449,281	3,481,239	572,993	-	248,212	(13,646)	60,000	50,798,079
Cumberland	15,614,646	896,420	-	-	36,943	-	-	16,548,009
East Greenwich	2,393,842	359,338	24,454	-	109,501	-	-	2,887,135
East Providence	28,665,701	1,735,891	-	-	235,859	(125,252)	636,000	31,148,200
Foster	1,178,487	(62)	-	-	18,141	-	-	1,196,566
Glocester	2,616,917	(88,447)	-	-	12,651	-	-	2,541,121
Hopkinton	5,576,348	(55,890)	-	-	-	-	-	5,520,458
Jamestown	399,684	40,916	-	-	17,774	-	-	458,374
Johnston	12,903,199	802,986	195,392	-	65,164	-	-	13,966,741
Lincoln	9,663,767	613,860	-	-	95,990	(21,901)	135,000	10,486,716
Little Compton	401,928	26	-	-	-	-	-	401,954
Middletown	8,516,446	(157,608)	-	-	51,852	(27,982)	330,000	8,712,708
Narragansett	1,987,115	182,555	-	-	20,647	-	-	2,190,317
Newport	10,368,288	(41,517)	-	-	10,855	(25,976)	210,000	10,521,650
New Shoreham	82,308	2,454	-	-	18,248	-	-	103,010
North Kingstown	10,713,692	(90,287)	31,386	-	31,418	-	-	10,686,209
North Providence	16,205,220	1,656,422	-	-	117,852	(57,568)	240,000	18,161,926
North Smithfield	5,442,118	193,939	-	-	21,461	(18,150)	120,000	5,759,368
Pawtucket	74,103,107	2,768,904	-	-	64,933	(258,590)	750,000	77,428,355
Portsmouth	4,303,672	(72,944)	-	-	49,026	(18,817)	555,000	4,815,937
Providence	213,028,339	7,240,611	-	-	473,715	(656,264)	1,740,000	221,826,401
Richmond	5,205,437	(122,820)	-	-	-	-	-	5,082,617
Scituate	3,913,720	22,035	-	-	19,637	-	-	3,955,392
Smithfield	4,798,909	381,973	-	-	1,400	(20,980)	240,000	5,401,302
South Kingstown	7,533,977	(233,972)	-	-	32,463	(14,089)	315,000	7,633,378
Tiverton	5,800,664	180,121	63,626	-	41,493	-	-	6,085,904
Warwick	35,657,699	535,515	289,747	-	158,378	(52,656)	300,000	36,888,683
Westerly	7,620,089	659,592	-	-	146,557	-	-	8,426,238
West Warwick	20,973,995	846,356	-	-	-	-	-	21,820,351
Woonsocket	50,568,580	2,473,011	-	-	16,871	(35,347)	90,000	53,113,114
Bristol-Warren	15,946,146	(583,665)	-	617,409	139,648	(10,324)	120,000	16,229,214
Exeter-West Greenwich	5,642,766	(242,468)	-	558,863	63,022	(17,149)	270,000	6,275,033
Chariho	229,922	(38,320)	-	929,868	26,388	-	-	1,147,858
Foster-Glocester	4,947,131	(50,995)	-	245,220	15,791	-	-	5,157,147
Central Falls ⁴	37,222,887	(1,532,037)	-	-	10,486	-	-	39,379,823
District Total	\$716,747,812	\$23,277,331	\$1,418,220	\$2,351,360	\$2,500,000	(\$1,475,828)	\$6,591,000	\$755,088,381
Charter School Total	59,166,676	10,998,741	-	-	-	-	-	70,165,417
Davies ⁵	12,240,174	(583,371)	-	-	-	-	-	11,656,803
Met School	10,501,360	(513,855)	-	-	-	-	-	9,987,505
Urban Collaborative	574,513	274,683	-	-	-	-	-	849,196
Total	\$799,230,535	\$33,453,529	\$1,418,220	\$2,351,360	\$2,500,000	(\$1,475,828)	\$6,591,000	\$847,747,303

¹ Based on March 2014 enrollment updated for projected charter school growth. Subject to change based on March 2015 updates.

² Estimate assumes communities implement full-day kindergarten program in FY2016. The estimate will be updated to reflect actual programs.

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.

Sources: The Budget Office and Rhode Island Department of Education

The following table shows the difference in education aid as proposed by the Governor relative to the FY2015 Budget as Enacted.

FY2016 Governor's 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	\$520,279	\$0	(\$54,080)	\$34,284	\$0	\$0	\$500,483	\$5,201,901
Burrillville	13,173,610	158,593	-	(15,863)	11,233	(42,987)	60,000	170,976	13,344,586
Charlestown	1,708,666	12,745	-	-	-	-	-	12,745	1,721,412
Coventry	21,039,825	822,582	240,622	(20,271)	(5,170)	(12,394)	-	1,025,369	22,065,194
Cranston	47,040,378	3,481,239	572,993	(392,751)	103,048	(6,828)	-	3,757,701	50,798,079
Cumberland	15,756,437	896,420	-	(92,043)	(12,805)	-	-	791,572	16,548,009
East Greenwich	2,469,554	359,338	24,454	(32,442)	66,231	-	-	417,581	2,887,135
East Providence	29,373,000	1,735,891	-	(10,055)	113,890	(64,527)	-	1,775,200	31,148,200
Foster	1,193,192	(62)	-	(8,261)	11,696	-	-	3,374	1,196,566
Glocester	2,640,483	(88,447)	-	(13,591)	2,676	-	-	(99,363)	2,541,120
Hopkinton	5,576,348	(55,890)	-	-	-	-	-	(55,890)	5,520,459
James town	406,834	40,916	-	-	10,624	-	-	51,541	458,375
Johnston	13,192,809	802,986	195,392	(262,535)	38,088	-	-	773,931	13,966,740
Lincoln	9,855,862	613,860	-	(6,395)	34,117	(10,727)	-	630,855	10,486,717
Little Compton	401,928	26	-	-	-	-	-	26	401,954
Middletown	8,905,309	(157,608)	-	-	37,646	(12,638)	(60,000)	(192,600)	8,712,709
Narragansett	1,993,920	182,555	-	-	13,842	-	-	196,398	2,190,317
Newport	10,623,201	(41,517)	-	-	10,855	(10,890)	(60,000)	(101,552)	10,521,650
New Shoreham	91,103	2,454	-	-	9,453	-	-	11,907	103,010
North Kingstown	10,725,468	(90,287)	31,386	-	19,642	-	-	(39,259)	10,686,208
North Providence	16,607,860	1,656,422	-	(127,118)	54,149	(29,387)	-	1,554,066	18,161,926
North Smithfield	5,587,845	193,939	-	(23,212)	9,923	(9,128)	-	171,522	5,759,367
Pawtucket	74,842,936	2,768,904	-	(86,439)	18,398	(130,444)	15,000	2,585,419	77,428,354
Portsmouth	4,882,427	(72,944)	-	-	17,748	(11,293)	-	(66,489)	4,815,937
Providence	215,122,639	7,240,611	-	(224,871)	146,193	(308,171)	(150,000)	6,703,762	221,826,400
Richmond	5,205,437	(122,820)	-	-	-	-	-	(122,820)	5,082,616
Scituate	3,960,437	22,035	-	(41,239)	14,159	-	-	(5,045)	3,955,391
Smithfield	5,115,211	381,973	-	(56,820)	(24,330)	(14,733)	-	286,091	5,401,302
South Kingstown	7,977,156	(233,972)	-	(110,627)	7,945	(7,123)	-	(343,777)	7,633,379
Tiverton	5,828,166	180,121	63,626	-	13,992	-	-	257,739	6,085,904
Warwick	36,064,777	535,515	289,747	(7,525)	60,294	(24,126)	(30,000)	823,905	36,888,683
Westerly	7,704,193	659,592	-	-	62,452	-	-	722,044	8,426,237
West Warwick	21,027,604	846,356	-	(49,384)	(4,224)	-	-	792,747	21,820,351
Woonsocket	50,690,277	2,473,011	-	(21,863)	15,907	(14,217)	(30,000)	2,422,837	53,113,115
Bristol-Warren	16,749,944	(583,665)	-	(17,250)	85,242	(5,057)	-	(520,730)	16,229,214
Exeter-West Greenwich	6,637,628	(242,468)	-	(135,432)	23,697	(8,391)	-	(362,594)	6,275,034
Chariho	1,316,444	(38,320)	-	(134,169)	3,902	-	-	(168,587)	1,147,858
Foster-Glocester	5,204,461	(50,995)	-	4,411	(730)	-	-	(47,315)	5,157,146
Central Falls ⁴	39,085,005	358,754	-	(60,173)	(3,762)	-	-	294,820	39,379,824
District Total	\$730,479,792	\$25,168,122	\$1,418,220	(\$2,000,000)	\$1,000,305	(\$723,061)	(\$255,000)	\$24,608,588	\$755,088,380
Charter School Total	59,166,982	10,998,741	-	-	(305)	-	-	10,998,436	70,165,418
Davies	12,240,175	(583,371)	-	-	-	-	-	(583,371)	11,656,804
Met School	10,501,360	(513,855)	-	-	-	-	-	(513,855)	9,987,505
Urban Collaborative	574,513	274,683	-	-	-	-	-	274,683	849,196
Total	\$812,962,822	\$35,344,320	\$1,418,220	(\$2,000,000)	\$1,000,000	(\$723,061)	(\$255,000)	\$34,784,481	\$847,747,303

¹ Based on March 2014 enrollment updated for projected charter school growth. Subject to change based on March 2015 updates.

² Assumes communities implement program in FY2016. Communities that implemented previously receive funding for program in the formula change column.

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.

Sources: The Budget Office and 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 FY2014, the minimum state share is 35.0 percent and the maximum is 95.2 percent for Central Falls.

The 2010 General Assembly passed legislation increasing the minimum share ratio from 30.0 percent in FY2011 to 35.0 percent in FY2012 and to 40.0 percent in FY2013. The 2012 General Assembly froze the reimbursement rate at 35.0 percent, but provided that projects completed after June 30, 2010, 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. However, through Article 9 of the FY2016 Budget, the Governor shortens the refinancing period to June 30, 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 Governor recommends \$70.9 million, an increase of \$3.0 million from the FY2015 Budget as Enacted. For FY2015, the Governor recommends \$68.4 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 Governor 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 (Capital Fund) to be held in trust and administered by the Rhode Island Health and Education Building Corporation (RIHEBC).

FY2015 Supplemental Budget

Expenditures by Source	FY2014 Final	FY2015 Enacted	FY2015 Governor	Change to Enacted	% Change
General Revenue	\$3,336.4	\$3,445.2	\$3,488.4	\$43.2	1.3%
Federal Funds	2,676.2	3,086.5	3,140.5	54.0	1.7%
Restricted Receipts	222.1	283.1	278.3	(4.8)	-1.7%
Other Funds	1,820.7	1,965.4	1,932.4	(33.1)	-1.7%
Total	\$8,055.4	\$8,780.2	\$8,839.5	\$59.3	0.7%

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

Expenditures by Function	FY2014 Final	FY2015 Enacted	FY2015 Governor	Change to Enacted	% Change
General Government	\$1,456.8	\$1,513.4	\$1,511.8	(\$1.6)	-0.1%
Human Services	3,335.3	3,743.1	3,867.2	124.1	3.3%
Education	2,287.4	2,360.9	2,354.0	(6.9)	-0.3%
Public Safety	490.5	528.8	540.7	11.9	2.3%
Natural Resources	83.9	108.8	117.8	9.0	8.3%
Transportation	401.5	525.1	447.9	(77.2)	-14.7%
Total	\$8,055.4	\$8,780.2	\$8,839.5	\$59.3	0.7%

FTE Authorization **15,100.3** **15,086.0** **15,100.7** **14.7** **0.1%**

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

FY2015 opened with \$16.1 million in additional surplus funds above the budgeted surplus of approximately \$575,000, which includes \$7.4 million in reappropriations of unspent general revenue from FY2014 to FY2015. The November 2014 Revenue Estimating Conference identified \$15.8 million in additional anticipated general revenue collections for FY2015. Increases in revenue were offset by an additional \$37.0 million in projected Medical Assistance costs.

The Governor's budget recommends a \$43.2 million increase in general revenue expenditures compared to the FY2015 Budget as Enacted. Increases are largely due to the results of the November Caseload Estimating Conferences, due to costs related to new treatments for Hepatitis C, and increased spending within DCYF due to higher than anticipated caseloads associated with the System of Care (\$10.0 million), and overspending within Public Safety departments, primarily within the Department of Corrections (\$8.5 million) and the Department of Public Safety (\$2.7 million). Lastly, the Governor suspends the transfer of surplus funds from FY2014 to the retirement fund, increasing available general revenues for FY2015 by \$14.2 million. By statute, any such surplus must transfer to the Employees' Retirement System Rhode Island and be deposited into the State Retirement Trust Fund.

The remainder of this report provides an overview of the major changes proposed by the Governor to the FY2015 Budget as Enacted, organized by department.

FY2015 Governor's Recommended General Revenue Changes	
Expenditures	Change to Enacted
Reappropriations from FY2014	\$7.4
Caseload Conference Changes	37.0
Other Expenditures Changes (department-wide)	(1.2)
Total	\$43.2
Revenues	
Additional Opening Surplus Funds	\$8.6
Revenue Conference Changes	15.8
Suspend Retirement Fund Transfer	14.2
Reappropriations from FY2014	7.4
Additional Transfer to Rainy Day Fund	(1.2)
Other Revenue Changes (department-wide)	0.9
Total	\$45.7
FY2015 Enacted Free Surplus	\$0.6
Additional Free Surplus	2.5
FY2015 Revised Free Surplus	\$3.1

\$ in millions

DEPARTMENT OF ADMINISTRATION***Delay Debt Issuance*** ***(\$25.0 million)***

The Governor decreases general revenue debt service by \$25.0 million from a delay in issuing general obligation bonds and certificates of participation.

Reappropriations from FY2014 ***\$1.3 million***

The Governor includes \$615,901 in unspent funds for the I-195 Redevelopment District \$527,000 for the e-permitting project, and \$223,218 for housing rental subsidies. The Governor also adds \$220,000 in general revenue to the reappropriated \$280,000 to complete the classification and compensation personnel study.

BOARD OF ELECTIONS***Public Financing of General Elections – Public Matching Funds Program*** ***\$511,072***

The Governor 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.

OFFICE OF HEALTH AND HUMAN SERVICES***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.

The Connexions contract (HealthSource RI Contact Center administration) 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. The Governor includes \$6.5 million for this contract in the FY2015 Revised Budget.

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.

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.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

Personnel Savings **(\$227,819)**

General revenue funding for the Department is reduced by \$227,819 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).

Teacher Retirement **(\$524,347)**

Teacher Retirement costs are reduced by \$524,347 due to a lower-than-projected wage base based on the November 2014 wage data.

PUBLIC HIGHER EDUCATION

Office of the Postsecondary Commissioner **\$927,853**

The FY2015 Budget as Enacted allowed the new Commissioner to reorganize the Office of the Postsecondary Commissioner (OPC), and the FY2015 Revised Budget 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, a communications director.

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 Governor 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.

DEPARTMENT OF CORRECTIONS

Overtime **\$3.9 million**

The Budget includes \$3.9 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 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.

Cost-of-Living Adjustments **\$4.6 million**

The Governor includes \$4.6 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.

Correctional Officer Training Class ***(\$702,000)***

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 ***\$1.5 million***

The Governor 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).

DEPARTMENT OF PUBLIC SAFETY

Cost-of-Living Adjustments ***\$1.4 million***

The Governor includes an increase of \$1.4 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 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.

DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

Unachieved Turnover ***\$850,000***

The FY2015 Budget as Enacted increased statewide turnover by 3.5 percent, which was comparable to the amount of the personal increase of the cost of living adjustment (COLA) in order to fund the cost of the COLA. This 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 Governor adds the \$850,000 to fund the COLA in FY2015.

WWII State Park ***(\$250,000)***

The FY2015 Budget as Enacted includes \$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***Winter Maintenance (federal funds)******\$6.2 million***

The Governor 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. As of March 29, 2015, approximately 76 inches of snow have fallen. Thirty storms have been recorded, and 669 hours have been spent treating and clearing the roads. This is in comparison to 437 hours and twenty-two storm events during the FY2014 winter season.

FY2015 REVISED REVENUES***National Grid Energy Rebates******\$1.3 million***

The Governor includes a deposit 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.

Transfer of Urban Institute Work Support Strategies Grant***(\$364,341)***

The Governor recommends transferring 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 outline the use of contingency funds; out-year appropriation changes Rhode Island Capital Plan Fund projects; determines expenditure limits for internal service funds; and provides for 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.
- Permits the Secretary of Commerce to reallocate the \$44.5 million in general revenue funding between initiatives within the Economic Development Initiatives Fund. Written notice to the Office of Management and Budget, and the chairs of the House and Senate Finance Committees in advance of any transfer of funds is required.
- 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.
- Allocates \$4.0 million of Public Higher Education Guaranty Agency Operating Fund for scholarships and grants at the State's public institutions of higher education (URI, RIC, and CCRI).
- 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.
- Directs an internal services account be established in FY2016 for the Division of Information Technology (DoIT). The Article also establishes a new billing system for DoIT, which would benchmark its costs as compared to the private sector.
- 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.
- Requires the following transfers be made to the State Controller by June 30, 2016, increasing general revenue by \$20.7 million in FY2016: \$1.5 million from Resource Recovery Corporation; \$11.0 million from Clean Water Finance Agency; \$2.8 million from Narragansett Bay Commission; \$5.0 million from Rhode Island Health and Educational Building Corporation; \$430,000 from the Rhode Island Airport Corporation.

APPROPRIATIONS

Article 1 makes appropriations from general revenues and authorizes expenditures of federal funds, restricted receipts, and other funds for the fiscal year ending June 30, 2016.

Expenditures by Source	FY2014 Final	FY2015 Enacted	FY2016 Governor	Change to Enacted	% Change
General Revenue	\$3,336.4	\$3,445.2	\$3,491.6	\$46.5	1.3%
Federal Funds	2,676.2	3,086.5	3,003.1	(83.4)	-2.7%
Restricted Receipts	222.1	283.1	239.4	(43.7)	-15.4%
Other Funds	1,820.7	1,965.4	1,893.5	(72.0)	-3.7%
Total	\$8,055.4	\$8,780.2	\$8,627.6	(\$152.6)	-1.7%

\$ 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; allows the appropriation of Lottery Division funds for award winnings during FY2016; and \$4.0 million of Public Higher Education guaranty agency reserve funds to need-based scholarships and grants at the State's public institutions of higher education (URI, RIC, and CCRI).

Article 1 establishes 12 specific, capped internal service accounts to permit reimbursement of costs for work or other services performed by certain departments or agencies for any other department or agency. Reimbursements may only be made up to the expenditure cap for each account, as outlined below.

Internal Service Account	FY2015 Enacted	FY2016 Governor
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. Statewide, the Governor recommends a net increase of 33.4 FTE positions from the FY2015 Budget as Enacted. Following are the changes included in the Governor's proposal:

FTE Position Authorization			
Function	FY2015 Enacted	FY2016 Governor	Change to Enacted
General Government	2,298.7	2,331.8	33.1
Human Services	3,744.0	3,743.6	(0.4)
Education	3,890.3	3,889.0	(1.3)
Public Safety	3,221.6	3,228.6	7.0
Natural Resources	428.0	428.0	-
Transportation	752.6	752.6	-
Higher Ed. Sponsored Research	750.8	745.8	(5.0)
Total	15,086.0	15,119.4	33.4

Major FTE changes include:

- **An increase of 22.2 FTE positions in Higher Education:** The Governor transfers 15.0 FTE positions to Public Higher Education from the Rhode Island Higher Education Assistance Authority (RIHEAA) and eliminates 7.0 FTE from RIHEAA, reflecting the elimination of RIHEAA and the transfer of its authority to the Office of Postsecondary Commissioner (OPC). The Governor 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 18.6 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 13.6 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), and 2.6 FTE positions for the RI Film Office.
- **A shift of 18.0 FTE positions to the Office of Health and Human Services:** This reflects the consolidations of the Office of the Child Advocate, Commission on the Deaf and Hard of Hearing, Governor's Commission on Disabilities, and Office of the Mental Health Advocate into the Office of Health and Human Services.
- **An increase of 9.5 FTE positions in the Department of Revenue:** The Governor 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 are 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 7.0 FTE positions for the Military Staff (RI National Guard):** This reflects an increase of 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 5.0 FTE positions in the Department of Business Regulation:** The Governor transfers a Small Business Ombudsman position (Programming Services Officer) from the Office of Management and Budget within the Department of Administration to the Department of Business Regulation. In addition, the Governor 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.

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, and June 30, 2019. These amounts supersede appropriations provided for FY2016 within the FY2015 Budget as Enacted.

Agency	Project	FY2017	FY2018	FY2019
DOT	Highway Improvement	\$27,200,000	\$27,200,000	\$27,200,000
DOT	Maintenance - Capital Equipment	2,500,000	2,500,000	2,500,000
DOA	Pastore Center Rehab	7,915,000	2,500,000	2,120,000
Higher Ed	Asset Protection - CCRI	2,732,100	2,799,063	2,368,035
Higher Ed	Knight Campus Renewal	4,000,000	5,000,000	4,000,000
Higher Ed	Asset Protection - RIC	3,357,700	3,458,431	3,562,184
Higher Ed	Asset Protection - URI	7,856,000	8,030,000	7,700,000
DOC	Asset Protection	4,000,000	4,000,000	4,000,000
Judiciary	Asset Protection	875,000	950,000	950,000
Military Staff	Joint Forces Headquarters Building	3,000,000	3,000,000	4,100,000
DEM	Dam repairs	1,000,000	1,550,000	1,500,000
DEM	Recreational Facilities	2,250,000	1,700,000	1,550,000
Total		\$66,685,800	\$62,687,494	\$61,550,219

Subject to final General Assembly approval, any unexpended or unencumbered funds from the RICAP Fund project appropriations in excess of \$500 may be reappropriated to the next fiscal year and made available for the same purpose. Any remaining funding less than \$500 may be reappropriated at the discretion of the State Budget Officer.

Article 2: Relating to Debt Management Act Joint Resolution

This article serves as a joint resolution for the issuance of debt required pursuant to RIGL 35-18-1, commonly known as the Kushner Act. The proposed project includes improvements to water distribution and storm water management systems, gas, electric and telecommunication infrastructure, and roadways, walkways, and parking lots in the district known as Fraternity Circle at the University of Rhode Island.

FISCAL IMPACT

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.

ANALYSIS AND BACKGROUND

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) with an expected term of twenty years. Capital costs for this project are expected to be \$417,790 in FY2016, \$3.8 million in FY2017, and \$906,518 in FY2018.

Article 3: Relating to Licensing of Hospital Facilities

This article reinstitutes the annually-enacted Hospital License Fee at the rate of 5.703 percent upon net patient services revenue of hospitals for the hospital's first fiscal year ending on or after January 1, 2013, 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 to 3.593 percent. These license fees are payable by July 11, 2016.

FISCAL IMPACT

The fee is expected to raise \$156.1 million in revenue in FY2016, consistent with the amount included in the FY2015 Budget as Enacted.

ANALYSIS AND BACKGROUND

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.

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	5.246%	141.3
2015	5.703%	156.1
2016*	5.703%	156.1

**Proposed*

\$ in millions

Article 4: Relating to Hospital Uncompensated Care

While providing the statutory authority for Disproportionate Share Hospital (DSH) payments in FFY2016 of \$136.8 million, this article repeals both inpatient and outpatient Upper Payment Limit (UPL) payments to hospitals, effective July 1, 2015.

FISCAL IMPACT

The proposed budget includes \$11.2 million in general revenue (\$22.6 million all funds) savings from the elimination of both UPL payments.

The Governor includes \$69.2 million in general revenue (\$138.3 million all funds) funding for DSH payments to hospitals in FY2016, inclusive of a \$1.5 million general revenue payment to the State's public hospital, Eleanor Slater Hospital.

ANALYSIS AND BACKGROUND

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).

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

The FY2013 Budget as Enacted made outpatient UPL payment a statutory requirement while the inpatient UPL payment became a requirement by the FY2015 Budget as Enacted; this article repeals the requirement for both of these payments effective July 1, 2015.

Article 5: Relating to Medical Assistance

This article provides the legal authority for the Executive Office of Health and Human Services (OHHS) to decrease payments to nursing homes and hospitals in FY2016, enabling the Office to achieve associated savings as included in the Budget.

The annual appropriation bill passed by the General Assembly typically includes an article that provides legal authority for any Medicaid initiatives that have budgetary savings associated with them. In recent budgets, this article has also included a series of resolutions that describe changes to the Medicaid program that underlie the budget's appropriation but that do not require statutory action. This article, however, does not specify these non-statutory initiatives but rather includes language that grants OHHS the authority to undertake all actions required to realize the funding levels included in Article 1.

The article also eliminates the Graduate Medical Education fund at the State's academic Level 1 trauma center hospitals (Rhode Island Hospital) in both FY2015 and FY2016, with \$1.0 million of general revenue savings in each year. This program was established by the General Assembly in the FY2015 Budget as Enacted.

FISCAL IMPACT

The Governor's budget includes \$25.6 million in general revenue (\$50.6 million all funds) savings resulting from changes to the Medicaid program included in this article.

Article 5 Proposals	General Revenue	All Funds
Hospitals		
Eliminate COLA	\$5.0	\$9.9
Reduce Rates 5.0 percent	10.8	21.7
Nursing Homes		
Eliminate COLA	3.5	7.1
Reduce Rates 3.0 percent	5.4	10.9
Eliminate Medical Education Program	1.0	1.0
Total	\$25.6	\$50.6
<i>in millions</i>		

ANALYSIS AND BACKGROUND

Eliminate COLA and Reduce Rates - Hospitals

This article provides the authority to suspend 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 increase, 2.9 percent for inpatient services and 2.1 percent for outpatient services, is suspended, as it was in FY2014 and in FY2015. Furthermore, the article reduces prevailing rates by 5.0 percent for FY2016. The Governor's FY2016 budget includes savings of \$15.7 million (\$31.6 million all funds) for this initiative.

Analyst's Note: Hospitals are also impacted by Article 4, which eliminates outpatient and inpatient Upper Payment Limit (UPL) payments to hospitals and which results in an additional \$22.6 million reduction in Medicaid payments to hospitals.

Eliminate COLA and Reduce Rates – Nursing Homes

Under this article, payments made to skilled nursing facilities and associated hospice organizations that provide services to Medicaid-eligible individuals will not be adjusted by the change in the national nursing home inflation index. This 2.6 percent adjustment was to be made on October 1, 2015, but is suspended for FY2016. Additionally, the Governor reduces prevailing nursing home rates by 3.0 percent for FY2016. The proposed budget includes general revenue savings of \$8.9 million (\$18.0 million all funds) for this initiative.

Of the approximately 28,000 Medicaid-eligible elderly individuals in Rhode Island, 21.0 percent, or approximately 5,000, reside in the State's 84 long-term skilled nursing facilities (nursing homes). Despite efforts through the Global Waiver to rebalance the State's long term care system and build community-based supports that will enable people to remain in their homes rather than enter nursing homes, these efforts have been largely unsuccessful.

In response, OHHS has begun implementing the Integrated Care Initiative. For those individuals included in the initiative, OHHS no longer pays for nursing home care on a fee-for-service, per diem basis. Rather, OHHS pays a single monthly rate to Neighborhood Health Plan of RI that integrates both the medical (which is paid for by Medicare) and nursing home care (which is paid for by Medicaid).

The reduction in nursing home rates included in this article apply to rates paid by Medicaid directly to nursing homes (fee-for-service) as well as those paid for through the Integrated Care Initiative's managed care arrangements.

Eliminate Graduate Medical Education Program

Article 5 eliminates the Graduate Medical Education Program at academic medical centers that meet certain criteria.

The FY2015 Budget as Enacted provides \$1.0 million in general revenue funding to support 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.

This article is effective retroactive to July 1, 2014, allowing the Governor's budget to save \$1.0 million in general revenue in both FY2015 and FY2016.

Article 6: Relating to Education

This article eliminates the requirement that school districts provide transportation and textbooks for private school students. The article also modifies the Full-Day Kindergarten Accessibility Act to implement a requirement that all districts provide full-day kindergarten by August 2016.

FISCAL IMPACT

This article has no direct fiscal impact. While the article repeals the requirement for districts to provide transportation of private school students, the transportation categorical fund remains intact and subject to appropriation. In FY2016, the Governor does not provide any funding for private school transportation and reduces funding for regional transportation by \$282,440, relative to the FY2015 Budget.

Furthermore, while the article repeals the requirement for school committees to supply textbooks to private school students, it does not repeal the reimbursement fund; however, no funding is provided in FY2016.

ANALYSIS AND BACKGROUND

The Governor recommends the following changes to education aid:

Transportation

Under current law, districts must provide transportation to resident students who attend private schools and attend a school within the busing district as established pursuant to RIGL 16-21.1-2. This obligation is repealed through the article.

The Education Adequacy Act provides state-funded categorical aid to districts 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. As with all the categorical programs, the funding available for distribution to the districts cannot exceed the amount appropriated in any given fiscal year. In FY2016, the Governor eliminates funding for out-of-district, non-public transportation (\$1.7 million in savings) and reduces funding for regional transportation by \$282,440, relative to the FY2015 Budget. These reductions reduce total funding for the category by \$2.0 million from FY2015 levels.

Non-Public Textbook Loan Program

This article eliminates the requirement that school committees provide free textbooks to all students in grades kindergarten through 12th grade who reside in the community. Traditionally, the statute is associated with the loaning of textbooks from a list published by the Department of Elementary and Secondary Education to private school students; however, the statute to be repealed also applies to textbooks and school supplies used in the public schools, opening the door to allowing school committees to charge public school students for these items.

Analyst's Note: While the Governor eliminates the requirement for school committees to provide free textbooks, the article does not repeal the fund requiring the State reimbursement of costs associated with loaning textbooks. RIGL 16-23-3.1 requires the State to appropriate the funds needed to reimburse school districts for "the cost of English/language arts and history/social studies textbooks that the district has provided to students in grades K-12 pursuant to § 16-23-2." While the Governor eliminates funding for the reimbursement fund (\$240,000), it does not repeal the statutory language establishing the reimbursement.

The following table shows State reimbursements to districts for English/language arts and history/social studies textbooks, and unreimbursed costs to districts for textbooks loaned to private school students in FY2014. Since the cost of the qualified textbooks was reimbursed, districts will not realize any savings

for these expenditures; however, by not funding this program in FY2016, the Governor will reduce State expenditures by \$240,000, the amount appropriated in the FY2015 Budget as Enacted. The same amount was appropriated in FY2014; however, the districts only spent \$195,052.

District Costs for Non-Public Textbook Loan Program (FY2014)

District	Reimbursed	Unreimbursed		Reimbursed	Unreimbursed
	Cost	Cost		Cost	Cost
Barrington	\$1,460	\$7,171	Middletown	5,203	4,064
Bristol-Warren	2,769	8,714	Narragansett	2,374	4,783
Burrillville	1,471	2,895	New Shoreham	-	-
Central Falls	3,844	6,642	Newport	4,384	4,052
Chariho	2,399	8,749	North Kingstown	13,290	16,725
Coventry	18,941	15,338	North Providence	8,276	7,735
Cranston	6,919	5,455	North Smithfield	3,579	2,269
Cumberland	10,126	4,351	Pawtucket	27,899	18,031
East Greenwich	1,438	6,100	Portsmouth	5,970	12,383
East Providence	3,767	16,191	Providence	12,195	88,170
Exeter-West Greenwich	1,903	5,248	Scituate	2,858	7,361
Foster	458	277	Smithfield	1,719	3,784
Foster-Glocester	904	3,145	South Kingstown	2,021	12,773
Glocester	470	835	Tiverton	1,925	16,927
Jamestown	211	1,366	Warwick	17,686	21,166
Johnston	13,299	16,614	West Warwick	4,491	7,019
Lincoln	5,197	6,755	Westerly	1,939	6,265
Little Compton	723	2,377	Woonsocket	2,944	8,193
Total				\$195,052	\$359,921

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 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 deletes the legislative finding specifying that the program is intended to provide one-time, startup funding on a competitive basis; however, the article leaves intact the section of the statute describing the use of the funds as “a portion of the reasonable, one-time start-up costs...” in RIGL 16-99-4. Consequently, the program would continue to help with start-up costs through a competitive process.

Analyst’s Note: In the past, full-day kindergarten formula funding has been provided only upon implementation of the full-day kindergarten program. The Administration has indicated that a budget amendment is forthcoming to clarify that funding added in the FY2016 formula for this purpose may be used for district startup costs if the program is not implemented in FY2016.

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 US 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.

FISCAL IMPACT

This impact of the transfer will shift 15.0 FTE positions (RIHEAA currently has a 22.0 FTE authorization) and \$19.1 million from RIHEAA to OPC. Of the \$19.1 million being transferred, \$7.9 million is from the Tuition Savings Program (Other Funds) and \$11.2 million is from the Guaranty Agency (Federal Funds), including \$4.0 million from the Guaranty Agency reserve fund. Twenty FTE positions of the 22.0 FTE position authorization are currently filled as of the payroll period ending February 21, 2015. Of the 7.0 FTE positions that would be eliminated in the proposed transfer, 6.0 FTE positions are currently filled.

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.

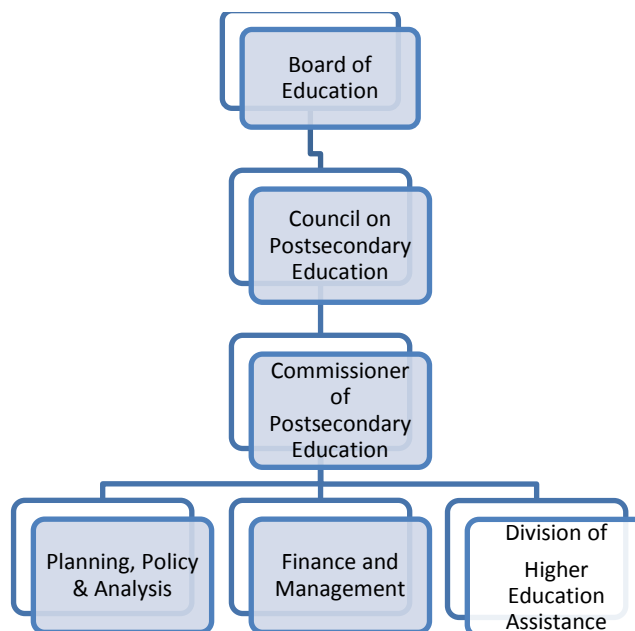
ADDITIONAL BACKGROUND

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 of the Governor's budget 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 allocated to the guaranty agency functions (17.0 FTE positions out of a total of 22.0 currently authorized FTE positions). 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 Municipal Road and Bridge Revolving Fund or 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 legislation would allow communities to seek funding without voter approval to avoid the costs of a special election in FY2016.

Analyst's Note: According to the State Budget Office, the date June 20, 2016, will be changed to June 30, 2016, by a Governor's Budget Amendment to reflect the intent of the legislation.

FISCAL IMPACT

There is no fiscal impact from the article.

ANALYSIS AND BACKGROUND

Toll Reimbursement Program

Per R.I. General Laws §24-12-26, personnel of police, fire, and ambulance services for the city of Newport and the town of Jamestown shall be 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 shall be 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 for which the town of Jamestown and the city of Newport must 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.

Municipal Road and Bridge Revolving Fund

The FY2014 Budget as Enacted established the Municipal Road and Bridge Revolving Fund. 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 uses a project priority list to rank projects 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.

For FY2014, the revolving fund included \$10.3 million of bond premium proceeds derived from the sale of 2013 general obligation bonds from the Rhode Island Capital Plan Fund (RICAP) to capitalize the Municipal Road and Bridge Revolving fund. These funds were loaned to nine communities in FY2014.

The FY2015 Budget as Enacted included an additional \$5.0 million in funding made available from the sale of Tobacco Settlement Bonds to capitalize this program. The Clean Water Finance Agency will appropriate \$3.5 million from its board designated administrative fund in order to fully fund every project that has met all of the application requirements in FY2015. The Governor does not recommend additional funding for FY2016.

Analyst's Note: An additional \$300,000 is available for lending, as one municipality did not request its entire authorization in FY2014. No community has begun payback of funds loaned in FY2014; therefore there are no "revolved" funds currently available.

Seven communities submitted applications to borrow from the Municipal Road and Bridge Revolving Fund; however, East Providence, which requested \$1.8 million for four projects, does not meet the requirement of having voter approval.

Project Ranking¹	Municipality	Requested Amount	Approved by CWFA Board
1	West Warwick	\$150,515	\$150,515
2	East Providence	230,000	
3	Bristol	500,000	500,000
4	East Providence	515,000	
6	East Providence	435,000	
8	Hopkinton	253,000	253,000
9	East Providence	650,000	
10	Pawtucket	5,000,000	5,000,000
11	East Greenwich	2,000,000	2,000,000
13	Coventry	900,000	900,000
Total		\$10,633,515	\$8,803,515

¹The projects ranked 5 (Cranston), 7 (Scituate) and 12 (Narragansett) were withdrawn by the municipalities.

Analyst's Note: If this legislation passes, inclusive of the provision to allow borrowing without voter approval in FY2016, the City of East Providence could request that its applications be reconsidered by the Clean Water Finance Agency for FY2015 funding as new applications for FY2016 funds are not required to be sent to the Department of Transportation until September 15, 2015. The Governor's budget does not include additional funding for FY2016; however, the Clean Water Finance Agency may have additional funds available from its board designed administrative fund to fund the East Providence projects.

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 at the Rhode Island Health and Education Building Corporation (RIHEBC). The article changes the composition of the Board of Directors at the RIHEBC and eliminates the compensation for Board members permitted under current law. The article also shortens the time period for communities to receive the 80.0 percent reimbursement of refunded bond savings to June 30, 2015, instead of December 31, 2015, as provided in current law. The article allows charter schools to receive capital funds at the ratio provided to the district in which the charter school is located.

FISCAL IMPACT

This article has no direct fiscal impact; however, the Governor includes a one-time appropriation of \$20.0 million in new general revenue to capitalize the School Building Authority Capital Fund.

ANALYSIS AND BACKGROUND

Refunded Bond Savings

This article shortens the time period for communities to receive the 80.0 percent reimbursement of refunded bond savings to June 30, 2015, instead of December 31, 2015, as provided in current law. Article 13 of the FY2014 Budget as Enacted included the incentive to encourage communities to take advantage of lower interest rates beginning July 1, 2013.

School Building Authority

The article designates the Department of Elementary and Secondary Education (Department) as the State's School Building Authority (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, as created through this article.

Pursuant to the article, the Department is responsible for promulgating the rules and regulations establishing the application process for the new Capital Fund, and for establishing investment priorities and project evaluation criteria, in consultation with the Advisory Board. The priorities are to be reviewed a minimum of every five years.

Pursuant to the article, the Rhode Island Health and Educational Building Corporation (RIHEBC) will fund the Department's costs associated with the Authority, the Advisory Board, and any additional tasks requested by the General Assembly. The source of funds is not identified within the specific section of the article; however, language establishing the Capital Fund requires payment of administrative expenses from fund resources (see section 4 of article).

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. In addition, the Council will approve the investment priorities for the new Capital Fund proposed by the Authority in consultation with the Advisory Board.

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. The public members are not subject to an advice and consent process.

Rhode Island Health and Educational Building Corporation (RIHEBC)

The Rhode Island Health and Educational Building Corporation (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; however, the article would discontinue compensation effective July 1, 2015.

The article would increase the Governor's appointments to the Board of Directors to from five to seven members and impose a limit of two, five-year terms on members appointed after July 1, 2015. The Governor would select the chairperson and vice chairperson from the appointed members. There is no advice and consent process for Board members under current law, or in the article.

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.

Analyst's Note: It appears this refers to appropriations to the Capital Fund; however, the language is unclear.

- Loan repayments, bond refinance interest savings
- Interest earnings
- Bond proceeds, and
- Administrative fees

Pursuant to the article, administrative costs in the Department and RIHEBC associated with the Capital Fund must be paid from the Capital Fund. The article also provides for the payment of bond proceeds by the General Treasurer to RIHEBC for any bonds or notes issued by the State for the purposes of the Capital Fund. 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 article authorizes RIHEBC to grant districts and municipalities the state share of an approved project cost consistent with the share ratios determined in current law; however, the article requires RIHEBC to grant a recipient of assistance under the Capital Fund the percentage of state aid available to the community in which the school is located.

Analyst's Note: It is unclear from the language of the article what "percentage of state aid" is being referenced; however, this clause appears to require charter schools to receive a state aid ratio equivalent to the district the charter is located, instead of the 30.0 percent provided under current law.

RIHEBC must submit an annual report on the fund to the Governor, the Speaker of the House, the President of the Senate, and the Secretary of State. The initial report is due by January 1, 2016.

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 Information Technology Investment Fund for the Unified Health Infrastructure Project. Lastly, the Governor 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 increases the total FY2015 appropriations by \$59.3 million, the bulk of which is attributable to an increase in general revenue expenditures by \$43.2 million. The article outlines funding changes at the program level by fund for each department.

Expenditures by Source	FY2014 Final	FY2015 Enacted	FY2015 Governor	Change to Enacted	% Change
General Revenue	\$3,336.4	\$3,445.2	\$3,488.4	\$43.2	1.3%
Federal Funds	2,676.2	3,086.5	3,140.5	54.0	1.7%
Restricted Receipts	222.1	283.1	278.3	(4.8)	-1.7%
Other Funds	1,820.7	1,965.4	1,932.4	(33.1)	-1.7%
Total	\$8,055.4	\$8,780.2	\$8,839.5	\$59.3	0.7%

\$ 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 Governor
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 Governor recommends a net increase of 14.7 FTE positions below the FY2015 Budget as Enacted. The following changes are included in the Governor's proposal:

FTE Position Authorization			
Function	FY2015 Enacted	FY2015 Governor	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 Strategic Planning and Monitoring, 1.0 Director of Communications, and 1.0 Chief Implementation Aide.
- **An increase of 5.0 FTE positions in the Department of Business Regulation:** The Governor transfers a Small Business Ombudsman position (Programming Services Officer) from the Office of Management and Budget within the Department of Administration to the Department of Business Regulation. In addition, the Governor 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.

- Creates a state property tax on non-owner occupied properties valued at \$1.0 million or higher.
- Increases excise tax by \$0.25 per pack of cigarettes.
- Expands the hotel tax to include online hotel resellers and unlicensed rentals such as those listed on Airbnb.com. Vacation rentals will be subject to the sales and local tax.
- Transfers hotel tax revenue from general revenue to the Rhode Island Commerce Corporation.
- Applies the real estate conveyance tax to sales of controlling interests in a business entity that holds real property.
- Expands the current sales tax exemption for electricity, gas, and fuel used in the manufacturing process to consumption of these utilities by all businesses over the next five years.
- Exempts Social Security benefits from the State's income tax for individuals with adjusted gross income (AGI) of \$50,000 a year or less, and for joint returns with AGI of \$60,000 a year or less.
- Authorizes the Division of Taxation to enter into performance-based contracts with third-party vendors to enforce taxpayer compliance and payment of tax liabilities.
- Implements a managed audit program within the Division of Taxation permitting businesses to perform self-audits.
- Increases the rate an eligible taxpayer may claim for a refund under the earned income tax credit.
- Phases out the 2.0 percent surcharge on net patient services revenue generated by outpatient healthcare facilities and imaging services providers.
- Eliminates the Enterprise Zone Wage tax credit, which provides employment-based tax incentives for businesses located in certain geographically defined areas of the state.

FISCAL IMPACT

The article increases general revenue by \$13.2 million for FY2016. The table below itemizes the impact of each initiative.

Article 11 Revenue Changes	FY2016
Expansion	
<i>State Property Tax on Non-Owner Occupied Residential Properties</i>	\$11.8
<i>Increase Excise Tax on Cigarettes</i>	7.1
<i>Accommodations Subject to Taxation: Funding Shift to CommerceRI</i>	3.3
<i>Controlling Interest Transfer Tax</i>	0.7
Exemptions	
<i>Sales Tax Exemption on Utilities</i>	(4.9)
<i>Income Tax Exemption on Taxable Social Security Benefits</i>	(3.9)
Enforcement	
<i>Increased Collections from Tax Compliance Contract</i>	1.8
<i>Taxation Self-Audit Program</i>	0.5
Other Revenue Changes	
<i>Changes to Earned Income Tax Credit</i>	(3.0)
<i>Imaging Services Surcharge Phase Out</i>	(0.6)
<i>Eliminate Enterprise Zone Wage Tax Credit</i>	0.4
Total	\$13.2

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

ANALYSIS AND BACKGROUND

This article makes a number of changes impacting general revenue collections, including: expanding the existing tax base, exempting certain personal and business liabilities from taxation, and enhancing Taxation enforcement activities.

State Property Tax on Non-Owner Occupied Residential Properties

\$11.8 million

The Governor proposes a state property tax on non-owner occupied residences and vacant residential land with an assessed value of \$1.0 million or more. The proposed tax rate of \$2.50 per \$1,000 of total assessed value is estimated to increase general revenue by \$11.8 million. Currently, there is no state property tax in Rhode Island. The Governor relies on the local assessed value of each property impacted by this proposal.

The Office of Revenue Analysis (ORA) reviewed a sample of municipal property tax rolls to identify non-owner occupied property (land and residential buildings) valued at \$1.0 million or more. Based on the sample reviewed, ORA estimates that 2,359 properties, valued at \$4.7 billion in total, would be subject to this tax.

Top 5 Municipalities with >\$1.0 million Non-Owner Occupied Properties

Municipality	Total Non-Owner Occupied Properties >\$1.0mil in Assessed	Total Assessed Value of the Properties	State Property Tax Revenues at \$2.50 per \$1,000 Rate
	Value		
Westerly	568	\$1,452.7	\$3.6
New Shoreham	423	631.0	1.6
Newport	217	558.8	1.4
Little Compton	222	431.1	1.1
Charlestown	193	335.7	0.1

\$ in millions

Source: Office of Revenue Analysis

Analyst Note: ORA's estimated revenues are based on non-owner occupied single family residences, two to five family residences, estates, seasonal and beach property, residential condominiums, times shared condominiums, dockominiums (boat slips), mobile homes and residential vacant land with total assessed values of \$1.0 million or more.

Increase Excise Tax on Cigarettes

\$7.1 million

The Governor recommends a \$0.25 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, from \$8.88 to \$9.17 per individual pack. The additional excise tax and associated sales taxes would generate an additional \$7.1 million in revenue above the projections from the November 2014 Revenue Estimating Conference. 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 table below compares the current end price of a pack of cigarettes to the Governor's proposed excise increase, and outlines Rhode Island's markups compared to neighboring states.

Cigarette Pricing and Taxing Provisions - Regional Comparison

	Rhode Island		Massachusetts		Connecticut	
	Current	Proposed				
Base Price per Pack in \$	\$4.12	\$4.12	\$3.61		\$4.12	
Excise Tax in \$	3.50	3.75	3.51		3.40	
<i>Subtotal base price + Excise</i>	7.62	7.87	7.12		7.52	
Wholesale Markup	2.0% 0.15	0.16	2.0% 0.14		6.5% 0.49	
Wholesale Cartage	0.75% 0.06	0.06	0.75% 0.05		0.0% 0.00	
Retail Markup	6.0% 0.47	0.49	25.0% 1.83		8.0% 0.64	
<i>Total Base Cost</i>	8.30	8.57	9.15		8.65	
Sales Tax	7.0% 0.58	0.60	6.25% 0.57		6.4% 0.55	
Total Price per Pack in \$	\$8.88	\$9.17	\$9.72		\$9.20	

Note: The Office of Revenue Analysis calculated base price per pack using available data on wholesale prices as listed on states' Department of Revenue websites. No base price was available for CT, so it was assumed that CT would be the same as RI.

Accommodations Subject to Taxation: Funding Shift to CommerceRI**\$3.3 million**

The State imposes three taxes on hotel accommodations: a 7.0 percent sales tax (collected as general revenue), a 5.0 percent hotel tax (shared by state general revenue, tourism districts, and municipalities), and a 1.0 percent local tax (allocated to municipalities). The Governor proposes expanding the definition of accommodations subject to these taxes to include online room resellers, unlicensed lodging rentals (such as those listed on Airbnb.com), and vacation rentals (which will only be subject to the sales tax and local tax). Secondly, the Governor modifies the distribution of the hotel tax, shifting the State's current 5.0 percent hotel taxes normally deposited as general revenue and a portion of tourism district revenue shares to CommerceRI. Lastly, through expanded sales tax to certain types of accommodations, net revenue to the State will increase by \$3.3 million (which includes an increase of \$7.1 million for expanded sales taxes, less \$3.8 million in hotel taxes redirected as pass-through revenues to CommerceRI).

Hotel Base Expansion

The Budget expands the definition of hotels 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. Currently, rental accommodations with less than three rooms are 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 State currently levies a 5.0 percent gross receipts tax on hotels that have more than three rooms and are rented for 30 days or less.

Lodging Tax Expansion: The article expands the definition of hotels subject to the State's lodging taxes to include houses, condominiums, or other residential units, regardless of number of rooms, which are advertised for rent for occupancy. Using VRBO.com (a website listing vacation rentals by owner), 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 on All Lodging Rentals

	7% Sales	1% Local
General Revenue	\$5,422,316	
CommerceRI		
Municipalities		774,617
Subtotal	\$5,422,316	\$774,617
Total		\$6,196,933

Note: The Governor does not impose the 5.0% hotel tax on vacation rentals and bed and breakfasts.

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. This article 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. This article 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.

FY2016 Hotel Tax Expansion on Online Resellers

	7% Sales	5% Hotel	1% Local
General Revenue	\$820,662	-	-
CommerceRI	-	194,519	-
Municipalities	-	146,053	117,237
<i>Tourism Districts:</i>			
Aquidneck Island	-	99,409	-
All Other Tourism Districts	-	32,511	-
Convention Authority of Providence	-	23,133	-
Warwick Dept. of Economic Development	-	12,131	-
Prov/Warwick Convention & Visitors Bureau	-	78,430	-
Subtotal	\$820,662	\$586,186	\$117,237
Total			\$1,524,085

Unlicensed Rentals: This article 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 (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. Lodging tax shares were applied to the total revenue of \$12.2 million, which are broken down in the following table:

FY2016 Hotel Tax Expansion on Unlicensed Rentals

	7% Sales	5% Hotel	1% Local
General Revenue	\$851,512		
CommerceRI		197,627	
Municipalities		152,056	121,645
<i>Tourism Districts:</i>			
Aquidneck Island	-	119,289	-
All Other Tourism Districts	-	34,298	-
Convention Authority of Providence	-	29,325	-
Warwick Dept. of Economic Development	-	857	-
Prov/Warwick Convention & Visitors Bureau	-	74,770	-
Subtotal	\$851,512	\$608,222	\$121,645
Totals			\$1,581,379

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.

FY2016 Current Hotel Tax Collections Summary and Increases from Hotel Tax Base Expansion

Municipality	*FY2016 Est.	Increases from		Municipality	*FY2016 Est.	Increases from	
		Base Expansion	Total			Base Expansion	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
Cumberland	-	-	-	Providence	2,019,681	162,919	2,182,600
East Greenwich	905	3,843	4,748	Richmond	3,577	637	4,215
East Providence	44,947	5,660	50,607	Scituate	5,037	173	5,210
Exeter	-	514	514	Smithfield	152,721	15,023	167,744
Foster	254	9	263	South Kingstown	143,481	73,564	217,045
Glocester	2,808	1,564	4,371	Tiverton	-	9,739	9,739
Hopkinton	-	953	953	Warren	-	6,384	6,384
Jamestown	9,467	45,856	55,323	Warwick	1,059,108	39,403	1,098,511
Johnston	7,743	781	8,523	Westerly	460,049	99,977	560,026
Lincoln	106,834	4,185	111,020	West Greenwich	98,522	3,900	102,422
Little Compton	4,489	40,217	44,706	West Warwick	102,452	3,520	105,972
Middletown	709,165	58,938	768,103	Woonsocket	53,703	1,845	55,549
Narragansett	84,305	274,001	358,305	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.

Reallocation to CommerceRI: The Governor proposes to re-direct \$6.4 million in new and existing hotel tax proceeds, based on reallocation of hotel tax revenue in the following table, to fund operations at CommerceRI, including \$4.5 million to enhance statewide tourism and promote Rhode Island as a vacation and leisure destination. The following table shows the reallocation using the existing hotel tax base and does not include the additional \$380,000 which would be generated through the base expansion and reallocation. (\$6.0 million + \$380,000 = \$6.4 million)

FY2016 Reallocation of Current Hotel Tax Revenues

Recipient	Current Law		Proposed		Change
	State Hotel	Amount of	State Hotel	Amount of	
	Tax Share	State Hotel Tax	Tax Share	State Hotel Tax	
Aquidneck Island District	47%	\$2,893,084	47%	\$2,893,084	-
Statewide District	47%	130,544	-	-	(130,544)
All Other Districts	47%	1,778,772	25%	946,156	(832,616)
Convention Authority of Providence	31%	1,391,336	15%	673,227	(718,109)
Warwick Department of Economic Development	31%	729,608	15%	353,036	(376,572)
Providence/Warwick Convention & Visitors Bureau*	23/7/12%	2,172,656	23/7/12%	2,172,656	-
RI Convention Center Authority	30%	316,906	-	-	(316,906)
Municipalities	25%	4,000,819	25%	4,000,819	-
State General Revenue	21%	3,645,903	-	-	(3,645,903)
RI Commerce Corporation	0%	-	35.1%	6,020,650	6,020,650

*Shares of state hotel tax revenue are received as follows: 23.0% from rooms rented in Providence and Warwick, 12.0% from rooms rented at the Omni Providence, and 7.0% from room rentals in the rest of the State.

Analyst Note: Reducing the distribution to the RI Convention Center Authority could increase general revenue expenditures to the State in covering the Authority's operating losses.

Controlling Interest Transfer Tax**\$695,970**

The Governor proposes to apply 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. Under current law, however, the owner of a business may 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.

Analyst Note: The legislation is unclear as to whether this tax will apply to only real estate holdings of a business or all other assets transferred in the sale.

Sales Tax Exemption on Utilities**(\$4.9 million)**

The State currently exempts electricity, natural gas, and heating fuels used in the manufacturing process from the sales and use tax. The Governor proposes to expand the current exemption to consumption of these utilities by all businesses over the next five years. Exemptions would be phased in by 20.0 percent annually through FY2020. Expands the current sales tax exemption for electricity, gas, and fuel used in the manufacturing process

5 Year Impact of Sales Tax Exemption Phase-In for All Businesses					
Energy Item	FY2016	FY2017	FY2018	FY2019	FY2020
Electricity	(\$3,500,540)	(\$7,106,634)	(\$10,888,608)	(\$14,779,715)	(\$18,606,863)
Natural Gas	(1,162,798)	(2,401,203)	(3,708,744)	(5,029,919)	(6,427,874)
Heating Fuels	(214,418)	(435,565)	(669,898)	(918,986)	(1,176,627)
Total	(\$4,877,756)	(\$9,943,402)	(\$15,267,250)	(\$20,728,620)	(\$26,211,364)

<i>Exemption Rate</i>	20%	40%	60%	80%	100%
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Source: Office of Revenue Analysis

Income Tax Exemption on Taxable Social Security Benefits**(\$3.9 million)**

The Governor exempts Social Security benefits from the State's income tax for individuals whose adjusted gross income (AGI) is \$50,000 a year or less, and for joint filers couples whose AGI is \$60,000 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 \$3.9 million in FY2016 and by \$8.1 million in FY2017.

5-Year Revenue Impact					
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Social Security Exemption	(\$3.9)	(\$8.1)	(\$8.3)	(\$8.5)	(\$8.7)

\$ in millions

Source: Office of Revenue Analysis

Sample Modification of Taxable Social Security Income

Federal Return	Current	Proposed
Pension	15,000	15,000
Interest/Dividends	1,500	1,500
Taxable Distribution from Personal 401K	12,000	12,000
Taxable Social Security*	13,199	13,199
Federal Adjusted Gross Income (AGI)**	41,699	41,699
Rhode Island Tax Return		
Starting Point: Federal AGI	41,699	41,699
Taxable Social Security Benefits Included in Federal AGI*	-	(13,199)
Adjusted State Income	41,699	28,500
Less: Standard Deduction Amount	(8,100)	(8,100)
Less: Personal Exemption Amount	(3,800)	(3,800)
Total State Taxable Income	29,799	16,600
Tax Rate for Taxable Income Under \$59,600	3.75%	3.75%
Total Tax Due to State **	\$1,117	\$623

Note: Calculation shows a scenario modifying income tax for a taxpayer with AGI under \$50,000, filing under single status, claiming the average monthly social security benefit (ssa.gov), investment distributions (USNews.com), and wages for part-time work.

**The federal government taxes SSI on a rate based on income. In this case, the taxpayer's income is over \$34,000, so the federal government only taxes 85% of the SSI benefit. (\$15,528*85%=\$13,199).*

***Rhode Island income tax is based on tax year 2014 rates.*

Increased Collections from Tax Compliance Contract**\$1.8 million**

The Governor 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 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 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 taxes by \$962,500 and increase collections of fines and penalties by \$787,500.

Taxation Self-Audit Program**\$500,000**

This proposal implements an audit program managed within the Division of Taxation permitting businesses to perform self-audits. This type of audit would replace the traditional field-audit program, which, according to the Governor, allows 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. Pennsylvania recently implemented a similar program. During the first full year, \$10.0 million in new revenue was generated. The Office of Management and Budget expects the Rhode Island program to generate \$500,000, based on a ratio of the State's comparable population and revenue data to that of Pennsylvania.

Changes to Earned Income Tax Credit **(\$3.0 million)**

The Governor modifies the calculation of the earned income tax credit (EITC), authorizing eligible taxpayers to claim 12.5 percent in TY2016 and 15.0 percent in TY2017 of the allowable federal credit EITC amount. The changes are expected to reduce revenues by \$3.0 million in FY2016 and \$9.4 million in FY2017.

Changes to Earned Income Tax Credit					
	TY2013 (Prior)	TY2014 (Current)	TY2015 (Current)	TY2016 (Proposed)	TY2017 (Proposed)
Income*	\$37,870	\$38,511	\$39,131	\$39,131	\$39,131
Maximum EITC	3,250	3,305	3,305	3,359	3,359
Allowable Federal Credit Amount	25.0%	10.0%	10.0%	12.5%	15.0%
Deduction Allowable from RI Tax Owed	122	331	331	420	504
Refundable Amount	15.0%	100%	100%	100%	100%
Total Refunded to Taxpayer	\$18	\$331	\$331	\$420	\$504

*Single filer, one qualifying child.

Note: TY2016 and TY2017 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 **(\$574,399)**

The Governor proposes phasing out the 2.0 percent surcharge on net patient services revenue generated by outpatient healthcare facilities and imaging services providers in equal increments over four years (FY2016 through FY2019). The initiative is expected to reduce revenues by \$574,399 in FY2016.

5-Year Revenue Impact					
Surcharge Item	FY2016	FY2017	FY2018	FY2019	FY2020
Imaging Service	(\$386,908)	(\$768,660)	(\$1,118,834)	(\$1,500,964)	(\$1,529,760)
Outpatient Healthcare	(187,492)	(375,799)	(559,750)	(745,924)	(746,613)
Total	(\$574,399)	(\$1,144,459)	(\$1,678,584)	(\$2,246,888)	(\$2,276,373)

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.

Eliminate Enterprise Zone Wage Tax Credit **\$356,347**

The Governor eliminates the Enterprise Zone Wage tax credit, which provides employment-based tax incentives for businesses located in certain defined areas of the state. 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). 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.

This tax expenditure may be applied against the business corporations tax, public service corporations tax, bank tax, and insurance companies tax. To calculate the fiscal impact, ORA used an average of the tax credits used over the past 4 years and estimated out-year growth using the growth rate adopted at the 2014 November Revenue Estimating Conference for business corporations taxes.

Enterprise zones are economically distressed areas, or more specifically, United States bureau of the census divisions, in need of expansion of business and industry. The following municipalities have areas designated as enterprise zones under RIGL 42-64.3-5:

- Cranston (which includes the site of the former Narragansett Brewery and the census blocks that are along the following streets: Hartford Avenue to the Johnston town line, Plainfield Street to the Johnston town line, and Pocasset Avenue to the Cranston city line)
- Providence (Providence II enterprise zone)
- Cumberland (Highland II Corporate Park and Woonsocket/Cumberland enterprise zone)
- East Providence
- Middletown
- Newport
- Pawtucket
- Richmond
- Portsmouth
- Woonsocket (Singleton Street Mill District and Ashton/Berkeley Mill Village area)
- Warren (Mount Hope enterprise zone)
- West Warwick

Analyst's Note: The proposed legislation eliminates the credit entirely. The legislation is silent as to whether businesses certified prior to this date would be allowed to receive new credits under this program and whether or not the carry forward provisions for issued but unused but earned credits would be allowed.

Article 12: Relating to Tobacco Settlement Financing Trust

This article reallocates the appropriation of proceeds received from refinancing tobacco bonds. The FY2015 enacted budget assumed \$20.0 million in proceeds would be received in FY2015. Of the funds, \$10.0 million was expected to be deposited into the Information Technology Investment Fund (ITIF); \$5.0 million was to be deposited into the Municipal Road and Bridge Fund; and, \$5.0 million was to be absorbed into the General Fund.

The actual refinancing yielded \$36.3 million in proceeds. The Governor proposes using \$19.0 million of the proceeds to close the deficit in the General Fund in FY2016; \$5.0 million for the General Fund in FY2015; \$5.0 million for the Municipal Road and Bridge Fund; and, \$7.3 million for the Information Technology Investment Fund. This proposal reduces the FY2015 allocation to the ITIF by \$2.7 million from what was estimated in the FY2015 Budget as Enacted.

FISCAL IMPACT

The Governor recommends appropriating \$19.0 million of this one-time revenue source as general revenue in FY2016. The Governor does not specify the use of these funds. The proposal will decrease funds to the ITIF by \$2.7 million in FY2015.

ANALYSIS AND BACKGROUND

The FY2015 Budget as Enacted appropriated \$20.0 million in proceeds anticipated to be received in FY2015 from refinancing tobacco bonds. These bonds were issued by the Tobacco Settlement Financing Corporation (TSFC) in anticipation of settlement payments the State receives from various tobacco companies each year. Recently, the TSFC issued new debt of \$620.9 million to refund and refinance previously issued bonds. The transactions resulted in \$36.3 million in proceeds, though only \$20.0 million was included in the FY2015 Budget as Enacted.

The Governor proposes allocating \$19.0 million of the increased proceeds to the General Fund in FY2016 for unspecified use. The Governor reduces the FY2015 allocation to the ITIF to \$7.3 million, a reduction of \$2.7 million which is shifted to the general fund.

Reallocation of Tobacco Bond Refinancing Proceeds			
Agency	FY2015 Enacted	FY2015 Governor	FY2016 Governor
General Fund	\$5.0	\$5.0	\$19.0
Information Technology Investment Fund*	10.0	7.3	-
Municipal Road & Bridge Fund (Clean Water Finance Agency)	5.0	5.0	-
Total	\$20.0	\$17.3	\$19.0
\$ in millions			

*Amount was based on an estimated balance of funds from available bond proceeds.

Information Technology Investment Fund: The General Assembly established the ITIF restricted receipt in 2014 for acquisition of technology improvements including, but not limited to, hardware, software, consulting services, and ongoing maintenance and upgrade contracts. All proceeds from the sale of state land and building, 10.0 percent of revenues from E-911 Uniform Emergency Telephone System surcharges, and money received from sales or disposal of IT equipment are deposited into the fund. In the FY2015 Budget as Enacted, the General Assembly included an estimated \$10.0 million of one-time tobacco bond refinancing proceeds for the Fund.

Municipal Road and Bridge Fund: The FY2014 Budget as Enacted established the Municipal Road and Bridge Revolving Fund. 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 development by RIDOT. RIDOT uses a project priority list to rank projects 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.

Article 13: Relating to Restricted Receipt Accounts

This article exempts two 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; and, the “Davies – National School Breakfast and Lunch Program” account in the Department of Elementary and Secondary Education.

FISCAL IMPACT

This article exempts approximately \$7.2 million in potential FY2016 revenues from the indirect cost recovery provisions, thereby reducing general revenue receipts by approximately \$717,175. The bulk of the funds are associated with the proposed Rhode Island Health Benefit Exchange account.

Three of the accounts, State Loan Repayment Match, the RI Judiciary Technology Surcharge account, and the Defined Contribution – Administration – RR Account, are already treated as exempt accounts but needed the change in statute to match the law with current practice. The Miscellaneous Donations/Grants from Non-profits account in the Department of Health and the Rhode Island Health Benefits Exchange Account are proposed accounts and therefore, have no funds yet dedicated towards the accounts.

According to the Budget Office, the Davies – National School Breakfast and Lunch Program account is the only account that currently levies the indirect cost recovery surcharge.

Analyst's Note: Exempting the Davies account would reduce general revenue collections by an estimated \$32,000 in FY2016. This is not reflected in the proposed revenue changes in the Governor's budget.

ANALYSIS AND BACKGROUND

Miscellaneous Donations/Grants from Non-Profits: This is a new account proposed 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. Passage of this article would forgo general revenue collections by approximately \$17,500.

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 Governor proposes to impose a Health Reform Assessment on health insurance carriers (Article 29) and use the proceeds to finance the HealthSource RI personnel and operations. Passage of this article would forgo general revenue collections by approximately \$618,056.

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. Passage of this article would forgo general revenue collections by approximately \$31,620.

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. Passage of this article would forgo general revenue collections by approximately \$18,000.

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. Passage of this article would forgo general revenue collections by approximately \$32,000.

Article 14: Relating to State Budget

This article makes a number of changes to the state budget and revenue and caseload estimating processes, including: extends the Governor's budget submission dates by one month; changes the revenue estimating processes and adds a "legislative economist" to the process, replacing House and Senate finance staff input; removes cash assistance caseloads and associated expenditures from the caseload estimating process; adds a third revenue and caseload estimating conference in February; bypasses the requirement that excess revenues from FY2014 be transferred to the State retirement fund; and, allows that future transfers of excess revenues to the retirement fund be subject to an evaluation by the director of the Office of Management and Budget who may nullify a transfer if there is a projected deficit in the current budget year.

FISCAL IMPACT

The FY2015 Supplement Budget includes \$13.8 million in general revenue expenditure savings to reflect the removal of the requirement to transfer excess FY2014 revenues to the State retirement fund. The transfer is scheduled to take place in FY2015.

ANALYSIS AND BACKGROUND

The article makes a number of changes to the state budget process:

Revenue Transfer to State Retirement Fund

The FY2008 Budget as Enacted required the transfer of general revenue receipts in excess of adopted estimates to the Employees' Retirement System of Rhode Island (ERSRI). The transfer occurs regardless of whether general revenue expenditures exceed budgeted amounts for the fiscal year. The State Controller, upon closing the fiscal year, determines the amount of the required transfer to the retirement fund.

The Governor's proposal stipulates that no transfer would occur in FY2015 (FY2014 revenues), saving \$13.8 million in general revenue expenditures in the current year. Actual revenues exceeded estimated collections by \$14.2 million; however, 3.0 percent is required to be transferred to the rainy day fund. The Budget makes the required rainy day fund transfer but reflects the net savings by not making the retirement fund transfer.

Transfers to ERSRI from General Fund Excess Revenue

Fiscal Year	Amount of Transfer
2008	\$0.0
2009	\$0.0
2010	\$0.0
2011	\$0.0
2012	\$12.9
2013	\$0.2
2014*	\$13.8
Total	\$26.9

\$ in millions

** Not yet transferred*

Future transfers would be subject to a "determination by the director of the Office of Management and Budget that there is no projected deficit in the current fiscal year."

Budget Submission Requirements

The Governor proposes to amend the date when the budget is required to be submitted to the General Assembly. Current law requires that the Governor submit the Budget on or before the third Thursday in January, except in cases of a newly inaugurated Governor, when the date is the first Thursday in February.

The proposal moves the requirement to the third Thursday in February, except in cases of a newly inaugurated Governor, when the date is the second Thursday in March. Of note, budget submission deadlines have been statutorily extended six times since 2005, including this year, when the deadline was extended to March 12, 2015.

Revenue and Caseload Estimating Conference Processes

The proposal makes a number of changes to the Revenue and Caseload Estimating Conferences processes, including adding a third required conference in February. The Revenue Estimating Conference (REC) and Caseload Estimating Conference (CEC) provide the Governor and the General Assembly with adopted consensus estimates of general revenue collections and Medicaid and cash assistance costs. The general revenue budget must balance based on the most recent REC estimates, plus any legislative adjustments included in the Budget. The CEC estimates caseloads and funding for entitlement programs for which funding is mandated by statute rather than at the discretion of state lawmakers. The Governor's proposals must incorporate November conference changes, while the budgets adopted by the General Assembly must balance based on May conference results. Principals of the Conferences include the State Budget Officer, the House Fiscal Advisor, and the Senate Fiscal Advisor. Two conferences are currently required by law (November and May), however, any principal may convene a conference at any time.

Revenue Estimating Conference

This article makes the following changes to the semi-annual Revenue Estimating Conference:

- Current law provides that departmental testimony related to conference estimates is required, if requested by the REC chair. The proposal eliminates the requirement for state departments and agencies to participate.
- Currently economic testimony and an economic forecast are provided by contracted economists. The proposal would require the Department of Revenue and a "legislative economist" (currently nonexistent) to develop or obtain an economic forecast and develop revenue estimates.
- Instead of preparing three discrete revenue estimates and debating and adopting a consensus estimate, REC principals would "reconcile" the estimates of the Department of Revenue and the legislative economist. The reconciliation definition and process are not provided.
- The Governor's budget proposal adds a third REC/CEC that would convene in the first ten days of February each year.
- The legislation removes language requiring that the chair of the conferences provide staff support for the conferences.

Analyst Note: Under the current REC process, Rhode Island is one of 13 states that meet 5 out of 5 criteria for "best revenue forecasting practices".¹ In a study of median revenue estimating error rates between 1987 and 2009, Rhode Island ranked 8th best nationally under current practices.²

Caseload Estimating Conference

This article makes the following changes to the semi-annual Caseload Estimating Conference:

- The article removes the estimating of cash assistance expenditures from the Caseload Estimating Conference (CEC). The CEC currently estimates expenditures for the following cash programs:

The Governor maintains that, given the decreased appropriation of general revenue to cash assistance programs, these programs are more appropriately budgeted through the standard budget process rather than through the CEC.

FY2016 Cash Assistance Estimates	General Revenue	All Funds
TANF	-	\$33.3
Child Care Subsidies	9.7	55.3
SSI - State Supplement	18.7	18.7
General Public Assistance	1.4	-
Total Cost	\$29.8	\$107.3
<i>\$ in millions</i>		

¹ "Improving State Revenue Forecasting: Best Practices for a More Trusted and Reliable Revenue Estimate." Elizabeth C. McNichol. Center on Budget and Policy Priorities. August 7, 2014.

² "States' Revenue Estimating: Cracks in the Crystal Ball." Pew Center on States / The Nelson A. Rockefeller Institute of Government. March 2011.

- The article also changes the process for reaching consensus estimates for the Medical Assistance program (Medicaid). Currently, the Executive Office of Health and Human Services (OHHS) begins the CEC with testimony regarding current and anticipated program costs. The CEC concludes in a second public meeting with the principals offering proposed estimates for each program, discussing each proposed estimate and reaching consensus based upon that discussion.

This article changes the current process. Under the article, the CEC begins as customary with Department's public testimony, followed by the formulation of "provisional" consensus estimates by analysts from the Senate Fiscal Office, House Fiscal Staff, and State Budget Office in consultation with OHHS. The CEC concludes with a second public meeting in which the principals adopt final estimates after considering the provisional estimates and taking into account any objections to these estimates presented by OHHS.

The new process, therefore, will allow for discussion and provisional consensus outside of public meetings. It will also allow OHHS a voice in the continued development of consensus estimates, rather than providing testimony at the commencement of the CEC.

The CEC currently estimates expenditures for the following medical assistance programs:

- The article eliminates the ability of principals to call an interim CEC Impact Meeting; however, the ability to call an interim REC remains unchanged.

Other Changes

- The legislation strikes language that required a feasibility study to be conducted to evaluate the benefits of adopting a two-year budget cycle. This was required by January 2, 1994, and is outdated language in the law.
- The article removes references to past years in which the Governor was granted a budget submission deadline extension.

FY2016 Medical Assistance Estimates	General Revenue	All Funds
Hospitals	\$109.7	\$218.8
Long-Term Care	132.4	266.6
Managed Care	461.4	961.4
Pharmacy	54.9	56.0
Other Medical Services	46.2	117.6
Integrated Care	144.2	290.1
Medicaid Expansion	-	547.1
Total Cost	\$948.7	\$2,457.7
<i>\$ in millions</i>		

Article 15: Relating to Local Agriculture and Seafood Act

This article increases the commercial feed registration fee from \$60 to \$100 per year and requires the \$40 increase be restricted to fund the local agriculture and seafood grant program.

FISCAL IMPACT

The Budget Office projects that the fee increase will generate an additional \$300,000 per year, netting \$270,000 for the program after the 10.0 percent indirect cost recovery. The FY2016 Budget includes \$100,000 in restricted receipts to support program, as that is the amount the Department expects to spend in FY2016.

ANALYSIS AND BACKGROUND

This article increases the annual commercial feed registration fee from \$60 to \$100 and requires the \$40 increase be restricted to fund the local agriculture and seafood grant program. Current law provides a \$20,000 cap on individual grants disbursed through the program. The article increases that cap to 10.0 percent of the total yearly funding available from all sources, including federal, state, local agencies, private foundations, and private donors, or \$20,000, whichever is greater.

Current Annual Commercial Feed Registration Fees						
State	CT	NH	MA	ME	RI ¹	VT
Amount	\$80	\$75	\$100	\$80	\$60	\$85

¹ Article 15 increases fee to \$100.

Source: Rhode Island Budget Office

The Budget Office projects that the fee increase will generate an additional \$300,000 per year, from about 7,500 filers. "Commercial feed" refers to all materials except whole seeds unmixed or physically altered entire unmixed seeds, which are distributed for use as feed or for mixing in feed.

The Local Agriculture and Seafood Grant program was established to support the growth, development, and marketing of local food and seafood within Rhode Island. The program was launched in FY2014 and is co-administered by the Division of Agriculture, within the Rhode Island Department of Environmental Management, and the Rhode Island Food Policy Council. Grants are awarded through a competitive process open to farmers, fishermen/women, non-profits, and producer groups based in Rhode Island. The grants are awarded based on the following priorities:

1. Projects that support the growth and sustainability of small or beginning agriculture producers (including aquaculture) and fishermen/women.
2. Projects that foster new collaborations or share new information among Rhode Island food businesses, organizations, or enterprises.
3. Projects that support new products or new sales channels with clearly defined markets.

In FY2014, 92 applicants totaling \$1.5 million in requests competed for \$210,000 in available funding. 17 grants were awarded to farmers and fishermen/women across the State in amounts ranging from \$5,000 for materials used to increase the oyster harvest to \$19,840 for the Young Farmer Network to develop a short courses curriculum and enhance outreach efforts. DEM and RI Seafood Marketing Collaboration were awarded \$20,000 for a statewide seafood branding and marketing campaign. The grant awards for FY2015 will be announced in late April or early May.

The increased funding would allow for more grant awards to assist in marketing local agricultural products and seafood, enhancing the economic competitiveness of Rhode Island products, providing financial and technical assistance for programs that enhance the development of a locally-based, safe, and sustainable food system.

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 proposed 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 would eliminate the Office of the Chair and allow 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 would empower 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 Department of Children, Youth, & Families

This article permits the director of the Department of Children, Youth, and Families (DCYF) to reallocate funding among existing department programs through June 30, 2017, despite appropriations limits in the annual budget. This may include, but is not limited to expanding unspecified innovation and performance-based contracting. Additionally, if approved by the Office of Management and Budget, DCYF may, without legislative approval, reinvest savings achieved through its own fiscal controls in technology, infrastructure, and other related services through June 30, 2017.

FISCAL IMPACT

There is no direct fiscal impact in FY2016 associated with this article.

ANALYSIS AND BACKGROUND

Although the director of DCYF is not explicitly directed to do so within the article, these changes would provide the director greater flexibility in funding operations, services, and activities associated with the System of Care (SOC) networks.

System of Care

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 in negotiations 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.

	SOC Contract	FY2013 Final	FY2014 Final	FY2015 Governor	3-year Difference Contract vs. Final/Gov
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.

For FY2015, the Governor proposes to increase total funding for the System of Care networks by \$10.1 million in general revenue from the enacted level to offset increased network costs as caseloads for residential placements continue to exceed initial projections. For FY2016, however, the Governor returns funding to the FY2015 Enacted level. At the date of this publication it is unknown whether or not the contracts with OSN and RICMN will be renewed beginning in FY2016, and if so, at what funding level. Assuming the networks continue to contract with DCYF in FY2016, this article provides DCYF the authority to reallocate funding from other programs and services to the SOC networks.

DCYF Programs

In addition to the SOC contracts, funding allocated to DCYF supports a number of programs, including foster care, adoption services, tuition assistance for former foster care youth, and juvenile corrections. The table below portrays the funding allocated from all sources at the program level within DCYF:

DCYF Programs	FY2014 Final	FY2015 Enacted	FY2015 Governor	FY2016 Governor
Central Management	\$7.9	\$6.9	\$8.2	\$7.9
Child Welfare	173.3	166.1	178.6	168.6
<i>System of Care Network Contracts</i>	<i>79.5</i>	<i>71.8</i>	<i>81.9</i>	<i>72.6</i>
Children's Behavioral Health Services	11.9	13.0	13.1	10.3
Higher Education Incentive Grants	0.2	0.2	0.2	0.2
Juvenile Correctional Services	26.3	24.4	26.5	25.9
Total	\$219.7	\$210.6	\$226.7	\$212.8

\$ in millions. Funding from all sources.

Article 18: Relating to Division of Advocacy

This article consolidates the four advocacy agencies (Governor's Commission on Disabilities, the Commission on the Deaf and Hard of Hearing, the Office of the Mental Health Advocate, and the Office of the Child Advocate) into a single, new Division of Advocacy within the Executive Office of Health and Human Services.

FISCAL IMPACT

This consolidation is for administrative purposes only and is anticipated to result in operational efficiencies over time. The Governor's budget transfers 17.0 FTE positions, along with current services funding, from the four agencies to the Executive Office.

The Budget Office anticipates that, through this consolidation, overlaps in administrative functions, including purchasing, finance, and grant administration, will be identified. Future turnover among FTE positions will allow for the Secretariat to reevaluate personnel needs of the consolidated Division.

ANALYSIS AND BACKGROUND

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.

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.

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. It seeks to prevent child abuse 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.

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. CDHH's budget reflects its extensive use of contracted interpreters and translators, including staff for public hearings. According to the Budget Office, this use of contract staff continues to be more cost-effective than hiring in-house state employees to fulfill this role.

Article 19: Relating to Consolidation of Department of Health Boards

This article consolidates 25 non-prescribing health professional boards into a single board to streamline processes associated with Department of Health (DOH) health professional licensing. This article also renames the Division of Professional Regulation the Division of Professional Regulation and Licensing.

FISCAL IMPACT

The Governor eliminates 2.0 FTE positions responsible for staffing existing health professional boards, and as a result, assumes approximately \$200,000 in general revenue savings for FY2016.

ANALYSIS AND BACKGROUND

The Governor consolidates a majority of the non-prescribing health professional boards overseen by DOH into one new board, the Health Professions Board of Review, which will convene a minimum of six times per year. The Governor excludes from consolidation the Board of Pharmacy, Optometrists, and Emergency Medical Services (EMS) due to their ability to distribute prescribed medications. Sanitarians and nursing assistants are also excluded as no professional board exists for either profession.

The board will be chaired by the Director of Health and comprised of 10 additional members appointed by the Governor, based upon recommendations provided by the Director of Health. The article also defines the appointment terms of each member, which vary between members. The Governor also specifies that the new board will be comprised of four professionals licensed in any of the professions for which the board oversees, three members of the general public, and three professionals from the healthcare industry. Currently, health professionals from each category impacted by this consolidation have at least one member of its board that is a practitioner of that art, science, or calling. The article requires the director to designate non-voting technical experts to the board for each profession impacted by this proposal on an as-needed basis.

This board will be responsible for disciplining health professionals and appeals of disciplinary actions, and may also serve in an advisory capacity to the Director of Health, similar to the responsibilities tasked to the 25 existing boards. Given the current number of licenses issued by DOH for these professions, this consolidation would impact nearly 30,000 licensees. The table included provides an overview by category of profession the types of licensees that will be impacted by this proposal.

Under current statute, licenses are approved by individual boards and then processed

Professions by Category	# of Licenses
Cosmetology/Barbering	13,064
Social Work	2,313
Physical Therapy	1,981
Radiologic Technology	1,855
Clinical Laboratory Science	1,220
Occupational Therapy	1,174
Massage	1,061
Psychology	843
Speech Language Path./Audio	727
Marriage & Fam. Ther./Mental Health Counselor	665
Respiratory Care	571
Optometry	539
Dietitian/Nutritionist	448
Chemical Dependency Profession	393
Embalming/Funeral Directing	347
Chiropractic	253
Nursing Home Administrator	218
Athletic Trainer	190
Assisted Living Residence	188
Electrology	104
Interpreters for the Deaf	67
Hearing Aid Dealers	43
Prosthetist/Orthotist	41
Total	28,305

Source: Department of Health

through DOH. However, under current practice, some boards have tasked DOH with routine license approval, and report to the health professional board the number and type of licenses issued when the individual board convenes.

The Governor's proposal codifies this practice in law and requires DOH to approve routine licenses and requires the new Health Professions Board of Review to oversee license denial appeals and discipline.

According to DOH, the change in the name of the Division of Professional Regulation to the Division of Professional Regulation and Licensing clarifies that the Division makes all final determinations regarding licensing and disciplinary actions. No substantive changes to the Divisions' current practices are anticipated.

Article 20: Relating to Professional Licenses

This article eliminates licensing requirements for 32 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 revenues by \$365,906 in FY2016 and \$218,051 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 32 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.

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 the case of the lifeguard license within DEM, the \$10.00 fee is insufficient to provide for the cost of training required to obtain licensure, and according to ORR, DEM will no longer be required to provide these training services under this initiative. Instead, those seeking to become lifeguards can obtain certification from outside, independent organizations such as the American Red Cross and local YMCAs (such is the case in Massachusetts). 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

Agency/License Type	Resident Licensing Fee
<i>DOH</i>	
Acupuncture Assistant	\$310
Athletic Trainer	60
Audiologist Support Person	50
Barber Apprentice	50
Barber Demonstrator's Permit	N/A
Barber Instructor	25
Electrologist Apprentice	50
Electrologist Instructor	25
Esthetician Demonstrator's Permit	N/A
Esthetician Instructor	25
Hairdresser/Cosmetologist	
Demonstrator's Permit	N/A
Hairdresser/Cosmetologist Instructor	25
Manicurist Demonstrator's Permit	N/A
Manicurist Instructor	25
Clinical Histologic Technician	60
Clinical Laboratory Scientist	60
Clinical Laboratory Technician	60
Cytotechnologist	75
Music Therapist	90
Occupational Therapist Assistant	140
Orthotist	120
Physical Therapist Assistant	50
Prosthetist	120
Radiologist Assistant	85
Sanitarian	25
Speech-Language Pathologist Support Person	50 late fee
<i>DBR</i>	
Auctioneer/Auctioneer Apprentice	600/75
Professional Kickboxer	N/A
Line Cleaner	50
<i>DEM</i>	
Fur Buyer	10
Lifeguard	10
<i>RIDE</i>	
Athletic Coach Permit	100

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 are not eliminated by the Governor's proposal.

Analyst's Note: 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.

Of the 32 licenses included in the Governor's proposal, 9 (line cleaners, lifeguards, clinical laboratory scientists, cytotechnologists, clinical laboratory technicians, clinical histologic technicians, music therapists, orthotists, and prosthetists) are not licensed in Connecticut or Massachusetts.

Article 21: Relating to Transportation

This article suspends the transfer of certain motor vehicle-related fees into the Rhode Island Highway Maintenance Account (HMA) for FY2016 only. Fees assessed pursuant to 31-47.1-11, and chapters 3, 6, 10, and 10.1 of title 31 were to be deposited into the HMA, as follows: 25.0 percent in FY2016, 75.0 percent in FY2017, and 100.0 percent in FY2018. This article suspends the 25.0 percent transfer in FY2016, but does not alter the transfers in later years. Under Article 1, the Governor proposes to use \$20.0 million of additional Rhode Island Capital Plan funds in lieu of the transferred fees in FY2016. The Rhode Island Public Transit Authority (RIPTA) will receive \$600,000 less than estimated as it receives a percentage of HMA funding.

FISCAL IMPACT

Article 21 suspends the transfer of 25.0 percent of fees assessed pursuant to § 31-47.1-11 (Motor and Other Vehicles), and Chapter 3 (Registration of Vehicles), Chapter 6 (Registration Fees), Chapter 10 (Operators' and Chauffeurs' Licenses), and Chapter 10.1 (Special License for Motorcycles, Motor Scooters, and Other Motor Driven Cycles) of title 31, which were to be deposited into the Rhode Island Highway Maintenance Account on a phase-in basis as follows:

- From July 1, 2015, through June 30, 2016, twenty-five percent (25%) will be deposited
- From July 1, 2016, through June 30, 2017, seventy-five percent (75%) will be deposited
- From July 1, 2017, and each year thereafter, one hundred percent (100%) will be deposited

The Governor's proposal would resume the transfers for FY2017.

The suspension of the phase-in results in a revenue loss for the Department estimated at \$13.2 million for FY2016.

Analyst's Note: The Governor's proposal includes an additional \$20.0 million from Rhode Island Capital funds for transportation projects that can be started in FY2016. This results in net new funds of \$6.8 million in FY2016.

The FY2015 Budget as Enacted included a provision that RIPTA would receive 5.0 percent of available proceeds deposited into the HMA. For FY2016, this was estimated to be \$2.7 million; however, due to the suspension of the transfer of 25.0 percent of motor vehicle related fees into the HMA, RIPTA's allocation from the fund is estimated to be \$2.1 million, a decrease of \$600,000.

ANALYSIS AND BACKGROUND

The 2014 General Assembly made several changes in the way transportation is funded. The State's gas tax, a declining source of revenue, had been used as the primary source of funds to repay debt costs, as well as all the source of funds for maintenance activities, including winter operations and highway preservation. The General Assembly took the following initiatives to provide additional funding:

- Transfers revenue from inspection stickers, motor vehicle title, and car rental surcharges from the general fund to the Rhode Island Highway Maintenance Account, beginning in FY2015.
- 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.
- Transfers 3.5 cents of the gasoline tax to the Rhode Island Turnpike and Bridge Authority for operations and debt service in lieu of tolls on the Sakonnet River Bridge.

- Transfers a percentage of the proceeds annually allocated to the Rhode Island Public Transit Authority for operational support.
- 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 Rhode Island Highway Maintenance Account.
- Increases the vehicle inspection fee from \$39 to \$55, with the additional revenue directed to the Rhode Island Highway Maintenance Account.
- Phases in the transfer to all vehicle license and registration fees, beginning in FY2016, to the Rhode Island Highway Maintenance Account.
- These changes are expected to result in an additional \$50.0 million for infrastructure projects when fully implemented in FY2018.

Article 22: Relating to Personnel Reform

This article amends several statutory provisions pertaining to the State personnel system in an attempt to modernize the system.

FISCAL IMPACT

Most of the statutory items selected for amendment have no direct savings attached to them. Only the freezing of longevity benefit at the dollar amount has an identified savings amount. Both the retiree medical and non-union medical plan changes will have savings, but the savings is unknown at this time because new rates will need to be established for those impacted by the change.

The Governor proposes to achieve \$22.0 million in savings from personnel reforms. However the Governor anticipates that the most of the savings from personnel reforms will not require legislative action, but require negotiation with the unions related to collective bargaining agreements.

ANALYSIS AND BACKGROUND

Personnel/Merit System Reforms: Section 1 amends RIGL 16-59-22 and transfers all employees who are employed by the State's three institutions of higher education and at the Office of Postsecondary Education, from classified service to non-classified service, and requires all employees of these institutions hired after July 1, 2015, to be employed in the non-classified service. There are approximately 1,322 FTE positions employed by the State's three institutions of higher education that will be transferred from classified service to non-classified service. In addition, these employees will no longer be subject to the personnel rules administered by the State Personnel Administrator or of the State's merit system law, thus eliminating multi-layered personnel procedures and the need for the Council of Postsecondary Education to negotiate with multiple collective bargaining units. The purpose of this is to create uniform employment policies and procedures for all employees within the institutions of higher education. According to the Department of Administration, there is no direct savings anticipated with passage of this section.

However, passage of this act will have an impact on the Employees' Retirement System (ERSRI). Current employees who are transferred from classified service to unclassified service will have the option pursuant to RIGL 16-17.1, to remain in ERSRI, or convert to the higher education retirement system (TIAA-CREF). However, new employees hired into the higher education system after July 1, 2015, will be required to join TIAA-CREF and will not be contributing members into ERSRI. The Department anticipates that most current classified employees will opt to remain in ERSRI. Upper management employees who are relatively new and who are not anticipated to be long term employees are likely to convert from ERSRI to TIAA-CREF.

This article amends RIGL 36-3-10 in section 2 and 36-4-42 in section 3 regarding employee appeals to the State's 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. Passage of this section limits the authority of the Board to reverse or modify actions taken by the Personnel Administrator or appointing authority only to those occasions the appointing authority's action are found to be capricious, arbitrary, or contrary to a rule or law. According to the Department of Administration there is no direct savings anticipated with passage of this section.

Section 3 amends numerous sections of RIGL 36-4 concerning the Merit System. The Merit System refers to the statutes and rules governing the process of promoting and hiring government employees based on their ability to perform a job. According to the Department of Administration there is no direct savings anticipated with passage of this section. The Governor's amendments include:

- Adds the director, deputy director, administrative assistant, senior policy analyst a chief strategic planning monitoring and evaluation positions employed under Healthsource RI as state employees in the unclassified service. This item will not impact any collective bargaining agreement.
- Removes the layoff preferences for classified state employees having full status. Current law prohibits the layoff of a classified employee with full status while probationary, provisional, or temporary employees are employed by the appointing authority. Language related to the personnel layoff “bumping” requirements contained in some collective bargaining agreements.
- Amends RIGL 36-4-29 by making the restoration of dismissed promoted employees to their former position optional rather than mandatory, as required under current law. Similar language exists in some of the collective bargaining agreements.
- Eliminates the preferred reemployment list to rehire employees for vacant positions. Similar language exists in some of the collective bargaining agreements.
- Extends the probationary period new and promoted appointments to the classified service from 6 months to 12 months. This will make it easier to dismiss a probationary employee for under performance of service. This item is contained in some of the collective bargaining agreements.

Section 4 creates RIGL 36-4-2.2 to permit the Director of Administration to deem a vacant senior level position unclassified prior to filling the position. Generally these positions are deemed ineligible for union membership because they are managerial or administrative positions. According to the Department of Administration there is no direct savings anticipated with passage of this section.

Department Directors’ Salaries: Section 5 repeals RIGL 36-4-16.4, eliminating the public hearing process and General Assembly authorization to change salaries of department directors. Presently, state law requires the Department of Administration to conduct annual public hearings in March to determine the salaries for directors of state executive departments. The public hearing provides a forum for public comment in determining these salaries. In addition, language in Section 6 amends RIGL 36-6-3 and 36-6-5 to allow the Director of the Department of Administration to set the salaries of directors of state departments. The current range of salaries for the various state agency directors is \$94,769 for the State Adjutant General to \$198,900 for the new Secretary of Commerce.

Most state employee salaries are not subject to public hearing and General Assembly authorization. Consequently, in many departments there are employees who earn more than the department director. According to the Department of Administration there is no direct savings anticipated with passage of this section.

Longevity Savings: Amends RIGL 36-4-17.2 in section 1 and 36-6-22 in section 6, to freeze longevity payments beginning July 1, 2015, at the dollar amount earned by the employee for the last pay period in June 2015 (June 30, 2015, for union employees) rather than the percentage of salary earned by classified, unclassified, and non-classified employees. The Department of Administration projects an annualized all funds saving of \$977,163 (actual savings in FY2016 is projected at less than \$500,000), but the savings would grow in subsequent years as the longevity dollar value remains a fixed rate.

The table summarizes the number of state employees who receive longevity, the annual cost of longevity, and the projected annual savings if the proposed change to freeze all longevity at a fixed dollar amount and not include it in the base. Of the 6,485 employees detailed in the table, 390 or 6.0 percent have a total base salary rate greater than \$110,000 per year.

	Number of	Annualized	Projected
Affected Employees	Employees	Cost of Longevity	Annualized Savings
Union Employees	5,022	\$32,976,074	\$659,521
Non-union Employees	1,463	15,882,123	317,642
Total	6,485	\$48,858,197	\$977,163

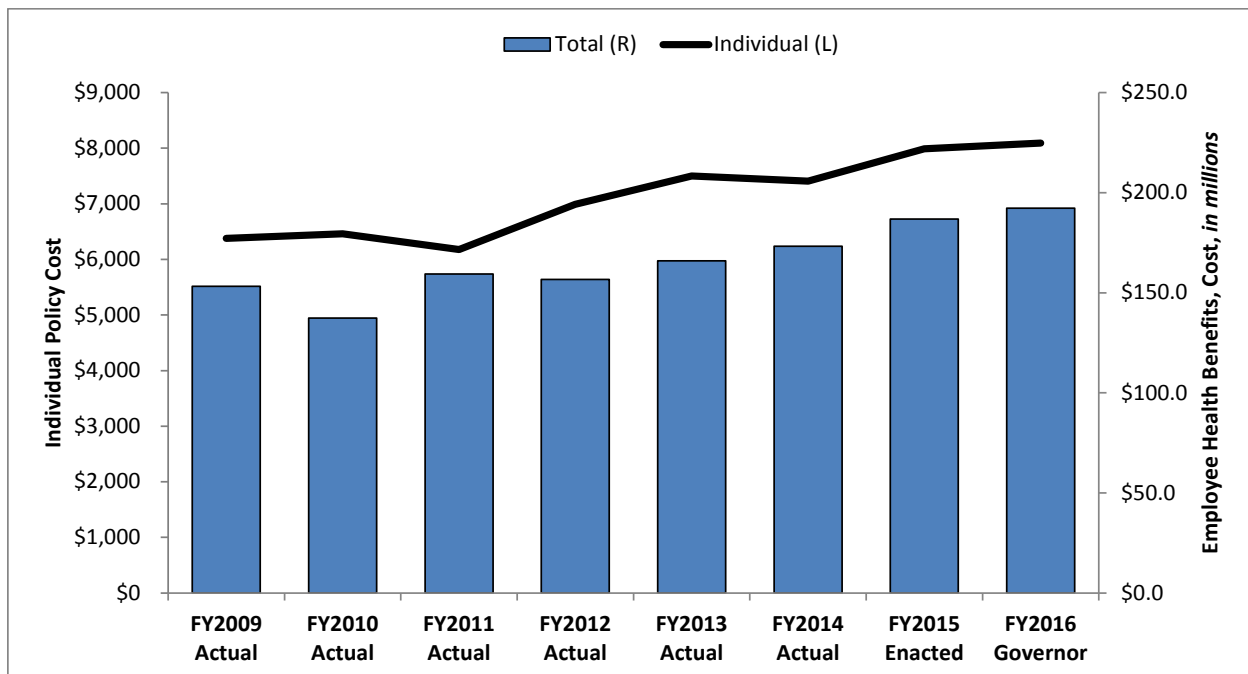
Analyst's Note: Freezing the longevity amount at the dollar level earned rather than the percentage earned will cause the total compensation to employees to decrease over time, thereby reducing the wage amount available for the calculation of the retirement deduction into the State Retirement Trust and reducing the future pension amount available to the employee upon retirement.

Insurance Benefits: Section 7 eliminates the requirement that non-Medicare eligible retiree health insurance be equivalent to semi-private hospital care, surgical/medical care, and major medical with a \$175 calendar year deductible. This section also eliminates the requirement that non-union state employees receive “substantially equivalent” health benefits as those received by state employees under collective bargaining agreements. Lastly, this section amends RIGL 36-12-2.2 and 36-12-4 to eliminate the requirement that non-Medicare eligible state retirees and state retirees receiving a disability benefit receive the same medical coverage and rates as active state employees.

According to the Department of Administration the proposed changes to the retiree medical and non-union medical plan changes will have savings, but the savings are unknown at this time because new, yet to be determined, rates will need to be established for those impacted by the change.

Rhode Island offers three forms of health benefit coverage to state employees: medical coverage (through UnitedHealthcare), dental coverage (through Delta Dental), and vision coverage (through Vision Service Plan). The plan rates for UnitedHealthcare and Vision Services are determined each fiscal year and are effective every July 1. The plan rates for Delta Dental are determined on a calendar year basis and are effective every January 1.

The FY2016 proposed total employer expenditure for state employee health plan costs is \$192.3 million, of which \$97.8 million is general revenue. This is \$2.6 million higher than the FY2015 Budget as Enacted, and \$6.8 million more than the Governor’s proposed FY2015 Supplemental Budget. Retiree health costs are projected at \$48.4 million in FY2016 (\$31.1 million general revenue). The following chart shows the magnitude of medical costs to the State.



Article 23: Relating to Corrections

This article requires correctional officers to qualify with their service weapons every two years instead of every year. The proposed amendment to the current weapons qualification statute states that correctional officers “shall not qualify on an annual basis but instead shall qualify every two (2) years only.”

FISCAL IMPACT

The Governor includes general revenue savings of \$500,019 in FY2016.

ANALYSIS AND BACKGROUND

In 2007, the General Assembly amended the weapons qualification statute to require correctional officers qualify with their service weapons every two years instead of the then-current practice of annual weapons qualification, achieving \$500,000 in general revenue savings. The Rhode Island Brotherhood of Correctional Officers (RIBCO) challenged the amendment as a violation of its training requirements under the Collective Bargaining Agreement (CBA), which required annual qualification. The challenge went to arbitration.

The arbitrator ruled that while the amended statute allowed for qualifying every other year, it did not prohibit correctional officers from qualifying every year, thus, finding in favor of RIBCO. The annual weapons qualification requirement was restored, despite two attempts by the Department of Corrections (DOC) to appeal in higher courts.

Based on the aforementioned decisions, the Governor proposes amending the law to clarify the intent of the 2007 amendment to require, and not merely allow for, biennial qualification. Under this article, the statute would read: “All law enforcement officers... will repeat this qualification at periods of not more than one year, except for correctional officers who shall not qualify on an annual basis but instead shall qualify every two (2) years only.”

Analyst Note: In FY2008, DOC purchased a virtual weapon training simulation program to implement some form of training in the years qualification did not occur. DOC then sought approval from the CBA Training Committee, which oversees the CO training program, to incorporate this simulator into the training program. However, the committee members were unable to reach a decision on whether this system should be implemented in the off years. The deadlock between this four-person committee was the issue that brought the yearly weapons requirement decision to arbitration.

The FY2015 Budget as Enacted includes \$500,019 in general revenue for the annual Correctional Officer weapons qualification. This includes rental of a firing range, transportation, ammunition for practice and qualifying rounds, and staffing of the range by training personnel.

Article 24: Relating to Infrastructure Bank

This article renames the Clean Water Finance Agency (CWFA) the Rhode Island Infrastructure Bank (RIIB), 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 Governor provides a one-time transfer to the RIIB in the FY2016 Budget, including \$3.0 million from Regional Greenhouse Gas Initiative (RGGI) proceeds, and \$2.0 million from the Renewable Energy Revolving Funds at the Rhode Island Commerce Corporation: these funds will capitalize the Efficient Buildings Fund. According to the Office of the Treasurer, the \$5.0 million in capitalization will leverage a \$23.0 million program. An additional \$2.0 million in general revenue will be transferred to RIIB for unrestricted use.

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.

Renewable Energy Development Fund

Section 6 of the article amends the Renewable Energy Development fund to require the Rhode Island Commerce Corporation to administer the funds in coordination with the Office of Energy Resources and RIIB. The section amends the allowable uses of the fund to add the implementation and support of commercial and residential property assessed clean energy projects.

Property Assessed Clean Energy – Residential Program

Sections 7 and 8 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 expanding to commercial property owners, the article specifies that a PACE lien on a commercial property is senior to all liens on the property, whether in existence at the time the PACE lien is created or after, "on parity" with a municipal tax lien.

Analyst's Note: For a commercial property, the order of payout of the PACE lien relative to a municipal lien is unclear from the language in the bill.

The article also 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, other environmental, and health and safety upgrades.

In section 10 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 office is also responsible for promulgating the forms and agreements necessary to effectuate the program.

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 article expands the board to directors to seven members, adding the Commerce Secretary, or a designee, and the Director of the Department of Environmental Management, or a designee.

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 projects that have been issued "other comparable evidence of approval by any other agency or political subdivision or instrumentality of the state...". This language is also used to expand the statutory definition of "certificate of approval". The section defines "corporation" to include bodies politic, societies, associations, and political subdivisions of the state. "State" is not defined in the chapter. The article defines "energy efficiency savings" as savings derived from upgrades to public buildings: private buildings are not included in the definition.

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.

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 Efficient Buildings Fund

Section 18 authorizes the RIIB 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.

Analyst's Note: Under the programs currently managed by CWFA, the respective agencies, such as DEM or DOT, set the priority list and CWFA follows that list to provide financing. This article allows RIIB to set the priority list "in consultation with" the Office Energy Resources.

The Governor provides a one-time transfer to the RIIB in the FY2016 Budget, including \$3.0 million from Regional Greenhouse Gas Initiative (RGGI) proceeds, and \$2.0 million from the Renewable Energy Revolving Funds at the Rhode Island Commerce Corporation: these funds will capitalize the Efficient Buildings Fund. According to the Office of the General Treasurer, the \$5.0 million in capitalization will leverage a \$23.0 million program.

Brownfields Revolving Fund

The article identifies the RIIB as the sole Rhode Island governmental provider of financial assistance for water pollution abatement projects concerning brownfields revolving funds and expands the definition of "water pollution abatement project" to projects related to brownfields remediation or development, subject to consultation with the Rhode Island Commerce Corporation and the Department of Environmental Management.

There is currently a brownfields revolving fund at the Small Business Loan Fund Corporation. Since the article does not transfer the management of this fund to RIIB, it is unclear how the existing fund would be impacted by this legislation.

Utility Base Rate for Demand Side Management and Renewables

Section 5 of the article extends the period of implementation for demand side charges from 10 to 30 years. The charge was implemented in January 1, 2008, and funds 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 2038. 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.

The article would require each electric and gas distribution company to remit 5.0 percent of the monthly proceeds of the current demand side charge to the RIIB. 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 8 of this article. The balance of this fund would be at, or above, twice the balance needed to make all debt service payments on debt secured by the account and coming due within 185 days. Any funds not needed to meet the requirements of the debt service obligations would be returned to the distribution companies.

The article repeals the authority of the Executive Director of the Rhode Island Commerce Corporation to contract out the administration of the renewable energy program; however, the distribution companies will continue to administer the demand side programs, subject to review by the Public Utilities Commission.

Analyst's Note: A Governor's amendment is expected to replace the repealed language with the current law.

Article 25: 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 Governor 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 Governor recommends an initial deposit in FY2016 of \$31.7 million, including \$15.0 million in Google forfeiture funds and \$16.7 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 \$16.7 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	Proposed	General
	Payments to	State	
	Beneficiaries	Contributions	Revenue Cost
2016	\$17,872,862	\$31,743,504	(\$1,129,358)
2017	17,642,128	16,743,504	(898,624)
2018	17,401,106	16,743,504	(657,602)
2019	17,149,895	16,743,504	(406,391)
2020	16,888,212	16,743,504	(144,708)
2021	16,642,566	16,743,504	100,938
2023	16,148,070	16,743,504	595,434
2024	15,836,146	16,743,504	907,358

Note: Savings will decline over the first five years of the establishment of the trust. At that point, general revenue payments into the trust will exceed the projected pay-go payments through year 18, at which point the trust will be fully funded.

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 who were hired prior to July 1, 1987, completed twenty years of service, and retired upon twenty-five years of service are eligible. 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 Governor proposes to establish 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 Governor's proposal seeds the trust in FY2016 with \$15.0 million in Google forfeiture funds and \$16.7 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.

Analyst Note: The Budget Office commissioned a new study to update the 2013 actuarial projections in the table below. For unknown reasons, the State did not pursue using the Google funds for the purpose of establishing a pay-go pension trust at the time. The Budget Office intends to submit the results of the new study, expected to be completed March 2015, to DOJ for spending approval.

Article 26: Relating to Division of Motor Vehicles

This article delays the issuance of new reflective license plates from September 2015 until September 2016. Under current law, the Division of Motor Vehicles (DMV) is required to issue new reflective license plates for all registered vehicles beginning September 1, 2015, and no less than every 10 years thereafter. The requirement was originally twice delayed, first to FY2013 and then again to FY2015.

FISCAL IMPACT

The Governor includes a revenue loss of \$2.6 million which would have been generated from a \$6 fee imposed per new set of license plates. The delay will also save \$2.6 million in FY2016 expenditures.

ANALYSIS AND BACKGROUND

The Governor proposes delaying license plate reissuance until September 2016 to permit DMV staff to continue to implement the Rhode Island Motor Vehicle System (RIMS) information technology (IT) database. The RIMS IT system is a database designed to provide a real-time and customer-centric computer system to replace the DMV's current legacy system. According to the Governor, the personnel assigned to RIMS would need to be reassigned to the license plate reissuance project to ensure it is successfully coordinated, which would continue to delay implementation of the RIMS system.

Under RIGL 31-3-33, the DMV is required to issue new reflective license plates for all registered vehicles beginning September 1, 2015, and no less than every 10 years thereafter. The law was revised in 1995 to require plate reissuances every 10 years, and in 2009 the General Assembly required a full reissuance in 2011, which did not occur. 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 again until September 2015. The Governor's proposal would shift the timeline out for reissuance by one year to September 2016, or FY2017.

The cost of license plate reissuance was anticipated to be offset by a \$6 fee on each new set of license plates. According to the Department, this was charged during the last plate reissuance and generated \$2.6 million in general revenue. Both the fee and the costs associated with a reissuance are removed for FY2016.

Article 27: Relating to Legal Notices

This article authorizes the posting of any statutorily required legal notices and advertisements initiated by any State, municipal, or other public body to be posted on-line, in lieu of the current print media requirement. The article requires public entities to follow certain steps; including the posting of “transitional notices” in print media, prior to posting notices on-line. The article requires the Department of Administration to promulgate rules and regulations to implement the new public posting provisions, and establishes the Office of the Attorney General as the entity to process any complaints from aggrieved individuals regarding the posting of these public notices.

FISCAL IMPACT

The Budget Office does not have a specific savings attached to the article. However, fewer postings of these notices in newspapers should decrease expenses for State, local, and other public bodies.

ANALYSIS AND BACKGROUND

State and municipal government entities, as well as other public bodies, are statutorily required to post legal notices and advertisements within various newspapers throughout the State. The posting must be in a publication having a statewide circulation for items reflecting a statewide importance or impact, or if the item is geographically limited in its applicability, then the posting can be limited to a publication having a general circulation in that area.

Passage of this article authorizes the State, municipalities, and other public bodies to post required notices on-line, rather than in newspapers and other print media. According to the State’s Office of Management and Budget, trends showing an increasing in-home and mobile device internet usage as a news source, while the use of print media is declining.

The article requires that, prior to posting legal notices on-line, a public entity must inform the public of its intention to do so by posting a “transitional notice” at least three times a week for three consecutive weeks in the print media where the legal notice is required to be published.

Analyst’s Note: The intent of the transitional notice requirement is unclear given the legislative findings section of the article that cites the decline in print journalism as a news source. In addition, the article requires the Department of Administration to develop rules and regulations and designate an authorized web site other than one administered by the Office of Secretary of State. This requirement is ambiguous as it is unclear whether the Department must create an authorized web site, and no funds appropriated in the proposed budget to develop a web site.

In addition, this article requires the Department of Administration to promulgate rules and regulations concerning the implementation of the new chapter within 120 days after passage of this article. The article designates the Office of the Attorney General as the agency to investigate allegations of violations of this chapter and is authorized to file complaints in Superior Court on behalf of parties aggrieved as a result of a violation of this chapter.

Article 28: Relating to Health Reform Assessment

This article establishes an assessment on certain health insurance premiums that will be used to fund the operational costs of HealthSource RI (HSRI), the state-based health benefits marketplace for individual and small group health insurance and the avenue through which Rhode Islanders access federal health insurance subsidies.

Under this article, the Secretary of the Executive Office of Health and Human Services is authorized to establish a “health reform assessment” to be assessed as a percent of premiums for all small employer and individual health insurance policies beginning January 1, 2016, and used solely to fund HSRI. The article allows for advance use of assessment funds to cover costs incurred prior to that date.

HSRI anticipates that the CY2016 assessment will be 4.7 percent on individual premiums, 1.0 percent on small group premiums, and will generate \$11.8 million, \$6.2 million of which is budgeted in FY2016. The assessment is expected to be lower in future years due to higher enrollment and increased premiums.

FISCAL IMPACT

The budget includes \$6.2 million in restricted receipts from the new assessment for HSRI’s operational costs in FY2016, supplementing \$24.7 million in federal funds that will be expended for design, development, and implementation costs before their December 31, 2015, expiration. The restricted receipts included in the Governor’s FY2016 proposal represent the first non-federal funds ever budgeted for HSRI.

ANALYSIS AND BACKGROUND

The article establishes a revenue stream to fund HSRI operations, though the assessment is levied on insurers’ revenue on individual and small group plans sold both on and off of the exchange. The assessment is levied as a percent of premiums sold and takes into account the following:

- There will be two separate rates, one levied on the small group market and a separate rate levied on the individual market.
- The **assessment amount** will equal the HSRI budget and will be allocated between the individual and small group markets according to the proportion of total HSRI enrollment generated by each market.
 - Enrollment in HSRI is currently approximately 90 percent in the individual market; thus most of the assessment amount will be collected from insurers in the individual market.

	as of Feb 23, 2015
HSRI Enrollment - Individual market	30,001
HSRI Enrollment - Small Group market	3,282

- An **assessment rate** will be set for each market so as to generate the amount apportioned to it. It will be levied on carriers in proportion to their total market share (both on and off of the exchange).

The assessment is established annually by the Secretary of Health and Human Services rather than through the legislative process, as other State health care assessments are set. It is administered by the Executive Office of Health and Human Services and collected in a HSRI-specific restricted receipt account at the Department of Administration.

The Governor has required that HSRI’s operating cost be no greater than if the State were to switch to the federal health exchange, which assesses insurers 3.5 percent of the cost of policies sold on the federal

exchange. HSRI reports that the following assumptions underlie the funding included in the Governor's Budget.

	Projected CY16	Projected FY17
HealthSource RI Budget	\$11.8 million	\$11.2 million
HSRI Average Premium - Individual market	\$4,428	\$4,560
HSRI Average Premium - Small Group market	\$5,904	\$6,084
HSRI Enrollment - Individual market	31,866	34,724
HSRI Enrollment - Small Group market	10,515	14,515
Assessment - Individual market	4.74%	3.76%
Assessment - Small Group market	0.98%	1.05%

This assessment is in addition to taxes and fees already assessed on small group and individual health insurance policies by both the State and federal governments. 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 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.

Analyst's Note: HSRI's projected assessment rates are highly dependent on its enrollment assumptions, which include a 220.4 percent increase in small group enrollment in CY2016.

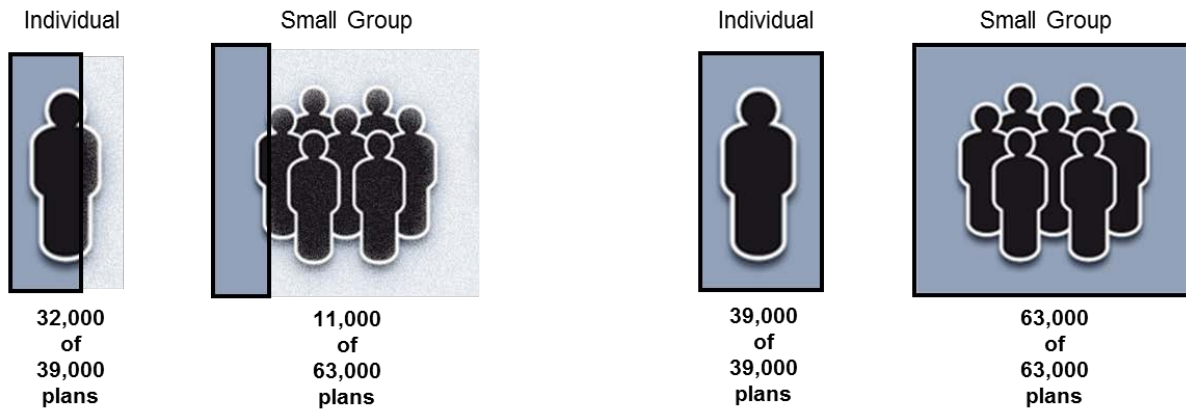
Enrollment	Current 2/23/15	CY2016 Projected	Change to Current	FY2017 Projected	Change to Current
Individual	30,001	31,866	6.2%	34,724	15.7%
Small Group	3,282	10,515	220.4%	14,515	342.3%

FEDERAL-STATE EXCHANGE COST COMPARISON

The following analysis compares the CY2016 operating costs of HSRI with that of participating in the federal exchange and is based on HSRI projected enrollment and HSRI estimate of individual and small group markets. Though the method of calculating the assessment varies by exchange, the resulting total assessment generated by either exchange is allocated across all insurance carriers and incorporated into market-wide rates, effectively spreading the total assessment generated across all small group and individual plans.

The **federal assessment rate** of 3.5% is calculated on individual and small group plans ***sold on the exchange***, or on about 43,000 plans

Article 28's assessment rate equals the rate necessary to fund HSRI's budget, which is calculated on individual and small group plans ***sold both on and off exchange***, or on about 102,000 plans



- Generates **\$7.1 million**

- Generates **\$11.8 million**

*Analyst's Note: Though the anticipated assessment rate of the Article 28 is similar to that of the federal assessment rate, these percentages are applied to the different bases shown above. As a result, once these assessments are allocated across all plans on and off of the exchange, the **effective rate** of each is markedly different.*

For example, the federal exchange will apply a 3.5 percent assessment rate on exchange small group plans in CY2016 and the resulting assessment will be allocated across all plans on and off of the exchange. When the resulting assessment is spread across all plans, the effective rate of the assessment drops to 0.6 percent.

Because the HSRI assessment rate is calculated on the same base over which the resulting assessment is allocated, its assessment rate and effective rate are the same.

	Current		CY2016		FY2017	
		Federal		Federal		Federal
Individual	HSRI	Exchange	HSRI	Exchange	HSRI	Exchange
Assessment Rate	4.7%	3.5%	4.7%	3.5%	3.8%	3.5%
Effective Rate	4.7%	2.7%	4.7%	2.9%	3.8%	2.9%
Small Group	HSRI	Federal	HSRI	Federal	HSRI	Federal
		Exchange		Exchange		Exchange
Assessment Rate	1.0%	3.5%	1.0%	3.5%	1.1%	3.5%
Effective Rate	1.0%	0.2%	1.0%	0.6%	1.1%	0.8%

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.

EXPIRATION OF FEDERAL FUNDS

To date, the design, development, and implementation of HSRI has been funded with a total of \$169.8 million in federal grants. The Governor's revised FY2015 budget includes a newly awarded grant. Use of federal funds for operations is precluded after CY2014.

HealthSource RI	FY2013 Actual	FY2014 Actual	FY2015 Enacted	FY2015 Gov	FY2016 Gov
Federal Funds	\$21.8	\$47.3	\$23.4	\$52.5	\$24.7
Restricted Receipts					6.2
Total	\$21.8	\$47.3	\$23.4	\$52.5	\$30.9

in millions

Analyst's Note: Federal funds cannot be used to fund HSRI operations after CY2014. As noted above, however, the Governor's FY2015 Budget is comprised exclusively of federal funds.

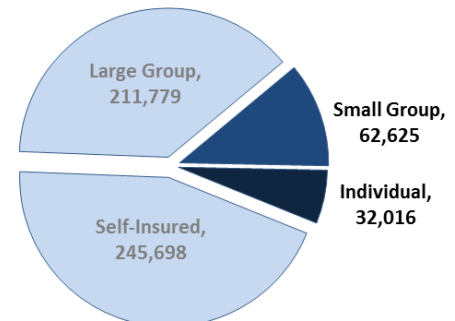
HEALTHSOURCE RI

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 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 percent of the State's entire commercial health insurance market.

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

Analyst's Note: The US Supreme Court is expected to rule in June 2015 on King v Burwell, which will decide whether the Affordable Care Act's language allows people to access federal subsidies for insurance purchased through the federal exchange as well as through state-based exchanges. While a decision to restrict subsidies to insurance purchased only through state-based exchanges will not impact Rhode Islanders' ability to access subsidies through HealthSource RI, it is likely to make the option of joining the federal exchange less appealing because Rhode Islanders will lose that ability.

EXCHANGE TYPES

Though Rhode Island has elected to establish a state-based exchange, the federal government allows states to comply with the Affordable Care Act through other types of exchanges:

- **State-based exchanges (14 states)** perform all marketplace functions and tend to be activist exchanges that aim to influence the price, design, and quality of the health insurance options available and that take steps to support consumers' ability to choose among these options.
- **Federally-supported state-based exchanges (3 states)** are responsible for performing all marketplace functions as above but use the federal marketplace IT platform (healthcare.gov).
- **Partnership exchanges (7 states)** allow states to retain responsibility for in-person customer service and to decide which plans can be sold through the marketplace. The federal government handles all other functions.
- **Federal exchange (27 states)** functions as an electronic insurance clearinghouse that aims to bring about market-driven reforms by empowering consumers to compare options and purchase health insurance from a number of insurers.

STATE-BASED MARKETPLACE FINANCING MECHANISMS FOR INDIVIDUAL MARKETPLACES

Rhode Island is one of the last states to establish a financing mechanism for its state-based exchange. The assessment proposed by Article 28 assesses plans both inside and outside of the exchange, making the mechanism similar to that of Colorado, Connecticut, the District of Columbia, Kentucky and Maryland.

State-Based Marketplace Financing		
Long-Term Revenue Source to Fund Marketplace Operations	States	Additional Info
Assessment only on plans offered through the marketplace	California, Idaho, Massachusetts, Minnesota, Washington	Minnesota added general revenue to its assessment after assessment generated insufficient revenue.
Broad-based assessment on plans inside and outside of the marketplace	Colorado, Connecticut, District of Columbia, Kentucky, New Mexico, Maryland, Rhode Island (proposed)	New Mexico among other States has raised its assessment after initial rates failed to generate sufficient revenue and/or enrollment fell short of projections.
Broad-based assessment plus State appropriation	New York, Hawaii	Hawaii is pursuing bond financing for support until projected sustainability in FY2022.
Claims Tax	Vermont	Vermont sustainability plan not finalized since the collapse of its effort to institute a statewide single-payer system.
Abandon state-based IT platform, default to federal healthcare.gov	Oregon, Nevada	Financing mechanism not finalized.

Source: *The Commonwealth Fund*, updated by Senate Fiscal Office

Article 29: 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.

FISCAL IMPACT

Tax Credit Incentives

There is no fiscal impact regarding the Rebuild RI Tax Credit in FY2016. However, the “out-year” costs are \$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 Governor includes \$44.5 million in general revenue to create and fund an Economic Development Initiatives Fund under the Executive Office of Commerce.

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.”*

To that end, the Governor proposes various incentives, business assistance, and development programs to create, expand, and assist businesses.

Tax Credit Incentives

Tax Incentive Reporting: This section establishes state reporting requirements for any person or entity receiving a business tax credit, modification, or incentive. The article requires the Secretary of Commerce to establish rules and regulations regarding the type of information to be provided relating to the use and effect of funds made available by reducing business tax liabilities. These rules will be applicable to all business tax credits, new and existing. The article also establishes a provision that all information reported to the secretary will be considered confidential by the Executive Office of Commerce and not subject to the State’s Access to Public Records Act.

All entities receiving an incentive must comply with an information request within 60 days or the Secretary of Commerce will send a notice of failure to cooperate and will notify the Division of Taxation to suspend the credit. Suspensions may be lifted at the discretion of the Secretary of Commerce, either

after a successful appeal under the State's administrative procedures act, or if the type of information provided does not exist or cannot be compiled.

Analyst Note: Existing tax incentive and credit programs have numerous public reporting requirements. The legislation would require all incentives to be reported to Commerce (confidential), but it is unclear if this is in addition to, or in lieu of, existing public reporting requirements.

Rebuild Rhode Island Tax Credit: The Governor creates 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.

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, 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 community where the poverty level exceeds the state median. (Currently, this would include Providence, Central Falls, West Warwick, Pawtucket, and Woonsocket.)

The project must fulfill the State's policy and planning objectives in that a tax stabilization agreement must be obtained from the host municipality; and it is a:

- Commercial development consisting of at least 25,000 square feet and 25 full-time employees 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.

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. 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 would have the right to redeem (purchase) the credits at 90.0 percent of the credit value.

The Division of Taxation may adopt guidelines to administer this program; however, 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 as determined by the Governor through a third-party consultant. No information was provided to determine how these estimates were calculated.

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, the Governor does not include a revenue impact in FY2016, stating that there are no plans to issue credits in this fiscal year.*

\$ in millions

Tax Increment Financing (TIF): This proposal 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 proposal requires the State 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 not receive 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. The agreement will obligate the State to pay back new revenue for up to 20 years. 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, established by the Commerce Corporation to be used 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.

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 or redevelopment, construction, or rehabilitation of any commercial, industrial, or residential structure. Qualified structures also include preexisting, municipally-owned stadium of 10,000 seats or greater or utilities within a qualifying TIF area.

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:

- Generation or preservation of manufacturing jobs;
- Promotion of (unspecified) targeted industries; location in a port or airport district;
- Location in an industrial or research park; location in a transit-oriented development area;
- Location 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 how the award is used needs to be filed with the Commerce Corporation. Once the TIF agreement is in place, the payment amount is binding.

The article requires the Division of Taxation to provide the Governor with a sum of revenue foregone resulting from the TIF agreement. The Governor will include this cost as part of the budget appropriations process. 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.

Tax Stabilization Incentive

This section 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.

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 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. In addition, the article authorizes municipalities with a population exceeding 150,000 (Providence), to have the State Building Commissioner or State Fire Marshal assume responsibility for the review and inspection of any projects. However, if this is done, only the state building and fire code would be applicable to those projects in that municipality. The Governor includes \$250,000 in general revenue to fund this initiative.

Analyst Note: It is unclear whether these funds are intended to compensate the State Building Commissioner and State Fire Marshal for expenses incurred on these projects.

Economic Development Incentives

The 2013 General Assembly enacted legislation as part of an economic development package. This included reforming the former Economic Development Corporation and establishing the Executive Office of Commerce headed by a Secretary of Commerce, creating an Economic Council of Advisors and an Economic Development Planning Council. The enacted legislative package also included greater tax credit accountability amongst other initiatives.

The Governor includes \$44.5 million in general revenue in FY2016 and \$19.4 million in FY2017 to create and fund an Economic Development Initiatives Fund under the Executive Office of Commerce. In addition, Article 1 contains language granting the Secretary of Commerce authority to reallocate funding between initiatives within the Economic Development Initiatives Fund. Written notice is required to be provided to the Office of Management and Budget, and the chairpersons of the Senate and House Finance Committees in advance of any transfer of funds.

Economic Development Initiatives Fund	FY2016
First Wave Closing Fund	\$5.0
I-195 Development Fund	25.0
Small Business Assistance Program	5.4
Main Street RI Streetscape Improvements	1.0
Innovation Initiative	0.5
Competitive Sector Grants	0.8
Anchor Tax Credit	1.8
Affordable Housing Fund	3.0
Infrastructure Bank	2.0
Total	\$44.5
<i>\$ in millions</i>	

Passage of Article 29 creates the following Economic Development Initiatives Fund programs:

- **First Wave Closing Fund:** Section 6 authorizes the creation of a 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 needs to invest in a project to gain a competitive advantage over another state. One particular note, the recommended 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. The Governor capitalizes the fund with \$5.0 million in general revenue in FY2016. 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 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.

Analyst Note: Other than containing language requiring the Commerce Corporation to provide a report to the Speaker of the House of Representatives and the President of the Senate on the fund within 60 days of the close of each fiscal year, the section contains no language requiring the corporation to publicly disclose project analyses or program thresholds.

- **I-195 Development Fund:** Section 7 authorizes an I-195 Development Fund to serve as a catalyst for real estate development on the former highway land. The Governor 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 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

The proposed statute defines “gap financing” similar to the definition contained under the proposed language establishing the First Wave Closing Fund, 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 needs to invest in a project to gain a competitive advantage over another state. Again the recommended article contains no language establishing thresholds on the amount a particular project can receive.

Language requires the I-195 Commission to promulgate the rules and regulations of the program and to provide a report to the Speaker of the House of Representatives and the President of the Senate on the commitment and use of funds allocated to the I-195 Development Fund at the close of each fiscal year.

Analyst Note: The legislation does not require the corporation to publicly disclose project analyses or program thresholds. There is language in the section stipulating that I-195 Development Funds cannot be expended to finance a stadium or a facility primarily used for sports. However, there is no language prohibiting the use of the funds on indirect infrastructure costs to support a stadium or sports facility, nor is there language establishing a funding cap for a project.

- **Small Business Assistance Program:** The article creates a state-backed Small Business Assistance Program to help small businesses under (200 employees) gain access to capital. The Governor proposes \$5.4 million in general revenue in FY2016 and \$2.2 million in FY2017 to capitalize this initiative. 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. 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.

Analyst Note: The proposed statute does not set limits to the non-micro small business loans and it is not stated in the legislation whether the program is intended to be a revolving or perpetual program like the SBLFC or whether it will require future infusions of capital beyond FY2018. In addition, the section requires the private lending institutions to provide annual program reports to the Commerce Corporation. There are no provisions to report to the General Assembly, or public disclosure requirements for the program.

- **Student Loan Reimbursement Fund:** The budget establishes a competitive Student Loan Reimbursement Fund to reimburse awardees 100.0 percent of the educational loan expenses incurred and paid by an awardee during a twelve month period for up to four consecutive years. The Governor includes \$1.8 million in general revenue in FY2016 to fund this initiative. Approximately two-thirds of the eligible candidates must be either a 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
 - Possess a post-secondary degree
 - Reside and be employed in the state with a career in the life, natural, or environmental sciences, computer technology, engineering, 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.

Analyst Note: The legislation does not limit loan repayments to scheduled repayments versus actual payments made. Commerce indicates that additional limits would be set through rules and regulations.

- **Main Street RI Streetscape Improvement Program:** Section 10 c creates a statewide Main Street Rhode Island Streetscape Improvement Fund. The Governor designates \$1.0 million in general revenue to fund this initiative in both FY2016 and FY2017. The purpose of the program is to provide loans, matching grants, or other forms of financing to upgrade streetscapes in local business districts. The article contains language requiring the Commerce Corporation to promulgate the rules and regulations of the program.

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.

- **Innovation Voucher and Network Program:** The article (section 11) establishes an Innovation Voucher and Innovation Network program. The Governor includes \$500,000 in general revenue for the program in FY2016 and recommends another \$500,000 in FY2017.
 - 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.

The Commerce Corporation is authorized to promulgate the rules and regulations to administer the program and to create the criteria governing matching funds. Also the Commerce Corporation is required to provide an annual report to the Speaker of the House of Representatives and the President of the Senate on the fund December 31 each year, detailing the amount and number of innovation vouchers and innovation network matching awards provided during the year, the services provided to the eligible businesses, and other information as deemed necessary by the Corporation. The Commerce Corporation would not be required to publicly disclose the project analyses of each award.

- **Competitive Sector Cluster Grants:** Section 12 creates 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. The Governor includes \$750,000 in general revenue in FY2016 to support this fund and recommends \$1.2 million in general revenue in FY2017. Language in the article requires the Commerce Corporation to promulgate the rules and regulations to administer the program and to create the criteria governing matching funds. 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
- **Anchor Institution Tax Credit:** Section 13 establishes 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

The Governor recommends \$1.8 million in general revenue to fund this initiative in FY2016 and another \$1.8 million in FY2017. According to the Budget Office, 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.

Analyst Note: The legislation does not require the corporation to publicly disclose project analyses or program thresholds.

Article 30: Relating to Effective Date

This article provides that the Act will take effect on July 1, 2015, except as otherwise provided herein.



CAPITAL BUDGET

Department of Administration

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Affordable Housing	\$53.1	\$9.4	\$12.5	\$0.0	\$0.0	\$0.0	\$0.0	\$75.0
Accessibility - Facility Renovations	-	-	1.0	1.0	1.0	1.0	1.0	5.0
Big River Management Area	0.6	0.1	0.1	0.1	0.1	0.1	0.1	1.4
Bristol County Water Treatment	0.0	2.3	2.7	0.5	-	-	-	5.5
Cannon Building	1.5	0.4	1.3	0.4	0.4	0.3	0.3	4.4
Chapin Health Laboratory	0.1	0.3	1.3	1.5	-	-	-	3.3
Cranston Street Armory	2.1	1.0	1.0	-	-	-	-	4.0
DOA Mathias Building Renovation	1.0	1.0	3.1	0.8	-	-	-	5.9
DOA Virks Building Renovation	0.5	0.5	6.5	6.5	-	-	-	14.0
DoIT Operations Center	9.6	0.3	0.3	0.5	0.8	0.5	0.1	12.1
Dunkin Donuts Center	0.6	1.7	1.4	1.4	1.9	1.9	1.9	10.6
Energy Conservation	48.4	4.7	-	-	-	-	-	53.1
Environmental Compliance	0.8	0.2	0.2	0.2	0.2	0.2	0.2	2.0
Harrington Hall	1.0	0.7	1.7	-	-	-	-	3.4
Information Technology Investment Fund	5.1	12.6	7.5	1.5	1.5	1.5	1.5	31.2
IT Infrastructure	4.1	0.6	-	-	-	-	-	4.7
IT Intergrated eLicensing and Consolidation	0.6	0.4	-	-	-	-	-	1.0
Ladd Center Building Demolition	1.5	1.3	-	-	-	-	-	2.8
McCoy Stadium	1.8	0.2	0.3	0.5	-	-	-	2.7
Old Colony House	1.1	0.2	0.7	0.1	0.1	0.1	-	2.3
Old State House	0.2	1.6	1.2	0.9	-	-	-	3.9
Pastore Center Building Demolition	2.9	1.3	-	0.2	0.8	0.8	-	5.9
Pastore Center Parking	1.1	1.4	0.2	0.5	0.5	0.6	-	4.3
Pastore Center Rehabilitation	3.9	2.8	2.1	7.9	2.5	2.1	2.5	23.8
Pastore Cottages Rehabilitation	0.1	2.0	-	-	-	-	-	2.1
Pastore Power Plant	30.9	1.4	0.5	0.5	-	-	-	33.3
Pastore Utilities Systems Water Tanks and Pipes	0.3	0.5	0.3	0.3	0.3	0.3	-	1.9
Pastore Utilities Upgrade	2.4	0.8	3.5	1.7	-	-	-	8.5
Replacement of Fuel Tanks	1.5	0.5	0.3	0.4	0.4	0.3	0.3	3.6
Rhode Island Convention Center Authority	1.2	1.1	1.0	1.0	1.0	1.0	1.0	7.3
South County Groundwater Site Acquisition	0.7	1.0	1.0	2.0	2.0	1.3	-	8.0
Statehouse Energy Management Improvement	-	0.4	-	-	-	-	-	0.4
State House Renovations	4.6	0.4	0.6	0.2	0.5	0.1	0.3	6.6
State Office Building	2.2	0.4	2.8	2.8	0.8	-	-	8.9
Statewide Emergency Water Interconnection	1.7	1.5	1.8	-	-	-	-	5.0
Veterans' Auditorium	15.3	1.2	0.3	0.3	0.3	0.3	0.3	17.8
Veterans' Auditorium Land Purchase	3.2	0.7	-	-	-	-	-	4.0
Washington County Government Center	2.5	0.3	0.2	0.8	0.5	0.5	0.5	5.3
William Powers Building	3.0	2.5	1.2	0.6	0.2	0.5	0.5	8.5
Zambarano Utilities and Infrastructure	3.4	1.0	0.6	1.0	0.3	1.0	0.1	7.3
Zambarano Wood Chip Boiler	0.7	0.0	-	-	-	-	-	0.8
Total	\$215.4	\$60.7	\$58.9	\$36.0	\$15.8	\$14.1	\$10.4	\$411.4
Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
COPs	\$81.4	\$6.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$88.0
RICAP	77.8	27.7	33.4	32.0	12.3	11.3	8.9	203.4
Restricted Receipts	-	-	0.1	-	-	-	-	0.1
G.O. Bond	55.5	14.2	18.0	2.5	2.0	1.3	-	93.5
Interest Earnings	0.8	-	-	-	-	-	-	0.8
Information Technology Investment Fund	5.1	12.6	7.5	1.5	1.5	1.5	1.5	31.2
Total	\$220.6	\$61.0	\$58.9	\$36.0	\$15.8	\$14.1	\$10.4	\$416.9

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

The Divisions of Facilities Management and Capital Projects and Property Management within the Department of Administration are responsible for the management or oversight of most capital projects undertaken by state agencies and departments in Rhode Island. The Department of Administration FY2016 - FY2020 Capital Budget consists of 41 separate projects.

Affordable Housing

The program began in 2006 with the passage of a \$50.0 million general obligation bond (P.L. 2006 Chapter 246). Proceeds from the \$25.0 million bond issuance from 2012 will provide rental and homeownership assistance, through the redevelopment of existing structures, new construction, or

foreclosure assistance. Approximately 80.0 percent of the funds will be used on rental projects and 20.0 percent on homeownership projects.

Project Status: The Budget includes \$9.4 million in FY2015 and \$12.5 million in FY2016 from the \$25.0 million general obligation bond (P.L. 2012 Chapter 241) to fund the Building Homes Rhode Island (BHRI) program.

Accessibility – Facility Renovations

The Governor includes this new project within the Department of Administration, entailing accessibility renovations to State structures to comply with the federal Americans with Disabilities Act. The project and funds were originally under the Governor's Commission of Disabilities budget.

Project Status: The Budget includes \$5.0 million in RICAP funds spread between FY2016 and FY2020.

Big River Management Area (BRMA)

The BRMA is an 8,400 acre public drinking water source. The Department of Administration is tasked with the long-term planning and management of this area. Capital funds are used to maintain 13 rental properties, 3 commercial structures, a 79-pad mobile home park, and a nine-hole golf course as well as 7 miles of roadway, 3 bridges, 8 drainage culverts, and 30 security gates. Capital funds are used to demolish vacant structures and to return the area to an environmentally sound condition. One item under this project is remediation of an old dump site in cooperation with the Department of Environmental Management.

Project Status: The Budget includes an annual RICAP appropriation of \$120,000 between FY2015 to FY2020 to maintain housing, roads, bridges, culverts, remediation of an old dump site, and to demolish vacant housing within the BRMA.

Bristol County Water Treatment Facilities

The Water Resources Board (WRB), now under the Department of Administration, is jointly responsible with the Bristol County Water Authority (BCWA) for the water facilities owned by the BCWA. The Bristol County Water Supply Act of 1993 (RIGL 46-15.5) proposed a secondary supply source of potable water for the residents of Bristol County from sources located in Massachusetts. The project is known as the "Shad Factory Pipeline Project." However, as part of the FY2015 Budget, the WRB and the BCWA partnered with the East Providence Water Division and proposed funding to develop an alternative water source known as the "Pawtucket Pipeline" to connect water supplies from the City of Pawtucket through East Providence to the BCWA, but the proposal was not approved by the General Assembly.

Regardless of the status of the Pawtucket Pipeline Project, the State and the BCWA are still responsible for correcting structural deficiencies of the dams in Massachusetts and Rhode Island that were originally part of the Shad Factory Pipeline Project. Funding for the project is available from previously issued general obligation bonds (P. L. 1986, Chapter 419 and P.L. 2004, Chapter 595).

Project Status: The Budget includes \$5.5 million in general obligation bond funds to complete the repairs necessary to cover the current maintenance liabilities of the BCWA on dams in Massachusetts and other infrastructure. The BCWA is in the process of completing the engineering studies on the affected dams.

Cannon Building

The Cannon Building is a 40-year old structure on Capital Hill in Providence housing the Department of Health. The aging structure requires new carpeting, expansion of the delivery area for vehicles, restroom renovations, an assessment of the structure's electrical system, renovations of the cooling tower, and exterior joint repairs.

Project Status: The enacted Budget includes \$3.0 million in Rhode Island Capital Plan (RICAP) funds between FY2015 and FY2020 for these renovations. The carpeting and sidewalk projects will be completed in FY2015. Also to be completed in FY2015, are the architectural and engineering services

required for the electrical system and for the exterior masonry projects. The increase in RICAP is due to the loss of a restricted receipt offset from the insurance recovery fund that was previously thought available in the Department's request, the addition of restroom renovations for accessibility compliance, envelope repairs, and replacement of exterior windows.

Chapin Health Laboratory

The Chapin Health Laboratory in Providence houses the State Medical Examiner. A FY2014 feasibility study determined that the current facility is outdated and too costly to renovate. However, the structure requires renovations and updates in order to make the structure valuable to sell. The renovations include installing a new boiler system, laboratory exhaust and decomposition room ventilation, lighting upgrades, and HVAC system upgrade.

Project Status: The Budget includes \$3.1 million in RICAP funds split between FY2015 and FY2017.

Cranston Street Armory

The Cranston Street Armory is a former Rhode Island National Guard Armory built in 1907. The Guard vacated the structure in the 1990's and the structure was partially reused as the State Fire Marshal's office and for storage by the Board of Elections and the Department of Health. The State Fire Marshal has since moved out of the structure due to safety concerns, but the State continues to use the structure's basement level for storage. The project requires extensive interior and exterior renovations to secure the stability of the structure. Portions of the structure are in such a critical state that without preventive stabilization, these sections could collapse into the public areas. The primary stabilization work will focus on the "envelope" of the structure to prevent further structural deterioration caused by the climate. Other work involves electrical upgrades, fire safety, and accessibility issues.

Project Status: At present, there is no planned use of the structure. The Budget includes \$1.9 million in RICAP funds split between FY2015 and FY2016, and no further appropriations until a feasibility study can be completed on the structure.

DOA Mathias Building Renovation

The project involves renovating the Mathias Building located on the Pastore Campus in Cranston. The structure was built in 1958 and requires extensive roof repairs and utility upgrades. The Providence Center is in the process of relocating its facility from the Zambarano Complex in Burrillville, to the Mathias Building. In addition, the sterile storage unit for BHDDH will also relocate to this structure. The proposed work includes roof repairs, HVAC repairs, and utility system upgrades.

Project Status: The Budget includes \$4.9 million in RICAP funding spread between FY2015 to FY2017. The increase reflects the full cost of replacing the entire roof and the HVAC cooling tower which are projected to cost \$2.5 million. The balance of the projected cost will be used to renovate the interior and to move the Providence Center.

Virks Building Renovation

The project involves the complete renovation of the Virks Building located on the Pastore Campus in Cranston. The proposed work includes roof repairs, stabilization of the exterior masonry and building envelope, upgrading and repairs to the utility systems, and general interior repairs required due to the age of the structure and water penetration. The renovated structure is planned to provide needed State office space for the Executive Office of Health and Human Services and failure to make these renovations will require the Virks Building to be demolished.

Project Status: The Budget includes \$13.5 million in RICAP funds spread between FY2015 and FY2017. The architecture and engineering contract is underway. The construction will take two years to complete.

DolT Enterprise Operations Center

The structure, located at 50 Service Avenue in Warwick, houses the State Data Center, as well as the Treasury Department, and State Police cyber unit staff. The State completed the initial renovation work in December 2011. Since 2011, there are additional items requested for the facility including the installation of a unisex handicap accessible restroom on the first floor, refinishing the parking lot surface, additional security fencing, the installation of a new generator, and the replacement of a HVAC roof unit.

Project Status: The Budget includes \$2.5 million in RICAP funds spread between FY2015 and FY2020. In addition, the Budget includes \$400,000 in restricted receipts for the State Police to move the Computer Crimes Unit from its headquarters in Scituate to 50 Service Avenue.

Dunkin Donuts Center

Built in 1972, the Dunkin Donuts Center (formerly the Providence Civic Center) was purchased by the Rhode Island Convention Center Authority (RICCA) in 2005 and significant renovations to the facility were completed in 2010. The facility is leased to the State through a sublease agreement. The 2006 Series A Bonds that were used to purchase and renovate the facility contained a bond covenant requiring the creation of a renewal and replacement fund to ensure that the facility is maintained in optimal conditions. Since RICCA is incapable of providing the required funding, the State utilizes RICAP to fulfill the requirements for a renewal and replacement fund.

Project Status: The Budget includes \$10.0 million in RICAP funds spread between FY2015 and FY2020. The immediate projects include upgrading the back parking lot, installing a new cooling tower, and concourse repainting and flooring. Out-year projects include the replacement of the scoreboard, renovations to the main exhibit hall and upgrades to the restaurant and arena seating. The Budget includes \$1.9 million in RICAP funds to capitalize a renewal and replacement fund in FY2020.

Energy Conservation – Pastore Center and Zambarano Hospital

The project involves the expenditure of \$53.1 million from Certificates of Participation (COPs) to complete energy conservation projects at the Pastore Center Complex in Cranston and at the Eleanor Slater Hospital at the Zambarano Campus in Burrillville. The work includes replacing the Howard Avenue steam line at the Pastore Center and replacing obsolete and energy inefficient equipment. Heating, cooling, and other energy-related equipment (including windows) have been upgraded. The savings in increased energy efficiency pays for the contract with the Energy Service Company (ESCO).

Project Status: The Budget includes \$4.7 million in COPs to complete the project in FY2015. No further funding is recommended beyond FY2015.

Environmental Compliance

This is a maintenance program for groundwater and soil monitoring sites that are located at various State facilities that have, or previously have had, underground fuel storage tanks. The project allows the State to maintain compliance with Department of Environmental Management and federal Environmental Protection Agency regulations.

Project Status: The Budget includes \$1.2 million in RICAP funds spread between FY2015 to FY2020.

Harrington Hall

The project involves extensive renovations to Harrington Hall located at the Pastore Center Complex in Cranston. Harrington Hall is an overnight homeless shelter owned by the State. Constructed in 1936, the interior conditions have deteriorated to a point that they are unhealthy and require immediate attention. The proposed work includes correction of waste water/sewer backup issues, flooring, fire safety items, full plumbing, electrical, mechanical, and HVAC renovations.

Project Status: The Budget includes \$712,420 in FY2015 and \$1.7 million in FY2016. The increase is due to change orders to the original scope of work that have increased the projected construction costs. The architectural and engineering services commenced and construction is projected to begin in 2015.

Information Technology Investment Fund

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. 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.

The Governor proposes to amend the amount deposited into the ITIF from the issuance of bonds by the Tobacco Settlement Financing Corporation. Article 12 of the FY2016 Budget contains language that will reduce the estimated deposit from \$10.0 million to \$7.3 million in FY2015, and reallocate \$19.0 million of the Tobacco Settlement Financing Corporation deposit from the ITIF to the State general fund.

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 and the Governor projects additional resources of \$17.9 million into the fund during FY2015. The following table illustrates projected funding and expenditures from the Information Technology Investment Fund.

Information Technology Fund	Beginning Balance	New Revenue *	Expenses*	Ending Balance
FY2015	\$5.0	\$17.9	\$12.6	\$10.3
FY2016	10.3	1.5	7.5	4.3
FY2017	4.3	1.5	1.5	4.3
FY2018	4.3	1.5	1.5	4.3
FY2019	4.3	1.5	1.5	4.3
FY2020	4.3	1.5	1.5	4.3

\$ in millions

* \$6.4 million in revenues and expenditures are derived from and dedicated to the UHIP Project.

Project Status: The Budget includes \$26.1 million in restricted receipts for the IT Investment Fund spread between FY2015 to FY2020.

Information Technology Infrastructure

The project modernizes the State's Information Technology (IT) infrastructure, including standardizing the executive branch email, consolidating computer system servers statewide, deploying a centralized service desk, and enhancing network cyber security capabilities.

Project Status: The Budget includes \$593,906 derived from Certificates of Participation (COPs) for FY2015. There is no further funding recommended beyond FY2015.

Integrated eLicensing and Consolidation

The project completes the new licensing software for the Department of Business Regulation's common interface that can be used by multiple agencies and licensing programs. The goal is to establish a single point of use for external license renewal services and license status checks.

Project Status: The Budget includes \$415,219 in Certificates of Participation (COPs) in FY2015. There is no further funding recommended beyond FY2015.

Ladd Center Building Demolition

The project demolishes and removes debris of nine structures at the former Ladd School Property in Exeter. The structures were declared unsafe and have been in disrepair and decay for numerous years, becoming a liability risk to the State.

Project Status: The Budget includes \$1.3 million in RICAP funds for FY2015. The demolition of the last structure and debris removal is complete. There are no further funding requests for the project beyond FY2015.

McCoy Stadium

The project renovates and funds asset protection at McCoy Stadium in Pawtucket. Although the facility is owned by the City of Pawtucket, the State first assisted the City with \$11.0 million in stadium renovations during FY1998 and FY1999 in order for the facility to meet minor league baseball standards. Funding for the renovations was derived from Economic Development Revenue Bonds. In return, the owner of the Pawtucket Red Sox signed a lease to keep the team in Rhode Island. The current lease has been extended to January 31, 2021, with a 5-year optional extension. The initial renovation work is over ten years old and as the facility continues to age (built in 1942) additional attention will be required to maintain the condition of the 10,000 seat facility up to minor league baseball standards.

Project Status: The Budget includes \$900,000 in RICAP funds spread between FY2015 and FY2017 for asset protection projects.

Old Colony House

Built from 1739 to 1743, the Old Colony House in Newport is the 4th oldest statehouse in the United States. The structure is owned by the State and managed by the Newport Historical Society. The structure serves as a tourist site and houses a Gilbert Stuart portrait of George Washington. Renovations to the Old Colony House have been ongoing since 2000 and included security and environmental system upgrades, fire code renovations, window replacement, restroom renovations, carpet and painting renovations, exterior re-pointing, a new elevator, a new HVAC system, an emergency generator, and electrical renovations. Continued funding for the project is required for repairs and repointing to the brownstone exterior, stair replacement, and renovation to the basement bathrooms. The sewer system had malfunctioned prohibiting the use of the basement restrooms. Currently, only one unisex ADA compliant restroom is operating. Renovations and a new sewer line are required to reopen the basement restrooms.

Project Status: The Budget includes \$1.1 million spread between FY2015 and FY2019. This reflects an increase of the FY2016 appropriation by \$560,000 in order to complete the Phase VI renovations.

Old State House

The Old State House located on Benefit Street in Providence, was built in 1760 and housed state government until 1901. Currently the structure is used as office space for the Rhode Island Historic Preservation and Heritage Commission. The project consists of exterior and interior repair work, including replacing the boiler and heating system, installing a fire sprinkler system to meet the fire codes, upgrading the HVAC and electrical systems, roof replacement, floor restoration, asbestos abatement, window replacement, painting and brick repairs.

Project Status: The Budget includes \$3.7 million in RICAP funds spread from FY2015 to FY2017.

Pastore Center – Building Demolition

The Department is in the process of demolishing several structures at the Pastore Center in Cranston, including Buildings D and A, Varley, Welcome Arnold, Buildings 79 and 80, Pinel, Eastman House, and three small maintenance buildings. These structures have either been vacant for several years or are structurally unsound. Buildings D, A, Varley, 79, and 80 are demolished and the site remediation is

complete. The other structures will be demolished between FY2017 to FY2019. Each structure contains hazardous materials requiring mitigation prior to the structure's removal.

Project Status: The Budget includes \$3.0 million in RICAP funds for the project, with \$1.3 million in FY2015 and \$1.7 million spread between FY2017 to FY2019.

Pastore Center – Parking

The project involves the improvement of traffic flow, parking, sidewalks, and drainage projects for employees and visitors at the Pastore Center in Cranston. The parking upgrades will follow the Pastore Parking Plan that was developed under Phase I of this project. Phase I illustrated that the current parking at the Pastore Center is poorly positioned with inadequate drainage, crosswalk designations, signage, and Americans with Disability Act (ADA) compliant curb cuts. Phase II of the project includes resurfacing of Howard Avenue that transects the Complex; realigning the Howard Avenue and West Road intersection; installing curbing, sidewalks, and landscaping along Howard Avenue; and resurfacing parking lots behind the Regan and Mathias buildings and opposite of Minimum Security. Phase III of the project involves adding parking for the Virks building, and Phase IV involves further improvement to the Regan building parking area and a drainage study.

Project Status: The Budget includes \$1.4 million in RICAP funds for FY2015 and out-year funding of \$1.8 million split between FY2016 and FY2019. The Budget adds RICAP funds of \$200,000 in FY2016 and \$500,000 in FY2017 to complete the Virks building parking area, as part of the Executive Office of Health and Human Service relocation to the Virks building.

Pastore Center – Rehabilitation DOA Portion

The project involves asset protection maintenance and capital repairs to seven buildings at the Pastore Center Complex. The buildings currently house a variety of state agencies including the State Hospital and the Division of Motor Vehicles. The ongoing projects include sewer system, roof replacement, masonry re-pointing, HVAC upgrades, interior painting, elevator upgrades, and window replacements.

Project Status: The Budget includes \$19.9 million in RICAP funds spread between FY2015 to FY2020.

Pastore Center - Cottages Rehabilitation

This project renovates the three remaining cottages at the Pastore Center Complex in Cranston. The renovations are required to meet an agreement with the Historic Preservation and Heritage Commission requiring the cottages to be preserved and reused. To meet this requirement, the cottages must be renovated to comply with State building, fire, and accessibility codes for use as office space. The Governor's Commission on Disabilities occupies one of the cottages. The other two cottages are occupied by DCYF's juvenile probation offices.

Project Status: The Budget includes \$2.0 million in RICAP funds in FY2015. The project is underway and construction on all three cottages is projected to be complete in 2015.

Pastore Center – Power Plant Rehabilitation

This project rehabilitates and provides asset protection for the power plant at the Pastore Center in Cranston. The Pastore Center has a central power plant capable of co-generating steam and electricity for the state agencies housed at the Center. The renovation and installation of new generators was completed ten years ago. The project also includes installing a "black start" generator to restart the power plant when the main electrical grid goes offline and to assist the plant generators during peak load periods.

Project Status: The Budget includes \$575,000 in RICAP funds and \$800,705 in Certificates of Participation (COPs) for FY2015, and \$1.0 million in RICAP funds split between FY2016 and FY2017.

Pastore Center – Water Tanks and Pipes

The project involves improvements to the water supply and distribution system at the Pastore Center Complex in Cranston. A recent engineering analysis using a computerized hydraulic model indicated that 80.0 percent of the existing fire hydrants failed to provide sufficient water pressure or volume for firefighting. The project includes upgrading the underground pipe network for firefighting, installing hydrants, and cleaning and re-lining existing mains. In addition, a line stop will be installed in the main water line completely separating the Pastore Center Water System from nearby retail shopping area.

Project Status: The Budget includes \$466,400 in RICAP funds in FY2015. The line stop separating the Pastore Center Water System from nearby retail shopping area is complete. The cleaning, re-lining, and piping replacement work is underway. The Budget also includes \$1.1 million in RICAP funds from FY2016 to FY2019 for future water main asset protection projects.

Pastore Center – Utility Upgrade

The project repairs and replaces outdated electrical switch gear, upgrading generators at the Pastore and Zambarano complexes, replacing electric conduit for the Pastore campus lighting work, replacement of steam condensation pumps at various building at Pastore, and funds a storm-water runoff study for the Pastore Complex.

Project Status: The Budget includes \$6.0 million in RICAP funds spread between FY2015 and FY2020. Work commenced on the electric conduit replacement this summer. The architectural and engineering plans for the storm-water upgrade is complete and construction for that upgrade will commence during FY2015.

Replacement of Fuel Tanks

The State owns 15 fueling stations for state vehicles. In order for the State to remain in compliance with RIDEM and federal EPA requirements, fuel tanks must be replaced every 15 years, essentially making this a continuous project that began in FY1999. Lack of compliance will cause the State to incur penalties and fines.

Project Status: The Budget includes \$2.1 million in RICAP funds for this project, with \$462,000 in FY2015 and out-year funding of \$1.7 million spread between FY2016 to FY2020.

Rhode Island Convention Center Authority

The Rhode Island Convention Center (RICC) in Providence is owned and operated by the Rhode Island Convention Center Authority (RICCA), but leased to the State through a sublease agreement implemented in November 1991. The Convention Center opened in December 1993 and as the facility ages into its third decade, an asset protection and preventive maintenance program is required to maintain the facility. The projects include replacing the electric receptacles in the main exhibition hall, upgrading the HVAC system, upgrading the food and beverage equipment, replacing the operable wall partitions in the exhibit hall, renovating the parking garages, and installing a new roof overlay for the facility.

Project Status: The Budget includes \$6.1 million in RICAP funds with \$1.1 million for FY2015 and \$1.0 million per year through FY2020.

South County Groundwater Protection/Acquisition

The project involves the preservation and protection of existing public water supply groundwater well sites, and for funds for land acquisition to establish new sites.

Project Status: The Budget includes \$7.3 million from issued general obligation bond proceeds spread between FY2015 to FY2019. The Water Resources Board has identified several sites including ones located on Block Island and in the towns of Richmond and Charlestown.

State House Energy Management Improvement Project (New)

The State House Energy Management Improvement Project (SHEMIP) repairs or replaces the mechanical systems in the State House. This includes replacing the 100-year-old heating system, installing a centralized air conditioning system, installing sprinkler systems in the remaining areas of the structure that are not covered by a fire suppression system, creating a secure data server room, and extensively renovating the separate boiler house located on Gaspee Street next to the State House.

Project Status: The project is new and it is not listed in the enacted capital plan. The Budget includes \$420,000 in RICAP funds in FY2015 for architecture and design work needed to replace the 100-year-old heating system and to install a centralized air conditioning system.

State House Renovations

The State House Renovation project originally involved replacing the 100-year-old heating system and installing a centralized air conditioning system. However the project has since changed to limit the renovations to projects that are more in-line with asset protection projects and moving the heating and air conditioning items to a new capital project titled State House Energy Management Improvement projects. The State House Renovation project now consists of replacing the exterior lighting, repair interior areas where water leaked through the State House dome, plumbing and electrical upgrades, and to begin an evaluation of the exterior walkways, terraces, and stairways to develop a schedule for repairs.

Project Status: The Budget includes \$2.0 million in RICAP funds spread between FY2015 to FY2020, to reflect the revised project scope.

State Office Building

This project involves renovations to the Department of Transportation State Office Building. This has been an ongoing project since 1999, involving fire and safety code compliance projects, bathroom renovations, electrical work, elevator renovations, and interior finish repairs.

Project Status: The Budget includes \$6.8 million in RICAP funds spread between FY2015 to FY2018. The public restroom and interior hallway painting projects were completed in FY2014. The Department projects that the new electrical panel and emergency generator installation projects will be completed during FY2015.

Statewide Emergency Water Interconnect Projects

The Water Resources Board administers the Water Facilities Assistance Grant Program to assist communities with establishing emergency water connections. The grants reimburse water suppliers 25.0 percent of the cost if the connection benefits one community or 50.0 percent if the connection benefits two communities.

Project Status: The Budget includes \$1.5 million in FY2015 from previously issued general obligation bond proceeds, and \$1.8 million in general obligation bond proceeds in FY2016 to fund four projects: the Greenville/Smithfield interconnection, the Woonsocket/Cumberland interconnection, the South Kingstown South Shore/United Water interconnection, and the Bristol County Water Authority/East Providence interconnection engineering study.

Veterans' Memorial Auditorium

Constructed in the 1920's, the Veterans' Memorial Auditorium (VMA) was part of the Grand Masonic Temple complex. Both the Masonic Temple and the VMA remained unfinished until after World War II, when both structures became the property of the State. In the late 1940's, local groups rallied to urge the completion of the Auditorium, which was dedicated to the State's war veterans in 1950. The VMA became a center for the arts in Providence, and was a popular venue for three decades.

The Veteran's Memorial Auditorium Foundation (VMAF) took over management of the facility in the early 1990's, with the intention to renovate and promote the venue. The renovation and resurgence of the VMA by the VMAF was hampered by limited donations and management issues. Due to the failure of the VMAF to move forward with a renovation and management plan, the State assumed full management of the VMA facility in July 2008. Due to the Rhode Island Convention Center Authority's (RICCA) management expertise of event venues, the Governor tasked the RICCA to operate and manage the VMA. A lease agreement was signed between the State and the Authority to manage the VMA.

Renovations to the facility included repairing roof leaks, upgrading the HVAC system, new handicap accessible restrooms, new fire safety systems and equipment, security systems, concession equipment, stage and electrical equipment, and a new addition encompassing an enclosed loading dock, and public venue space on the second level.

Project Status: Renovations to the facility began in FY2012. Since then, \$15.3 million in RICAP funds have been used to renovate the structure, with the final \$1.2 million appropriation included in FY2015. The Budget continues funding for asset protection of the facility and includes \$1.3 million in RICAP funds spread between FY2016 to FY2020.

Veterans' Memorial Auditorium Land Purchase

The project involves the purchase and improvement of vacant land on Francis Street between the Veterans Memorial Auditorium and Smith Street. The State purchased the property for \$3.2 million and is using the remaining RICAP funds to grade and improve the property to create additional parking spaces around the Capital Complex.

Project Status: The Budget includes \$744,256 in RICAP funds for FY2015. The State purchased the property on September 16, 2013, for \$3.2 million and expended \$60,000 for architectural and engineering work. The remaining balance is \$744,256 and the Budget adds \$44,344 for a total appropriation of \$788,600 in RICAP funds for FY2015.

Washington County Government Center

The Oliver Stedman Government Center (a/k/a/ the Washington County Government Center) project involves interior and exterior renovations at the Government Center located in South Kingstown. Several State agencies including the Department of Labor and Training, Department of Human Services, DCYF, Coastal Resources Management Council (CRMC), the Division of Motor Vehicles, Judiciary have offices located in the structure. Renovations to the facility include a new front entrance plaza, window replacement, new HVAC installation, and a new pre-fabricated garage structure to store CRMC boats.

Project Status: The Budget includes \$2.8 million in RICAP funds spread between FY2015 to FY2020.

William Powers Building

The William Powers Building located in Providence houses the Department of Administration, the Department of Revenue, and some smaller state agencies. The project involves roof replacement, repairs of window leaks, painting, HVAC system repairs, parking garage repairs, HVAC upgrades, playground removal, elevator renovations, security improvements, accessibility improvements in the parking lot, and cafeteria facility upgrades.

Project Status: The Budget includes \$5.4 million in RICAP funds spread between FY2015 to FY2020. The garage renovations are complete and construction on the new roof, cooling tower, and skylights is scheduled to commence during FY2015.

Zambarano - Utilities and Infrastructure

The project repairs and upgrades services and structures located at the Zambarano Hospital campus in Burrillville. Originally founded in 1905 as a tuberculosis sanatorium, the Zambarano facility was folded into the Eleanor Slater Hospital system in 1994. Although the facility is administered by the Department

of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH), the Department of Administration is responsible for conducting and monitoring the major improvements to the facility. The projects include general asset protection on the buildings, upgrading the water and wastewater treatment facilities, roof repairs, window replacements, and HVAC upgrades.

Project Status: The Budget includes \$3.9 million in RICAP funds spread from FY2015 to FY2020.

Zambarano Wood Chip Boiler

The project involves the purchase and installation of a 200Hp wood chip boiler to heat over 70.0 percent of the Zambarano campus. The project also includes installation of a centralized wood chip storage and conveyor delivery system that automatically moves the stored wood chips from the bin to the boiler.

Project Status: The Budget includes \$32,838 in RICAP funds for FY2015. The project is complete and the boiler went into operation in April 2014. The balance included in the FY2015 plan reflected retainage held until final certification of the project is complete.

Department of Labor and Training

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Center General Asset Protection	\$0.3	\$0.8	\$1.5	\$1.5	\$1.0	\$0.5	\$0.5	\$6.1
Roof Replacement	0.0	2.1	-	-	-	-	-	2.2
Total	\$0.4	\$2.9	\$1.5	\$1.5	\$1.0	\$0.5	\$0.5	\$8.3

Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Federal Funds	\$0.0	\$0.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.3
Other Funds	0.0	0.3	-	-	-	-	-	0.3
RICAP	0.4	2.0	1.5	1.5	1.0	0.5	0.5	7.4
Restricted Receipts	0.0	0.2	-	-	-	-	-	0.3
Total	\$0.4	\$2.9	\$1.5	\$1.5	\$1.0	\$0.5	\$0.5	\$8.3

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

Capital General Asset Protection

This project includes eleven capital repairs as asset protection for the Center General Complex, one repair to the Donley Center and a project involving the NetWorkRI office located in West Warwick. The projects include carpet replacement, connecting roof replacement, walkway repairs, HVAC replacement, painting, fire alarms, drainage repairs, and building “envelope” repairs.

Project Status: The Budget includes \$5.8 million to fund the asset protection projects spread between FY2015 to FY2020. Generally, the capital appropriation is made as a single appropriation, not specific to any single asset protect project, thereby providing the Department with its own discretion as to which projects are worked on in a particular fiscal year.

Roof Replacement Project

The project involves the replacement of 28,500 sq. ft. of slate roofs on buildings 68, 69, and 71 of the Center General Complex within the Pastore Center. The buildings house the Department of Labor and Training and the Department of Business Regulation. The roofs are failing and water is penetrating into the structures. In addition, some of the slates are loose and have become hazardous projectiles. The project includes the complete removal of the slate, repairs to the sheathing, new flashings and under roofing, and replacement of the slate.

Project Status: The Budget includes \$2.1 million in FY2015, of which \$1.3 million is RI Capital Plan (RICAP) funds, consistent with the enacted plan. The project has been in the design and bid phase for several years due to bid qualifications and approval from the State Historic Preservation Commission. Four proposals were received by the State and the project will commence once all receipts of proof of compliance to state regulations are in place. The project should be completed during FY2015.

Department of Revenue

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
DMV Modernization Project	\$13.2	\$0.0	\$2.8	\$2.2	\$0.0	\$0.0	\$0.0	\$18.2
Integrated Tax System	8.8	5.1	6.1	5.0	-	-	-	25.0
Lottery Building Renovations	0.3	0.3	-	-	-	-	-	0.6
Safety and Emissions Lift Replacement	0.0	0.3	-	-	-	-	-	0.3
Total	\$22.3	\$5.6	\$8.9	\$7.2	\$0.0	\$0.0	\$0.0	\$44.1

Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Certificates of Participation	\$17.5	\$5.1	\$8.4	\$5.0	\$0.0	\$0.0	\$0.0	\$36.0
Restricted Receipts	4.5	-	0.5	2.2	-	-	-	7.2
RICAP Funds	0.3	0.5	-	-	-	-	-	0.8
Total	\$22.3	\$5.6	\$8.9	\$7.2	\$0.0	\$0.0	\$0.0	\$44.1

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

DMV Modernization Project

The Division of Motor Vehicles (DMV) is implementing the Rhode Island Motor Vehicle System (RIMS), a database designed to provide a new, real-time, and customer-centric computer system to replace the DMV's current legacy system. RIMS will provide efficient processing, tracking, payment, and security upgrades. The replacement of the legacy system is required due to outdated technology which cannot respond to legislative changes, federal mandates, nor incorporate the hundreds of interfaces with outside entities. The project began in FY2007.

The project has been funded by certificates of participation (COPs), restricted receipts, and general revenue. Restricted receipts are generated through a \$1.50 surcharge on all DMV customer service transactions which pays for the COPs debt service. The DMV surcharge has a sunset date of FY2017 at which time the debt service is anticipated to be paid off.

Project Status: To date, \$16.0 million has been spent on developing this system. The project has experienced repeated delays due to an inability of the vendor to complete the system. The Department has not indicated a go-live date. In FY2016, the Budget includes \$2.8 million in COPs and \$490,000 in restricted receipts from the customer surcharge to support the continuing development of the system, including hardware and software updates. No funds are budgeted in any fiscal year to pay the vendor, Hewlett-Packard (HP), as the current contract does not require the State to pay HP until the RIMS system is online and working.

On April 10, 2015, the Office of Digital Excellence stated in their monthly report to the Senate that the State has agreed to initial terms of a contract negotiation and is finalizing the scope of work and milestones to be included. HP has agreed to pay the State for costs incurred to address the prolonged life of the legacy system, a new hardware environment, and staff augmentation needs related to the delay until Fall 2016. It is unclear what these costs are projected to be.

Analyst's Note: The debt service associated with the COPs is scheduled to be paid off by FY2016, leaving the surcharge account with a surplus of \$491,071 in FY2016 and \$2.7 million in FY2017.

Integrated Tax System

The goal of this project is to acquire and implement a modern tax information technology system that centralizes 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. Completed projects include procurement and installation of software and hardware, and transferring 36 different tax types to the new system.

Project Status: The Budget includes \$5.1 million in FY2015 and \$6.1 million in FY2016 in COPs. To date, \$5.0 million has been issued in COPs, which was spent by Spring 2014. This project has since been funded by general revenue, which will be reimbursed by the subsequent COPs issuances. The Budget Office anticipates issuing \$10.0 million in Fall 2015 and a final issuance of \$10.0 million in Fall 2016. The project timeline is on track and within budget.

Lottery Building Renovations

This project includes repairs at the Division of Lottery's headquarters on Pontiac Avenue in Cranston, including replacement of carpeting (complete), repairs to the parking lot surface (complete), and HVAC replacement.

Project Status: The Budget includes \$266,277 in RICAP funds to complete the HVAC replacement project in FY2015. This is equivalent to the amount included in the enacted capital plan; however, the funds are shifted from FY2014 due to delays caused by the regulatory process. The architectural and design work to replace and repair the 30-year old HVAC system was finalized September 2014 and construction of the new system is underway. Construction will start in the Spring due to having to shut down the heating system during construction.

Safety and Emissions Lift Replacement

This project will replace the heavy duty vehicle lifts within the Division of Motor Vehicles Safety and Emission Control inspection garage in Providence. These lifts, which are used daily for the inspection and repair of all school buses and public service vehicles registered in Rhode Island, are 16 years old and frequently require costly repairs. Employees work under these lifts to inspect and repair large vehicles.

Project Status: The Budget includes \$295,200 to complete the lift replacement project in FY2015. The project totals \$300,000, which is equivalent to the amount included in the enacted capital plan; however, the majority of these funds are shifted from FY2014 due to delays in engineering services being completed behind schedule and receiving approval for the building plans by the State Building Commissioner's Office.

Secretary of State

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Colonial Charter Preservation	\$0.0	\$0.1	\$0.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.5
Total	\$0.0	\$0.1	\$0.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.5

Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
RICAP Funds	\$0.0	\$0.1	\$0.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.5
Total	\$0.0	\$0.1	\$0.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.5

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

Colonial Charter Preservation

This project funds the preservation, security, and lighting for the State Charter, an appraisal to determine its value, decorative enclosures for the encasements, and transportation of the Charter via professional art movers to the Charter Museum in the State House.

The Secretary of State is the custodian of the Rhode Island Royal Charter of 1663, issued by King Charles II of England. This document marked the first time in modern history that a monarch signed a charter declaring religious freedom for individuals within a society without interference from the government. The Charter was housed in Newport until it was moved to the State House in 1900. In April 2014, the Secretary of State and the Governor signed a memorandum of agreement declaring that the State Charter was in need of both restoration and display overhauls.

Project Status: The Budget includes Rhode Island Capital Plan (RICAP) funding of \$63,754 in FY2015 and \$436,246 in FY2016 for continued restoration and preservation work associated with the encasement of the Charter. Total funding is consistent with the enacted capital plan; however, funds are shifted to FY2016 due to a revised project timeline.

Division of Public Utilities and Carriers & Public Utilities Commission

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Asset Protection	\$0.0	\$0.2	\$0.0	\$0.1	\$0.1	\$0.0	\$0.1	\$0.5
Total	\$0.0	\$0.2	\$0.0	\$0.1	\$0.1	\$0.0	\$0.1	\$0.5

Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Restricted Receipts	\$0.0	\$0.2	\$0.0	\$0.1	\$0.1	\$0.0	\$0.1	\$0.5
Total	\$0.0	\$0.2	\$0.0	\$0.1	\$0.1	\$0.0	\$0.1	\$0.5

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

Division of Public Utilities and Carriers and Public Utilities Commission Asset Protection

RIGL 39-1-23 authorizes the Administrator of the Division of Public Utilities and Carriers to assess all regulated public utility corporations an amount necessary to conduct the operations of the Division and Commission. The amount assessed each regulated utility is based on a utility's gross reported revenue. Currently, the Administrator sets the aggregate capital amount at \$300,000 per fiscal year, based on past annual capital expenditures of the Division. Assessments are placed into a restricted receipt account and used for capital projects for the Public Utilities Commission and the Division of Public Utilities and Carriers.

Asset protection funds are used for capital repairs on the facility located at 89 Jefferson Boulevard in the City of Warwick. The structure has been used by the Division of Public Utilities and Carriers/Public Utilities Commission since 2002 for office and public hearing space. In addition, the Division continues to replace older vehicles at the Agency. The SUVs are used by the Division's investigators to conduct highway safety programs in conjunction with the Rhode Island State Police, Unified Carrier Registration (UCR) inspections. The investigators use both vehicles to travel around the state for taxi, ferry, pipeline safety and other regulatory inspections. The project continues past practices of scheduling the replacement of the older vehicles over a period of fiscal years.

Project Status: The Budget includes \$454,000 in restricted receipts consistent with the enacted capital plan, to fund the four asset protection projects between FY2015 and FY2020, including the replacement of windows, membrane roof, handicap railings and ramp, and to resurface the parking lot.

Executive Office of Commerce

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
I-195 Commission	\$0.0	\$0.0	\$0.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.3
Total	\$0.0	\$0.0	\$0.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.3

Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
RICAP	\$0.0	\$0.0	\$0.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.3
Total	\$0.0	\$0.0	\$0.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.3

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

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.

I-195 Redevelopment District Commission

The enacted capital plan includes funds for architectural and engineering costs incurred by the I-195 Redevelopment District Commission. The Commission was created to acquire and administer the development of over 40 acres of former I-195 highway land. To assist with this task, the Commission requires architectural and engineering and other professional services.

Project Status: The Budget includes \$300,000 in RICAP funds in FY2016 to cover engineering, planning, legal, and land maintenance costs projected for FY2016.

Department of Children, Youth, and Families

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Fire Code Upgrades - Youth Group Homes	\$2.2	\$0.6	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$2.8
Groden Center - Building Façade	-	-	-	0.3	-	-	-	0.3
Groden Center - Feasibility Study	-	-	-	0.1	-	-	-	0.1
Groden Center - Fire Towers	-	0.1	-	-	-	-	-	0.1
NAFI Center Refurbishment	0.6	0.2	-	-	-	-	-	0.8
Training School - Generators	0.0	0.4	-	-	-	-	-	0.5
Training School - Maintenance Building	-	0.5	-	-	-	-	-	0.5
Training School Repairs	0.1	1.4	-	-	-	-	-	1.5
Total	\$3.0	\$3.2	\$0.0	\$0.3	\$0.0	\$0.0	\$0.0	\$6.6

Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
RICAP Funds	\$3.0	\$3.2	\$0.0	\$0.3	\$0.0	\$0.0	\$0.0	\$6.6

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

Fire Code Upgrades – Youth Group Homes

The Department of Children, Youth, and Families (DCYF) assesses and upgrades fire protection systems at all 111 privately owned and operated youth group homes and facilities throughout the State. The upgrades ensure facilities are compliant with current fire code. Project components include architectural design plans and approvals, installation of sprinkler systems, installation of hardwired smoke detectors, alternative egress stairs installation, enclosure of heating systems, and well-water booster systems installation.

Project Status: The Department indicates that some of this work is being undertaken by individual providers. DCYF is working with state purchasing to complete upgrades at the remaining 35 facilities. DCYF is also working closely with the two System of Care networks to inventory all group homes to determine the priority of upgrades. The Budget includes \$590,000 in FY2015 to complete the project, bringing total project funding to \$2.8 million in Rhode Island Capital Plan (RICAP) funds.

Groden Center – Building Façade

This project repairs, replaces, and refurbishes damaged exterior brick, mortar joints and window and door lintels at the Groden Center at 86 Mount Hope Avenue in Providence. Due to deficiencies in the building's façade, water is penetrating the structure causing damage and mold in the interior of the building.

Project Status: DCYF indicates that the delay in completing this project has been persistent and is the results of a backlog of other projects being undertaken at the Center. The Budget includes \$275,000 in RICAP funds in FY2017 to complete this project.

Groden Center – Feasibility Study

The Groden Center provides day program for autistic children, developmentally-disabled children, and children with behavioral disorders, and their families, and is located at 86 Mount Hope Avenue in Providence. Approximately 50 youth involved with the Department of Children, Youth, and Families (DCYF) attend the Groden Center, however, the Groden Center serves other children and families, bringing the total student population to approximately 100 youth. This project funds a feasibility study to replace electrical, plumbing, and heating systems at this state-owned facility, which is leased by the Groden Network. The original building was constructed in the 1920s, and DCYF indicates that current plumbing and electrical systems are inadequate, and that upgrades are necessary to ensure a health and safe environment for its clients.

Project Status: The Budget provides \$50,000 in RICAP funds in FY2017 to conduct the study.

Groden Center – Fire Towers

This project replaces two existing exterior steel fire ladders with enclosed brick stair towers at the Groden Center in Providence. The existing fire ladders were determined to be deficient by the State Fire Marshal, and as a result, there is no point of egress in the event of a fire from the second floor. Replacement of the ladders with new, enclosed stairs will ensure fire code compliance.

Project Status: The Budget includes \$127,500 in RICAP funds in FY2015 to complete this project.

NAFI Center Refurbishment

The project repairs electrical and fire safety systems at the North American Family Institute (NAFI) State-owned group home facility. The facility houses a residential treatment program for up to 22 youth. Repairs include a new boiler and hot water heater, painting, driveway and parking lot replacement, installation of a new sprinkler system, fire pump, fire alarm system, HVAC upgrades, and drainage pipe repairs.

Project Status: Repairs will be completed in FY2015 with the following projects completed to date: boiler and hot water heater replacement, painting, and driveway and parking lot replacement. The Department is still working to install a new sprinkler system, fire pump, fire alarm system; to upgrade generator and air conditioning systems; and to repair drainage pipe. Project funding includes \$198,460 in FY2015, bringing total costs to \$792,905 in RICAP funds.

Training School - Generators

This project permits DCYF to purchase three generators for the Rhode Island Training School (RITS), which consists of two facilities - the Youth Assessment Center (YAC) and the Youth Detention Center (YDC). One of the generators will be located at the YAC and two of the generators will be located at the YDC. The YDC is the larger of the two facilities and houses its kitchen operations. Any power failure will compromise the safety of food storage and preparation. Additionally, in an event of a power failure or emergency situation, youth detained at the RITS within the YAC, can be temporarily located within the gymnasium in the YDC.

Currently, the generators in both facilities are “life/safety” generators that power only lights and a portion of the computer and security systems. If power is lost at either facility, some facilities and systems become inoperable or fail to function properly, including the HVAC system and kitchen facilities. The Pastore Complex has a system in place for renting generators in the event of power failures, however, this protocol has proven to be problematic in the past.

Project Status: According to the Department, design work is still underway, and it intends to have the generators out for bid by spring. The Budget includes \$427,000 in FY2015, which brings total projects costs to \$457,802 in RICAP funds to complete the project.

Training School – Maintenance Building

This project permits DCYF to purchase a new pre-fabricated maintenance building for the RITS. Upon construction of the new RITS and closure of the old training school facility, maintenance operations were moved to the Varley Building within the Pastore Complex, as the new RITS did not have space for these operations. According to the Department, this move was intended to be temporary, and the Department is now using rented storage containers and a vacated pod at the RITS for storage. This building establishes space for maintenance operations and creates shop and warehouse areas for staff. Shop areas will be used to store filters, light bulbs, parts, and ceiling tiles and will also provide a location for staff to conduct repairs for plumbing, painting, and other functions. Warehouse areas will be used to store items such as food supplies, paper supplies, clothing, and shoes.

The pre-fabricated building (approximately 7,500 square feet) will be on a vacant parcel of land between the RITS and Varley Buildings. The building will include a loading dock, shop areas, two offices, restroom facilities, and warehouse operations. In order to support carpentry and welding that may be

necessary for facility operations, proper electrical and fire protection will also be required within this building.

Project Status: The Budget includes \$535,000 in RICAP funds in FY2015, reflecting a revised project timeline for the prefabricated building.

Training School Repairs

This project repairs defects at the RITS, which initially appeared to be the results of poor design of this facility. However, the Department, in conjunction with the Department of Administration (DOA) and the Office of the Attorney General, unsuccessfully attempted to recuperate costs associated with the defects through legal remedy. According to documentation provided by DOA, it was determined that the State's claim could not be substantiated.

Specific repairs include:

- Replacement of the flashing to prevent water damage to the roof and insulation. This includes architectural and engineering services, which have already begun, and construction, beginning in FY2015, to remediate building leaks.
- A new generator power conduit.
- Two new cement pads to address sewer odors.

Project Status: The Budget includes \$1.4 million in RICAP funds in FY2015 to complete repairs. Contractor bids were received and a contractor was selected. According to the State Budget Office, DOA Capital Projects anticipates additional costs as the project moves forward.

Department of Health

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Vital Records Infrastructure	\$0.4	\$0.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.9

Funding by Source	Pre- FY2014	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	Total
Federal Funds	\$0.4	\$0.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.9

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

Vital Records Infrastructure

The Department of Health (DOH) maintains the State's vital records system, which is accessed by all 39 cities and towns throughout Rhode Island. This includes the maintenance of all birth, death, marriage, induced termination of pregnancy, and civil union records. On average, the Vital Records Division is responsible for maintaining 11,750 new birth records, 9,500 new death records, and 6,500 new marriage/civil union records per year. Current death and marriage paper-based record systems are 25 years old, resulting in a significant delay from date of occurrence to when the information is actually entered into the system. According to the Department, there is an average delay of two to three months for death and marriage records.

The original project began to upgrade the State's electronic birth registration system in FY2013 to ensure compliance with current federal guidelines. The system upgrade is entirely federally funded.

The Department seeks to expand the project to include new electronic death, marriage, and other registration and data collection systems. The scope of this project is expanded to include the construction of a Secure Records Area (SRA), a physical area to protect existing paper records. According to the Department, existing records are not in a protected environment and are exposed to potential fire and water damage, and to day-to-day changes in temperature, moisture, and other conditions in an uncontrolled and regulated environment that may alter or degrade the quality of paper records.

Project Status: The Budget includes \$500,000 in federal funds in FY2015 to complete the birth records module. The project cost totals \$858,941 and is entirely federally funded. The electronic birth records module is nearly complete and went live as of January 1, 2015 with all birthing hospitals in the State. There is a second component of the upgrade that interfaces with municipalities that is anticipated to go live within the current fiscal year.

All other modules (electronic death, civil union, induced termination of pregnancy records, and the SRA) are not funded in the Budget.

Department of Human Services

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Blind Vending Facilities	\$0.8	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$1.8
Renovate Nursing Unit N-5, N-6, N-7	0.0	0.6	-	-	-	-	-	0.6
Renovate Veterans' Home Entrance	0.0	0.0	-	-	-	-	-	0.0
Upgrade Electrical System	0.1	0.1	-	-	-	-	-	0.3
Veterans' Cemetery - Burial Fields Survey	-	0.1	-	-	-	-	-	0.1
Veterans' Home - New Construction	2.0	8.1	47.5	31.0	5.4	-	-	94.0
Total	\$3.0	\$9.1	\$47.7	\$31.2	\$5.5	\$0.2	\$0.2	\$96.8

Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
General Revenue	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Restricted Receipts	0.3	0.8	-	-	-	-	-	1.0
Federal Funds	-	-	34.2	18.0	5.4	-	-	57.5
RICAP Funds	0.7	0.2	0.2	0.2	0.2	0.2	0.2	1.7
G.O. Bonds	2.0	8.1	13.4	13.0	-	-	-	36.5
Total	\$3.0	\$9.1	\$47.7	\$31.2	\$5.5	\$0.2	\$0.2	\$96.7

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

Blind Vending Facilities

The Department of Human Services (DHS) constructs and renovates vending facilities at state buildings as part of the Department's Business Enterprises Program, a federal-state vocational rehabilitation program for the blind. This project ensures that a least one vending location operated by the legally blind can be created or renovated each year. The newest vending facility opened in 2010 at the RI Registry of Motor Vehicles in Cranston.

Project Status: The Budget includes \$165,000 per year from FY2015 through FY2020 to fund on-going upgrades.

Renovation of the facility at the URI Shepard building and minor renovation and infrastructure support of 16 existing locations is planned for FY2015. The Department is in the design phase of updating the vending facility within the Shepard Building in Providence. It is one of the largest and oldest facilities in the program, and has not been updated since 1995. The Department indicates that some delays in awarding the contracts for design, architectural, and engineering work were incurred, and it may need to carry over unexpended funds into FY2016 to complete the upgrades.

Renovate Nursing Units N-5, N-6, and N-7

Renovations are scheduled for three nursing units at the existing Veterans' Home in Bristol. Project funding is made available through existing restricted receipts, which are accrued through fees charged to the veterans living at the facility. This revised project has a smaller scope than that funded by the FY2013 Budget and is now focused on providing residents with a clean environment to live in while the new Home is being constructed. The renovation budget is anticipated to total \$600,000.

The nursing units were constructed in 1976 and require renovations to resident rooms, corridors, bathrooms, and auxiliary rooms. The Department maintains that these renovations will remain useful even as the units are repurposed upon completion of the new Veterans' Home.

Project Status: The Budget includes a total of \$618,834 in restricted receipts for this project through FY2015. Renovations began in October 2014 and are anticipated to be completed by May 2015.

Renovate Veterans' Home Entrance

This project renovates the front entrance of the Veterans' Home in Bristol. The current entrance, built in 1954, is uncovered; a covered front entrance would enhance the safety and accessibility of the home. The existing Veterans' Home will continue to be used to address the needs of spouses, homeless veterans, and those veterans requiring rehabilitation. Funding is available through existing restricted receipts, which are accrued through fees charged to the veterans living at the facility. The project was initially proposed in

FY2009 and budgeted for FY2010, but was delayed due to changes in leadership and review of capital priorities at the Veterans' Home.

Project Status: The renovations are complete and cost a total of \$11,624 in restricted receipts.

Upgrade Electrical System

This project replaces two electrical generators at the Veterans' Home in Bristol. This project, which is revised in scope for FY2015, initially funded the replacement of all five of the Home's generators. It has been determined that the remaining three generators are sufficient until the new Home is built.

Funding is available from existing restricted receipts that are accrued through fees charged to the veterans living at the facility. In phase one of this project, completed in FY2012, the fire alarm system was upgraded to meet updated fire code. Phase two, scheduled for completion in FY2015, includes modifications to the emergency electrical distribution system to meet updated code and relocation of existing generators to allow for continuous operation of power in the event of an electrical outage.

Project Status: The project is nearly complete and the total project cost is projected to be approximately \$265,000 in restricted receipts.

Veterans' Cemetery – Burial Fields Survey (new)

Several acres of land have been identified for use as burial plots at the Rhode Island Veterans' Memorial Cemetery. This project permits the Department to conduct a survey of the land to determine the specific number of plots, site the plots, and identify the number of additional burials that would be permissible within the unused acreage.

Project Status: The Budget includes \$50,000 in restricted receipts to fund this project in FY2015. Funding is available through existing restricted receipts, which are accrued through fees charged to the veterans living at the facility

Veterans' Home - New Construction

In November 2012, voters approved the issuance of \$94.0 million in general obligation bonds to construct a new Veterans' Home on the grounds of the existing home in Bristol. This new facility will include 192 nursing beds for veterans who require specialized care services and an additional 16 beds for veterans who require only some assisted living care, bringing the total capacity to 208.

Though this construction and renovation will be financed initially through bonds, the State Budget Office anticipates reimbursement of up to \$57.5 million from the U.S. Department of Veterans Affairs (VA), resulting in a net cost to the State of \$36.5 million, excluding debt service.

The Budget includes \$36.5 million in general obligation bond funds and \$57.5 million in federal funds for the construction of a new Veterans' Home within the five-year capital plan. As of the date of the Governor's budget submission, \$18.5 million in general obligation bonds have been issued.

A significant amount of pre-construction work has been completed, which includes completion of the feasibility study and master plan; schematic design; submission of an application to the VA for construction grant funds; and architect, engineering, and construction contracts have all been awarded. The ground breaking and construction of the new home is scheduled to begin spring 2015 (late April to early May). The Governor's recommendation 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.

It was initially projected that the new facility would consist of three phases: a new 225 bed nursing facility, the construction of a new 75 bed assisted living facility, and the renovation of a portion of the existing facility to address the needs of spouses, homeless veterans, and those requiring rehabilitation. However, following discussions with the VA, the projected capacity of the new home was revised downward to a total of 208 beds to maintain eligibility for all available federal funds. This includes the

federal reimbursement for a portion of the construction of new home as well as a per diem reimbursement DHS receives for each resident of the Veterans' Home, which averages \$7.0 million annually. Federal regulation limits Rhode Island to 157 nursing beds, however, the State was granted a waiver permitting the addition of 35 more nursing beds, and 16 assisted living beds, bringing the total capacity, including nursing (192) and assisted living beds (16), to 208.

Department of Behavioral Healthcare, Developmental Disabilities and Hospitals

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
BHDDH Admin Buildings Renovations	\$3.2	\$1.0	\$2.0	\$1.0	\$0.3	\$0.3	\$0.3	\$8.0
Community Facilities - Fire Code Upgrades	1.8	0.4	0.4	0.4	0.4	0.4	-	3.8
DD Private Waiver Comm. Facilities Fire Upgrades	3.8	0.5	0.6	0.4	0.2	-	-	5.5
Hospital Consolidation	3.1	0.1	-	-	-	-	-	3.2
Hospital Equipment	-	-	0.3	0.3	0.3	0.3	0.3	1.5
Mental Health Community Facilities/Capital Repair	1.7	0.4	0.4	0.4	0.4	0.4	0.4	4.1
Mental Health Residences (Housing Development)	3.5	0.8	0.8	0.8	0.8	0.8	0.8	8.3
MR Community Facilities - Capital Repair	3.5	1.0	1.0	1.0	1.0	0.8	-	8.2
MR/DD Residential Development	4.0	0.5	0.5	0.5	0.5	0.5	0.5	7.0
Regan Building Renovations	2.8	1.0	0.2	0.2	1.1	1.5	1.2	7.8
Regional Center Repair/Rehabilitation	2.2	0.4	0.4	0.4	0.4	0.4	0.4	4.6
Substance Abuse Facilities Asset Protection	0.4	0.1	0.1	0.1	0.1	0.1	0.1	1.0
Zambarano Buildings	0.8	0.2	0.3	0.4	0.3	0.1	0.1	2.2
Total	\$30.6	\$6.3	\$7.0	\$5.9	\$5.8	\$5.5	\$4.1	\$65.0
Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
RICAP Funds	\$28.2	\$6.1	\$6.7	\$5.7	\$5.7	\$5.5	\$4.1	\$61.8
Federal Funds	2.4	0.3	0.3	0.2	0.1	-	-	3.2
Total	\$30.6	\$6.3	\$7.0	\$5.9	\$5.8	\$5.5	\$4.1	\$65.0

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

BHDDH Administration Buildings Renovation

Barry and Simpson Halls, built in the 1930's as nurse dormitories but currently used as BHDDH's administrative offices, are renovated by this project. Renovations include new windows, an HVAC system, replacement of asbestos pipe insulation and new carpets and a new roof. Additional planned projects include renovations to make the exteriors and bathrooms handicap accessible.

Project Status: Rather than funding this project primarily in FY2015 and FY2016 as provided in the enacted plan, the Budget includes RICAP funds of \$1.0 million in FY2015 and \$2.0 million in FY2016, and pushes \$1.0 million in funding out into FY2017.

Community Facilities – Fire Code Upgrades

This project upgrades the existing fire alarm and sprinkler systems in 111 day program and residential behavioral healthcare facilities licensed by the Department. The upgrades are required under the state fire code as previously granted waivers to the code were revoked in February 2004. Unlike the project which provides for fire code upgrades to group homes for the developmentally disabled, there is no federal Medicaid match available for these behavioral health facilities, so the project will be funded entirely with RICAP funds.

Project Status: To date, 67 facilities have been upgraded and are fully fire code compliant. Work has begun on 16 other facilities. The Budget includes RICAP funds of \$400,000 in FY2015 and \$400,000 in FY2016, consistent with the enacted capital plan.

Developmental Disability Private Waiver Community Facilities Fire Code Upgrades

This project installs new and upgraded fire alarm and sprinkler systems as required under the State fire code in community residences operated by private providers and licensed by the Division of Developmental Disabilities. These residences had been grandfathered or had been granted permanent variances under prior fire codes but the new code eliminated these allowances. These upgrades qualify for Medicaid matching funds.

In FY2013, the Department worked with the Fire Safety Code Board to develop a plan for completing the fire alarm and sprinkler upgrades concurrently, whereas there had been separate plans for each in previous capital plans.

Project Status: Upgrades to 165 homes have been completed and 10 are in process. The Budget includes funding consistent with the enacted plan, with completion of the upgrades in FY2018.

Hospital Consolidation

This project originally provided \$3.4 million in the FY2007 Enacted Budget for the renovation of the Mathias and Varley buildings at the Pastore Center in order to accommodate the need for building code upgrades and to move adult psychiatric facilities closer to the central medical services at the Regan Building.

Once it was determined that new construction would be more cost-effective than renovation, the project changed to include demolition of the existing buildings and construction of a new building. The FY2011 capital plan included \$28.3 million for the construction of a new three-story building of approximately 77,000 square feet that would house an adult psychiatric unit (75 beds), a psychiatric forensic unit (40 beds), a psycho-geriatric unit (25 beds) and would include additional space for records storage and supplies. Total patient population will be 140 patients, plus an additional 10 isolation rooms.

In addition to locating adult psychiatric facilities more centrally, the advantages of new construction over renovation of existing facilities include having state of the art facilities versus upgrades to sixty-year-old buildings, having full-sized rooms that meet current hospital standards versus seeking waivers for undersized rooms, a smaller footprint to allow for more parking, staffing efficiencies and improved patient safety. The newly constructed facility would increase the number of beds for psycho-geriatric patients who require both medical and psychiatric treatment.

In FY2012, project costs were raised to \$38.4 million. Project costs increased again in FY2013 due to the addition of a program manager to the project. In the FY2015 Governor's recommended capital plan, the project cost increased to \$41.6 million due to new federal guidelines that require additional rooms and spaces be added to the facility's footprint as well as to rising Rhode Island construction costs. As of May 2014, project costs increased to \$58.5 million as construction details were finalized. Construction was scheduled to commence in September 2014 and be completed by September 2016.

The FY2015 capital plan, however, removed funding from FY2015 through FY2017 and instead funded the project in FY2018 and FY2019.

Project Status: The Budget does not recommend further funding for the construction of a new public psychiatric hospital. This is consistent with the enacted 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 Eleanor Slater Hospital'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 is due at the end of April 2015.

Hospital Equipment (New)

This project provides for the purchase hospital beds and medical equipment such as infusion pumps, defibrillators, vital sign monitors, and Stryker beds. It also funds upgrades to the Eleanor Slater Hospital respiratory unit's ventilation management system that monitors breathing of patients on ventilators.

Project Status: The Budget includes of \$1.5 million in RICAP funds for this project through FY2020 with \$300,000 each year.

Mental Health Community Facilities/Capital Repair

Emergency repairs and asset protection at the 22 state-owned behavioral health group homes and 7 outpatient facilities are funded by this project. Types of repairs include HVAC, boiler systems, exterior and interior painting, flooring, and electrical and septic repairs.

Project Status: The Budget includes of \$400,000 of RICAP funds for FY2015 and \$400,000 for FY2016, consistent with the enacted plan.

Mental Health Residences (Housing Development)

Ongoing RICAP funding maintains housing for those with serious and persistent mental illness as part of a program known as Thresholds, which is administered with Rhode Island Housing on behalf of BHDDH. The Thresholds program helps non-profit groups purchase and rehabilitate apartments and homes and provide mental health and supportive services that enable those with mental illness to live in the community rather than in an institution.

Project Status: FY2014 funding of \$800,000 was allocated to Opportunities Unlimited for housing in South Kingston, Valley Affordable Housing Corporation for housing in Cumberland, and Fellowship Health Resources for housing in Providence and Cranston. The Budget includes \$800,000 in FY2016 through FY2020, consistent with the enacted plan.

MR Community Facilities – Capital Repair

This project provides RICAP funds for emergency repairs and asset protection at the State-owned group homes that serve as community residences for those with developmental disabilities. The State operates 38 of these locations, while 149 are privately operated. As part of the contracts with providers to operate the community residences, the State is obligated to maintain all of the facilities.

Typical projects include HVAC, boiler systems, exterior and interior painting, flooring, and electrical and septic repairs. These repairs are funded as requested by private operators of group homes on an ad hoc basis, no comprehensive assessment of the homes' conditions has been undertaken. The average State-owned group home is 67 years old.

Project Status: The Budget provides \$1.0 million annually for asset protection, to secure the building envelope of 15 homes, replace septic systems at 3 homes, and install emergency generators in 20 homes.

MR/DD Residential Development

This project funds the development of community-based housing for developmentally-disabled individuals as part of two programs: Thresholds and Access to Independence, both of which are administered by Rhode Island Housing. Funds are used to provide one-time adaptations and modifications so that children can remain in the family home as well as to purchase new units as the Department moves away from its current group home model where the State purchases and maintains residences.

Project Status: The Budget includes \$500,000 in RICAP funds for each year.

Regan Building Renovations

This project funds the continued maintenance of BHDDH's Mathias and Regan buildings of the Eleanor Slater Hospital, including upgrades to the HVAC, electrical, and elevator systems. Renovation of four Regan nursing stations and replacement of windows at Mathias is also included.

Project Status: The Budget includes total funding of \$7.8 million in RICAP funds, consistent with the enacted plan, but pushes \$1.2 million of this out to FY2020.

Regional Center Repair/Rehabilitation

This project funds routine maintenance of 11 State-owned facilities such as the Trudeau Center in Warwick, the Olean Center in Westerly, and the Fogarty Center in North Providence that are used for privately-operated day workshop programs for the developmentally disabled. Repairs typically include parking lot repaving and restriping, window, bathroom, and HVAC upgrades.

Project Status: The Budget recommends \$400,000 in RICAP funds each year, funding consistent with the enacted plan.

Substance Abuse Facilities Asset Protection

This project funds the maintenance and renovation of the 12 community facilities that house substance abuse clients and programs and typically have 12 to 16 beds. Projects include exterior envelope repairs, HVAC upgrades, and bathroom and kitchen renovations.

Project Status: Current projects include the replacement of an emergency generator and exterior painting of a facility in Richmond and the installation of a wastewater treatment system at the Phoenix House on the Zambarano campus. The Budget includes \$100,000 in RICAP funds in FY2015 and FY2016, consistent with the enacted plan.

Zambarano Buildings

This project renovates the Beasley Building at the Zambarano Unit of the Eleanor Slater Hospital, including renovation of the oxygen system, a new roof, a central HVAC system, and improvements to the exterior envelope including windows and masonry pointing. Buildings at the Zambarano Hospital Campus in Burrillville range in age from 50 years to 80 years. In prior years, this project has replaced 612 windows and repointed the masonry of the Wallum Lake House.

Project Status: The Budget includes total funding of \$2.2 million in RICAP funds, consistent with the enacted plan.

Governor's Commission on Disabilities

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Handicapped Accessibility - Facility Renovations	\$1.0	\$0.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1.9

Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
RICAP Funds	\$1.0	\$0.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1.9

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

The Governor's Commission on Disabilities coordinates the expenditure of capital improvement funding for projects to bring State governmental facilities into compliance with the Americans with Disabilities Act (ADA). The Commission indicates that the projects and recommended funding levels are the result of an engineering study of all state-owned facilities completed in FY2012, intended to identify issues of ADA non-compliance, including safety and accessibility barriers. According to the Commission, it is estimated to cost \$45.2 million to bring the State into full compliance with the ADA.

Handicapped Accessibility – Facility Renovations

Addressing deficiencies at facilities throughout the State, this project includes restroom upgrades; interior and exterior entry upgrades, including automated door openers; parking enhancements, including the installation of curbcuts and ramps; Braille and directional signage; and other enhancements intended to improve handicapped accessibility at state-owned facilities. The improvements include upgrades at Rhode Island institutions of higher education, the State House, recreation facilities, RIPTA Commuter Park and Ride projects, railroad station projects, John O. Pastore Center, and other Capitol Hill projects.

The Budget continues to fund this project, however, funding is shifted from the Commission to the Department of Administration (DOA). In an effort to improve project coordination and oversight, however, the Commission will still maintain a role in determining which specific handicapped accessibility projects are a priority.

Within DOA, the Budget includes a total of \$5.0 million in Rhode Island Capital Plan (RICAP) funds from FY2016 through FY2020 (\$1.0 million annually), a reduction of \$2.5 million from the enacted plan based upon revised expenditure projections. This includes funding 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.

Elementary and Secondary Education

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Cranston Career and Technical School Projects	\$2.9	\$0.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$3.3
Warwick Career and Technical School Projects	0.0	1.0	1.0	1.2	-	-	-	3.1
Woonsocket Career and Technical School Projects	0.0	1.0	1.0	1.2	-	-	-	3.2
Davies Career and Technical School - HVAC	2.0	1.5	0.4	0.9	0.3	-	-	5.1
Davies Career and Technical School - Asset Protection	0.6	0.8	0.8	0.2	0.2	0.2	0.2	2.8
Comprehensive Education Information System	7.1	0.2	0.2	0.1	-	-	-	7.6
LEA Technology Infrastructure	1.6	15.4	2.8	-	-	-	-	19.8
Metropolitan Regional Career and Technical School Asset Protection	0.1	0.1	0.1	0.1	0.3	0.3	0.3	1.2
Metropolitan Regional Career and Technical School - HVAC	0.7	1.8	-	-	-	-	-	2.5
Metropolitan Regional Career and Technical School Asset Protection - East Bay	8.7	0.1	-	-	-	-	-	8.8
School For The Deaf - New Facility Construction	30.8	0.2	-	-	-	-	-	30.9
Total	\$54.7	\$22.4	\$6.2	\$3.6	\$0.7	\$0.4	\$0.4	\$88.4
Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Certificates Of Participation	\$33.7	\$15.8	\$3.0	\$0.1	\$0.0	\$0.0	\$0.0	\$52.5
Federal Funds	5	-	-	-	-	-	-	4.6
RICAP	16.4	6.7	3.3	3.5	0.7	0.4	0.4	31.3
Total	\$54.7	\$22.4	\$6.2	\$3.6	\$0.7	\$0.4	\$0.4	\$88.4

\$ in millions.

Cranston Career and Technical School Projects

This project includes code-required, life and fire safety repairs and replacement of the 35-year-old heating, ventilation and air conditioning (HVAC) system at the Cranston Career and Technical Center, which was transferred to the City of Cranston in the Fall of 2014. This project was completed upon transfer of the property.

Project Status: The Budget includes the final payment of \$400,000 made in July 2014.

Warwick Career and Technical School Projects

This project replaces the roofing system at the state-owned, Warwick Career and Technical Center. The existing membrane roofing system is over 20 years old, and water leaks have compromised the structural integrity of the roof framing system. The project also includes other repairs identified through a 2014 feasibility study needed to induce the district to take ownership of the facility.

Project Status: The State Properties Committee approved the transfer of the property to the City on March 3, 2015. The Budget includes \$950,000 in FY2015 and \$1.0 million in FY2016 to satisfy the terms of the transfer agreement; however, the transfer agreement requires a \$1.8 million transfer in FY2016. Consequently, the Department has requested, through the Budget Office, that \$800,000 be shifted in FY2016 from Woonsocket's allocation to Warwick's and returned in FY2017.

Woonsocket Career and Technical School Projects

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. The roof has been patched multiple times but continues to leak, damaging ceilings, flooring, furniture, fixtures and equipment. 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.

Project Status: 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. Under the current draft transfer agreement, the City would receive \$1.0 million in FY2015, \$200,000 in FY2016 and the remaining \$2.0 million in FY2017. The Budget includes \$1.0 million in RICAP funds in FY2015, \$1.0 million in FY2016, and \$1.2 million in FY2017 in RICAP funds toward these costs; however, the transfer agreement only requires a \$200,000 transfer in FY2016. Consequently, the Department has requested, through the Budget Office, that \$800,000 be shifted in FY2016 from Woonsocket's allocation to Warwick's and returned in FY2017.

Davies Career and Technical School – HVAC

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. In FY2010, architectural and engineering work led to a change in the scope of the project from an electric-based heating/cooling solution to an energy-efficient hydronic heating and split cooling system.

Project Status: Due to various delays, this project is being re-bid this summer, with vendor selection scheduled for March 2016. The Budget 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.

Davies Career and Technical School - Asset Protection

The asset protection project provides funding for the most pressing capital needs on a year-to-year basis. The facility was built 1972 and has experienced wear and tear over time. In FY2014, Davies was granted a final extension to correct fire code violations. The deadline was extended until the opening of school in September 2014: this deadline was met. Other anticipated projects include waterproofing and sealing, paving of the access road and parking lot, and window replacement.

Project Status: The Budget includes \$820,000 in RICAP funds in FY2015 and \$770,000 in FY2016. As of April 2015, Davies has completed \$340,000 worth of projects, including fire code upgrades, cosmetology shop upgrades, and security repairs. An additional \$355,000 will be used in FY2015 for parking lot and driveway paving. Davies will complete a long-term master plan in FY2016 for \$120,000.

Comprehensive Education Information System

The Comprehensive Education Information System (CEIS) innovative schools initiative integrates state and local school information systems to comply with the mandates of No Child Left Behind and to assess how well Rhode Island schools are meeting their mandates for student achievement. The project has provided for the building of a data enterprise, license and support of the data warehouse, revisions to the uniform chart of accounts, and enhancements to eRIDE, a secure portal where districts and schools submit data to the statewide data collection system. Improvements include making the data more user-friendly and providing more stream-lined access with the new Single Sign On (SSO) portal. This system uses nationally recognized standards in educational data elements to allow different databases to communicate with each other for the purposes of transferring and verifying data.

Funding has also been used to construct a data warehouse to be the Department's repository for electronically stored data, as well as a statewide directory for the data warehouse, the Adult Basic Education Information System, and a dry fire suppression system for the technology room at the Shepard Building.

Project Status: In FY2015, this project will include additional data backup requirements and a feasibility analysis of cloud storage. In FY2016 the project will include replacing remaining infrastructure systems, and database systems that are reaching the end of life.

The total project cost of \$7.6 million includes \$3.0 million in certificates of participation and \$4.6 million in federal funds. The Budget includes \$226,474 in certificates of participation in FY2015 and \$163,000 in FY2016.

LEA Technology Infrastructure

This project provides technological upgrades to school district buildings that are needed to meet the requirements of the federal Race to the Top grant, such as student/teacher information systems, virtual learning, and technology in the classroom. The proceeds from certificates of participation are being used primarily to extend the wireless access in classrooms across the State through the installation of switches, routers and wiring. The proposal also includes a matching request for private funds for the purchase of electronic devices, computer labs, mobile computer carts, and other equipment.

Project Status: As of September 2014, \$13.5 million in grants have been issued to all but four of the eligible LEA's (the remaining schools are small charter schools) and \$2.6 million in payments have been made. Many districts are currently in the 30 to 60 day testing phase. Testing is done during the school year while students and faculty are in the building using the network. Once testing is completed, reimbursement requests will increase. The Department expects all but a few small projects to be completed by December 2014, thereby completing the classroom-access phase of the project.

Phase 2 of the project will focus on other spaces in the school buildings, such as auditoriums. With the exception of a small group of schools in Providence that are leveraging federal E-Rate funding for the project, the Department is confident phase 2 will be completed before the end of FY2015.

This project is funded with \$20.0 million in certificates of participation; however, some federal matching funds may be available under the Priority 2 category of the federal E-Rate program. Priority 2 funding is available for "internal connections" used to access the internet from classrooms within eligible schools. To be eligible, a school must have a federal free or reduced lunch participation rate of 75.0 percent or more. Eligible schools will receive federal matching funds of 90.0 percent of component costs. The Budget includes \$15.4 million in certificates of participation in FY2015 and \$2.8 million in FY2016 to complete this \$19.8 million project.

Metropolitan Regional Career and Technical Center – Asset Protection

The Metropolitan Regional Career and Technical Center (MET) consists of three campuses: East Bay, Peace Street, and Public Street with a total of eight buildings and a storage facility totaling over 100,000 square feet. The Gallagher building is over 50 years old and in need of improvements to adequately function as a school facility. The MET previously funded asset protection projects out of the operating budget; however, due to budget reductions and restrictions, asset protection projects have been delayed, resulting in a backlog of maintenance items that need repair.

Project Status: In FY2015 and FY2016, the project focuses on work at the East Bay campus such as replacing and repairing doors, door hardware and locks; mending cracks and frost heaves in the walkways and basketball court; and other code-required repairs. The Budget includes \$100,000 in RICAP funds in FY2015 and FY2016.

Metropolitan Regional Career and Technical School – HVAC

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 persist. 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 and to estimate total costs.

Project Status: In April 2014, bids were received for Phase I of the project, addressing two of the five buildings. The contract was awarded to the lowest bidder for \$2.1 million, 18.7 percent higher than the cost as estimated by BER. The construction costs along with design and contingency costs will likely exhaust the \$2.5 million currently budgeted for the five buildings. The Department requests an additional \$3.9 million for the remaining buildings, including the construction estimate calculated by BER plus an 18.7 percent contingency that was calculated based on previous bid experience. The additional funding is not provided. The Budget includes \$1.8 million in FY2015 to complete the \$2.5 million project.

Metropolitan Regional Career and Technical School – East Bay

This project is for the study, design and construction of the East Bay Met School. Construction of the facility was completed on January 25, 2014, and students are using the facility; however, a final payment is due in FY2015 as the final compensation for items under warranty.

Project Status: The budget includes the final \$93,176 in RICAP funds is provided in FY2015 to complete the \$8.8 million project.

School for the Deaf – New Facility Construction

This project is for the construction of a new School for the Deaf on the site of the old school at Corliss Park in Providence. The 2008 General Assembly approved \$30.0 million in Certificates of Participation (COPs) funding plus an additional \$1.2 million in RICAP funding for a 71,000 square foot facility, including site development, architectural and engineering fees, legal fees, construction costs, furniture, fixtures and equipment. Construction of the school was completed in August 2010, and the school was occupied by students and faculty in September of 2010; however, the final stage involving the construction of a garage was completed in August 2014.

Project Status: The garage is complete and the final punch list was finished in September 2014. The Budget includes \$171,091 in certificates of participation in FY2015 to complete the project.

Public Higher Education

The capital budget for Higher Education totals \$695.6 million between FY2015 and FY2020 and will allocate funding between 58 projects, 45 of which are classified as continuing projects and 13 of which are new. Of the 58 projects, 40 are located or managed at the University of Rhode Island (URI), 13 at Rhode Island College (RIC), 5 at the Community College of Rhode Island (CCRI). Asset Protection funds are requested at all three institutions. The following analysis is divided into sections by institution, and organized according to the priority ranking of the project.

General Obligation Bonds

The Budget includes two new general obligation bond referenda, which require voter approval in a general election. The two requests include renovations for the URI Fine Arts Center (\$70.2 million) and the URI College of Engineering – Phase 2 (\$25.5 million). Both of these referenda would appear on the November 2016 General Election ballot.

Governor's Proposed Bond Referenda	Nov 2016
URI - College of Engineering Phase II	25.5
URI - Fine Arts Center Renovation	70.2
Total	\$95.7

\$ in millions

Engineering Building Renovations Phase 2

This is Phase 2 of a comprehensive overhaul of physical space dedicated to the Engineering programs at URI. This phase includes renovation and an addition to Bliss Hall, including improved classrooms and offices, modernized teaching laboratories, upgraded elevators and restrooms, and general renovations consistent with current building codes. Heating, air conditioning, and ventilation systems will be replaced for better environmental control, energy efficiency, and indoor air quality.

Project Status: The Budget includes a recommendation that a \$25.5 million general obligation bond referendum be placed on the November 2016 ballot.

Fine Arts Center Renovation and Addition

The University is requesting a general obligation bond issue be placed on the November 2016 ballot for the renovation of the Fine Arts Center and the surrounding parking and circulation. Funds will be used to renovate and construct an addition to the current facility to meet current and future teaching, performance, research, and outreach requirements.

Project Status: The Budget includes a \$70.2 million general obligation bond referendum to be placed on the November 2016 ballot.

UNIVERSITY OF RHODE ISLAND

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Post	
								FY2020	Total
Asset Protection	\$42.7	\$7.5	\$5.5	\$7.9	\$8.0	\$7.7	\$8.4	\$0.0	\$87.6
Engineering - Building Renovations	-	-	10.0	40.0	35.0	40.0	-	-	125.0
Engineering - Building Renovations Phase 2	-	-	-	-	10.0	10.0	5.5	-	25.5
New Chemistry Building	11.7	34.4	30.0	1.1	-	-	-	-	77.2
College Of Pharmacy Building	68.9	1.4	-	-	-	-	-	-	70.3
Fine Arts Center Renovation & Addition	-	-	-	-	15.0	38.0	17.2	-	70.2
Fine Arts - Advanced Planning	0.1	0.2	-	-	-	-	-	-	0.3
Biotechnology Center	54.6	0.5	-	-	-	-	-	-	55.1
Biological Resources Lab	-	0.2	-	-	-	-	2.2	21.5	23.9
Combined Health and Counseling Center	-	-	-	-	-	2.3	11.7	7.3	21.3
Fire Safety & Protection Academic & Administrative	17.4	5.2	3.2	-	-	-	-	-	25.8
Fire Safety & Protection Auxiliary Enterprises	8.3	4.6	4.4	0.9	-	-	-	-	18.2
Utility Infrastructure Upgrade Phase II	-	-	-	-	7.1	6.6	4.6	-	18.4
Repaving & Road Construction	7.4	3.4	3.9	-	-	-	-	-	14.7
Morrill Hall	-	-	-	-	-	-	2.5	10.0	12.6
Nursing Education Center	0.4	0.7	10.5	-	-	-	-	-	11.6
Roger Williams Commons Wellness Center	11.2	0.6	-	-	-	-	-	-	11.7
Roger Williams Complex - Advanced Planning	0.2	0.4	4.8	-	-	-	-	-	5.4
Butterfield Dining Hall Expansion	0.7	7.9	2.1	-	-	-	-	-	10.6
North District Infrastructure & Program Support	7.2	2.0	1.1	-	-	-	-	-	10.3
Repaving, Hardscape & Landscape	-	-	-	-	3.3	3.1	3.6	-	10.0
Facilities Services Sector Upgrade	-	-	-	-	0.9	4.2	4.8	-	9.9
Gateway to URI (Welcome Center)	-	0.6	3.6	3.1	-	-	-	-	7.3
Electric Utility Substation Replacement	-	5.8	1.2	-	-	-	-	-	7.0
Utility Infrastructure Upgrade Phase I	-	-	-	1.7	4.8	-	-	-	6.5
Public Safety Building	-	-	-	0.6	6.0	-	-	-	6.6
Storm Water Management	-	-	-	0.1	1.3	1.4	-	3.6	6.4
Energy Conservation/Performance Contract Phase II	5.0	0.6	-	-	-	-	-	-	5.6
Ranger Hall Renovation	2.0	-	3.4	-	-	-	-	-	5.4
Fraternity Circle Infrastructure	-	-	0.4	3.8	0.9	-	-	-	5.1
Classroom and Instructional Lab Improvements	-	-	-	1.7	1.7	1.7	-	-	5.0
Shepard Building Upgrades	-	-	-	-	0.3	0.5	2.0	2.0	4.8
White Hall Renovations	0.1	1.3	1.5	-	-	-	-	-	2.9
Fraternity Circle Master Plan Implementation	-	-	-	-	0.2	2.7	-	-	2.9
LGBTQ Center	0.2	1.8	-	-	-	-	-	-	2.1
Narragansett Bay Campus - Hazmat Storage	-	-	0.4	0.4	-	-	-	-	0.7
Upper College Road Multiuse Development	-	0.5	-	-	-	-	-	-	0.5
NBC Campus Renovation - Advanced Planning	-	0.5	-	-	-	-	-	-	0.5
Fine Arts Center Renovation - Advanced Planning	0.4	-	-	-	-	-	-	-	0.4
Memorial Union Renovation & Addition	-	0.1	-	-	-	-	-	-	0.1
Total	\$238.4	\$80.2	\$86.1	\$61.2	\$94.5	\$118.3	\$62.4	\$44.4	\$785.5

Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Post	
								FY2020	Total
RICAP	\$58.2	\$20.7	\$13.9	\$7.9	\$8.3	\$8.2	\$10.4	\$2.0	\$129.6
Certificates of Participation	5.0	0.6	10.5	-	-	-	-	-	16.1
Federal Stimulus Funding	12.5	-	-	-	-	-	-	-	12.5
G.O. New Referenda	-	-	-	-	25.0	48.0	22.7	-	95.7
General Obligation Bonds	122.0	32.8	34.2	40.5	35.0	40.0	-	-	304.6
Private Funding	6.1	0.5	4.4	0.6	0.2	2.7	-	6.8	21.2
RIHEBC Bonds	22.0	9.8	9.9	6.4	17.1	13.9	24.0	6.8	109.9
Third Party Financing	0.2	0.2	0.0	-	-	-	2.2	21.5	24.1
University/College Funds	12.3	15.6	13.0	5.9	9.0	5.4	3.2	7.4	71.7
Total	\$238.4	\$80.2	\$86.1	\$61.2	\$94.5	\$118.3	\$62.4	\$44.4	\$785.5

\$ in millions.

Asset Protection

Asset Protection projects are budgeted from Rhode Island Capital Plan (RICAP) funds and are used to maintain and repair facilities, including roads, buildings, and infrastructure. The asset protection program includes a number of projects at various facilities, and allows the school to shift funding based on current priorities. The University's project list includes roof replacements/repairs at Davis and Roosevelt Halls, Ranger Hall renovations, utility upgrades, window and screen replacements, and HVAC improvements and masonry repairs at the Carothers Library.

Project Status: The Budget includes \$45.0 million in RICAP funds for asset protection for FY2015 through FY2020, including \$7.5 million in FY2015 and \$5.5 million in FY2016.

Engineering Building Renovations Phase 1

A \$125.0 million bond issue approved by the voters in the November 2014 election will allow the University to begin a comprehensive overhaul of physical space dedicated to engineering programs at URI. Four buildings will be razed (Crawford Hall, Gilbreth Hall, Kelly Hall and Annex, and Wales Hall). The project also includes renovation to the Kirk Building, site work modification to the Engineering Quadrangle, and construction of a new facility adjacent to the remaining engineering buildings (Bliss Hall and Kirk Hall).

Project Status: The Budget includes \$125.0 million in general obligation bond funds, beginning with \$10.0 million in FY2016.

Engineering Building Renovations Phase 2

This is Phase 2 of a comprehensive overhaul of physical space dedicated to the Engineering programs at URI. This phase includes renovation and an addition to Bliss Hall, including improved classrooms and offices, modernized teaching laboratories, upgraded elevators and restrooms, and general renovations consistent with current building codes. Heating, air conditioning, and ventilation systems will be replaced for better environmental control, energy efficiency, and indoor air quality.

Project Status: The Budget includes a recommendation that a \$25.5 million general obligation bond referendum be placed on the November 2016 ballot.

Chemistry Building

In November of 2010, voters approved a bond referendum of \$61.0 million to construct a new building to house the Department of Chemistry, including teaching labs, classrooms, research labs, and faculty and administrative offices. The building will improve education for chemistry majors as well as students in other majors that require chemistry training, such as pharmacy, biological sciences, animal science technology, biomedical engineering, nutrition, and chemical engineering. The modern, high-quality facility will assist the University in attracting and retaining top researchers. This building is located in the life sciences district, which also includes a new Center for Biotechnology and Life Sciences and a new College of Pharmacy Building. The project also includes site improvements for landscaping, pedestrian walkways, driveways, parking, and utilities.

Project Status: Construction began in December 2013 and completion is expected early in 2016. Because the cost of construction is higher than anticipated, URI did not include costs to complete the interior of the fourth floor, and has requested an additional \$7.5 million in funding for the fourth floor completion. The Budget includes a recommendation to merge the Chemistry Building construction and the fourth floor build-out into one project, at a total cost of \$77.2 million.

College of Pharmacy Building

In November of 2006, voters approved a bond referendum of \$65.0 million to construct a new College of Pharmacy Building on the URI Campus. The 148,000 sq. ft. facility houses teaching laboratories, classrooms, research laboratories, faculty, staff and administrative offices, outreach programs, and the Rhode Island State Crime Lab. The project also includes a greenhouse conservatory, an animal care facility, a garden for medicinal plants, and parking and associated landscaping projects. The lowest level of the building includes a current Good Manufacturing Practice (cGMP) facility, financed with pledged gifts to the project, which will support the training of students, existing industry employees, a range of pharmaceuticals research and public private partnerships with the developing biopharmaceutical industry.

Project Status: The Budget includes \$1.1 million in general obligation bond funds and \$392,059 in private/third party funds in FY2015 to complete this project.

Fine Arts Center Renovation and Addition

The University is requesting a general obligation bond issue be placed on the November 2016 ballot for the renovation of the Fine Arts Center and the surrounding parking and circulation. Funds will be used to renovate and construct an addition to the current facility to meet current and future teaching, performance, research, and outreach requirements.

Project Status: The Budget includes a \$70.2 million general obligation bond referendum to be placed on the November 2016 ballot.

Fine Arts Center Renovation – Advanced Planning

The University proposes to complete planning and architectural/engineering studies of Fine Arts Center improvements. The 120,720 square foot building, which was constructed in the 1970s, houses the University's programs in musical, theatrical, visual, and graphic arts. It suffers from problems related to flat roofs and large, inefficient glass walls and windows.

Project Status: An architectural firm has completed a schematic design for renovations and an addition to the facility at a cost of \$325,275 in University/College funds. No further funding for advanced planning is recommended unless a \$70.2 million bond issue that is proposed for the November 2016 General Election ballot is approved by the voters.

Biotechnology Center

This \$60.3 million project involves the construction of a 140,000 square foot building at URI, including teaching and research facilities, and the demolition of an existing structure. \$49.7 million in general obligation bond funds, as well as \$5.4 million in RICAP funds, \$2.4 million in federal funds, \$1.9 million in Slater Economic Development Funds, and \$189,405 in Certificates of Participation have been expended pre-FY2011 for this project. The CBLIS is already in use as a classroom and meeting space: completion of the fourth floor to expand office and laboratory facilities was completed in the fall of 2012.

Project Status: The Budget includes \$349,785 in previously authorized and issued general obligation bond funds and \$181,000 in RICAP funds in FY2015 for minor improvements and repairs to the Biotechnology Center.

Biological Resources Lab

Construction of a new 17,000 square foot, small lab animal care facility that meets current federal standards will allow URI to centralize and replace older facilities. It will be constructed underground in the University's North District, and be connected to the new College of Pharmacy. It will contain animal Bio Safety Level 2 laboratories, lab animal holding rooms, cage washing facilities, and redundant emergency HVAC and electrical systems for secure care of the animals and research work.

Project Status: The Budget includes \$200,000 for advanced planning in FY2015 and \$23.7 million in third party financing to begin construction in FY2020.

Combined Health and Counseling Center

This project combines and co-locates Health Services (currently located in the Potter Building) and the Counseling Center (currently located in Roosevelt Hall) into a single facility. The purpose of combining/co-locating of these facilities is to improve care provided to students by fostering open

communication and availability of appropriate providers to meet the physical and psychological needs of the patient.

Project Status: The Budget includes \$17.8 million in RIHEBC bond funds, \$3.0 million in University/College funds, and \$500,000 in private funds, beginning in FY2019.

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.

Project Status: The Budget includes RICAP funds of \$5.2 million in FY2015 and \$3.2 million in FY2016 to complete this \$25.8 million project, which received \$12.5 million in federal American Recovery and Reinvestment Act (ARRA) funds prior to FY2015.

Fire Safety and Protection Auxiliary Enterprises

This project involves the installation of sprinkler systems and upgrades to existing fire alarm systems in all of the University's auxiliary buildings. Auxiliary facilities include dining halls, retail facilities, and other non-residential, non-academic buildings. These improvements are being made to bring the buildings into compliance with changes to the State Fire Code.

Project Status: The Budget includes \$18.2 million in RIHEBC bond funds, including \$4.6 million in FY2015, \$4.4 million in FY2016, and \$921,522 in FY2017 to complete this project.

Utility Infrastructure Upgrade Phase II

This project upgrades and replaces five Kingston Campus Utility systems: steam/condensate distribution, water distribution, electrical distribution, sanitary sewer, and storm drainage.

Phase II of this two-phase project will complete the primary electric system master plan, reconfigure and replace extensive portions of the steam/condensate system, advance compliance with storm water management objectives, and address critical needs for the water system and sanitary systems.

Project Status: The Budget includes \$18.4 million in RIHEBC bond funds, beginning in FY2018 for this project.

Repaving and Road Construction

This project replaces and reconstructs major parking facilities, internal roadways, and walkways across three of the four URI campuses. Major elements include the construction of two new roadway extensions: one will extend from the northwestern bend in Plains Road to the western end of Flat Road; the second is an extension of Baird Hill Road and connection to Fraternity Circle. The current entrance to Fraternity Circle from Rt. 138 will be removed. In addition, new culverts will be installed at four roads crossings of Whitehorn Brook to improve the drainage of storm water from the Kingston Campus.

Project Status: RIHEBC revenue bonds for \$13.7 million were issued in June 2009, and work is currently in progress. The Budget includes \$3.2 million in RIHEBC bond funds in FY2015 and \$3.9 million in FY2016, along with \$248,117 in University/College funds in FY2015 to complete this project.

Morrill Hall Renovation

This project renovates Morrill Hall, a 32,036 square foot, four-story biological sciences laboratory building. Morrill Hall was built in 1965 and requires significant upgrades for accessibility, technology, and fire code. Once renovated, the building will be used for undergraduate science classes, faculty offices and research, and as swing space to facilitate campus renovation and new construction projects.

Project Status: The Budget includes \$6.3 million in University/College funds and \$6.3 million in private funds beginning in FY2020 for this project.

Nursing Education Center

The FY2015 Budget as Enacted 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), Rhode Island College (RIC), and Brown University.

The Budget authorizes the issuance of \$10.5 million in certificates of participation (COPs) over a ten-year period to support the acquisition of equipment needed to outfit the planned simulation labs.

The Budget also authorizes the Board of Education to fund tenant improvements directly if it is determined to be financially beneficial to do so (up to \$22.5 million over a 15 year term).

Project Status: The Budget includes \$555,846 in RICAP funds in FY2015 for legal and independent project management services, and \$10.5 million in Certificates of Participation in FY2016 for the acquisition of equipment.

Roger Williams Commons Wellness Center

This project involves complete renovation and construction of an addition to the Roger Williams Commons to provide for a student wellness and activity center in space that was previous occupied by the student dining hall. URI Housing and Residential Life Offices, which also occupied the space, moved to the new Hillside Housing project in 2012. The Center provides recreational space for cardio and strength conditioning, group exercise rooms, demonstration kitchen, locker rooms, and other related facilities.

Project Status: The Center opened in October 2013. The Budget includes \$443,512 in University/College funds and \$111,713 in private funds in FY2015 to complete this \$ 11.7 million project.

Roger Williams Complex - Advanced Planning (New)

The University will conduct a comprehensive study for improving and/or replacing deteriorating portions of the its student housing stock. The University will engage professional consultation services, including an architectural/engineering firm and a firm to evaluate and develop alternate construction delivery methods for University housing facilities. URI plans schematic design and cost estimating in FY2015 and advance design through construction documents in FY2016.

Project Status: The Budget includes \$405,789 in University/College funds in FY2015, and \$4.8 million in University/College funds in FY2016 for this \$5.4 million project.

Butterfield Dining Hall Expansion

This project involves renovations and additions to the Butterfield Hall Dining facility to accommodate an increase in student population from the new Hillside Residence Hall. The project renovates 10,000 square feet of the existing facility, and adds a 5,900 square foot addition, increasing seating by approximately 200 seats. The project also includes a 1,500 square foot second floor addition and 950 square feet of renovations to the Butterfield Hall common areas.

Project Status: Construction is currently underway, and is expected to be fully completed by August of 2015 (FY2016). The Budget includes University/College funds of \$7.9 million in FY2015 and \$2.1 million in FY2016 for this \$10.6 million project.

North District Infrastructure and Program Support

This project includes infrastructure and program support for construction projects in URI's North District. Included in the infrastructure work are utility connections and equipment; drainage systems; walkways and parking areas; landscaping; and demolition work. Program support includes telephone/data; security systems; laboratory equipment; and furniture and fixtures. North District includes the Center for Biotechnology, the new Pharmacy Building, the new Chemistry Building, and the existing White Hall nursing facility.

Project Status: The Budget includes \$2.0 million in FY2015 and \$1.1 million in FY2016, which is the balance of \$10.3 million in RIHEBC bond funds issued in 2009 for this project.

Repaving, Hardscape & Landscape (New)

This project continues the University's work to repave and reconstruct major parking facilities, internal roadways, and walkways across the Kingston Campus, Narragansett Bay Campus, and the W. Alton Jones Campus.

Project Status: The Budget includes \$10.0 million in RIHEBC bond funds from FY2018 through FY2020 for this project.

Facilities Services Sector Upgrade

This project reorganizes and renovates the facilities that house the URI Services Sector (Facilities Services, Capital Projects, Central Receiving, Postal Services, Lands and Grounds, a vehicle service station, materials storage, and other business services offices), located adjacent to the Northwest Entrance of URI. The project is intended to improve both the function of the facilities services and the aesthetics of the Northwest entrance, which is the entrance used for events and athletics.

Project Status: The Budget includes \$9.9 million in RIHEBC bond funds FY2018 through FY2020 for this project.

Gateway to URI/Welcome Center (New)

A new 12,500 square foot building, located on Upper College Road at the location of the current Visitors Center, would be the home of a new Welcome Center called the "Gateway to URI." The building would contain a large presentation room and smaller classroom-like spaces to display the latest technology employed in URI's teaching environments. The building will also contain small meetings rooms and staff offices to meet with visiting groups, students, families, and faculty.

Project Status: The Budget includes \$7.3 million in University/College funds beginning in FY2015 for this project.

Electric Utility Substation Replacement

This project involves engineering and construction 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. The project will utilize adjacent real estate to allow construction with minimal interruption of service to the campus. The existing substations, which are well beyond their service life, supply power to the main academic/research area of the campus and a majority of the housing and residential life sector.

Project Status: The Budget includes \$7.0 million in RICAP funds for this project disbursed as follows: \$5.8 million in FY2015 and \$1.2 million in FY2016.

Utility Infrastructure Upgrade – Phase I

This is the first of two phases of work on the University's utility systems. This project includes the engineering and construction of utility upgrades and replacements of the five Kingston Campus utility systems, including: steam/condensate distribution, water distribution, electrical distribution, sanitary sewer, and storm drainage.

Project Status: Phase I of this project is scheduled to begin in FY2017. The Budget includes \$6.5 million in RIHEBC bond funds as follows: \$1.7 million in FY2017 and \$4.8 million in FY2018.

Public Safety Building (New)

The University proposes to construct a new public safety building to house the campus police, parking, and safety compliances offices of the University. The current Public Safety facilities are located in three separate buildings, two of which are converted residential houses. The project will allow for the consolidation of the Public Safety functions in a single location

Project Status: The Budget includes \$6.6 million in University/College funds for this project beginning in FY2017.

Storm Water Management (New)

This project provides storm water improvements to the existing drainage systems to prevent erosion and flooding to the downstream landscapes and buildings. Improvements provide additional storage volume and improve channel/pipe sizes and alignments to reduce the frequency of overtopping/flooding.

Project Status: This is a new project. In previous years, storm water management programs were included under Utility Infrastructure Upgrade projects. The Budget includes \$6.4 million in University/College funds for this project beginning in FY2017.

Energy Conservation – Phase II

The University entered into an energy performance contract with Noresco, an Energy Service Company (ESCO), to purchase energy saving improvements for buildings and infrastructure. Performance contracting is structured so that the cost of implementing the energy conservation measures is recovered from the cost avoidance achieved by the performance measures. The return on investment for the project is realized over a 12-15 year period. Phase II of this project includes continuation of lighting fixture replacements and motion sensor installations; window replacements; attic insulation and weatherization; heating, ventilation, and air conditioning improvements; the conversion of electrical heat to gas operation on the Narragansett Bay Campus; and the installation of energy management control systems at various buildings across the University.

Project Status: Phase II construction began in FY2012, and COPs issuance is authorized at \$5.6 million through FY2015.

Ranger Hall Renovations

This project rehabilitates and restores portions of Ranger Hall, a 36,000 square foot, four-story granite block laboratory constructed in 1913. The project includes roof and window replacements, exterior renovations, and masonry work. Planned interior renovations include universal ADA access and electrical and HVAC systems. When completed, Ranger Hall will house the University's new Harrington School of Communication and Media.

Project Status: The construction timeline is contingent on the relocation of the Nutrition and Food Sciences program, which is currently housed in Ranger Hall, into Fogarty Hall. The Budget includes \$2.1 million in general obligation bond funds along with \$1.3 million in private funds in FY2016.

Fraternity Circle Infrastructure (New)

This project consists of upgrades and improvements to roads, utilities and landscaping in and around the Fraternity Circle neighborhood on the URI campus. This site is currently home to 11 Greek fraternities and sororities, providing housing to approximately 800 students. Utilities would be upgraded to provide for safety and future growth. An effective and sustainable method for storm water management is proposed; and roadways, parking lots, pedestrian walkways, and new site lighting and recreational amenities will be added and improved.

Project Status: This is a new project. Article 2 of the Governor's Budget authorizes \$5.1 million in RIHEBC bond funds, with funding beginning with an appropriation of \$417,790 in FY2016 to engage an architectural/engineering firm to develop plans for the project.

Classroom and Instructional Lab Improvements (New)

This project improves classrooms and instructional laboratory facilities that have not benefitted from major renovations. In FY2014, the University engaged Lamborghini/Feibelman, an architectural design firm, to develop classroom design standards for furnishings, fixed elements, and the accommodation of classroom technology.

Project Status: The Budget includes \$1.7 million in University/College funds annually from FY2017 through FY2019 for this project.

Shepard Building Upgrades

This project renovates the Shepard Building in Providence, which is home to the University's College of Continuing Education. Proposed renovations include roof replacement, receiving door replacement, renovations to the Westminster Street entrance, and replacement of all restroom floors.

Project Status: The Budget includes RICAP funds of \$4.8 million for this project beginning in FY2018.

White Hall Renovations

White Hall, the current home of the College of Nursing, is a 49,074 square foot, three-story masonry building constructed in 1977. This project will provide upgrades and renovations, including flooring replacement, entry and lobby improvements, and improvements to the building envelope, including foundation water proofing and drainage system improvements.

Project Status: The Budget includes \$2.9 million for this project, including \$1.3 million in RICAP funds in FY2015 and \$1.5 million in University/College funds in FY2016.

Fraternity Circle Master Plan Implementation (New)

This project upgrades and improves roads, utilities and landscaping in and around the Fraternity Circle neighborhood on the URI campus.

Project Status: This is a new project request. The Budget includes \$2.9 million in private funds, beginning in FY2018 for this project.

Lesbian, Gay, Bisexual and Transgender Center

The University has constructed a new center to offer an inclusive student experience for lesbian, gay, bisexual, and trans-gender students. The 5,000 square foot center is built on a half-acre university parcel at 19 Upper College Road. Program spaces include multi-purpose rooms, student lounge and resource area, a kitchen, and office space. The project also includes parking and landscaping.

Project Status: The Center celebrated its grand opening on February 13, 2015. The Budget includes \$1.8 million in University/College funds in FY2015 to complete this \$2.1 million project.

Narragansett Bay Campus Hazmat Storage (New)

The University will construct a new hazardous materials storage facility on the Narragansett Bay Campus. The facility includes three pre-fabricated and engineered storage buildings with a covered concrete staging area. These buildings replace three deteriorating structures that do not provide climate controlled conditions or the appropriate and safe chemical storage needs of the Bay Campus.

Project Status: This is a new project request. The Budget includes \$350,000 in University/College funds in both FY2016 and FY2017 for this project.

Upper College Road Multi-Use Development

The capital plan includes funding for a feasibility study for creating a multi-use development on Upper College Road. The project will be privately-owned and managed on University property, with the University acting as an anchor tenant. The project will include facilities for a 100-bed hotel, 100 beds in apartments-style units, a restaurant/University Club, a retail bookstore, and conference space.

Project Status: The Budget includes \$500,000 in University/College funds in FY2015 to conduct this feasibility study.

NBC Campus Building Renovation – Advanced Planning

The University proposes to conduct program planning and architectural/engineering studies of the buildings at the Graduate School of Oceanography, located on the University's Bay Campus in Narragansett. The study will identify critical needs and establish a scope of work for future renovation projects.

Project Status: The Budget includes \$450,000 in University/College funds in FY2015 for this study.

Memorial Union Renovation/Addition (New)

The capital plan funds a study related to the renovation of the Memorial Union, as well as planning an addition to the existing facilities. The addition contains a multi-purpose facility to allow student groups opportunities for evening and weekend programs, including conference and banquet facilities.

Project Status: This is a new project. The Budget includes \$50,000 in FY2015 in University/College funds for this study.

RHODE ISLAND COLLEGE (RIC)

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Asset Protection - RIC	\$17.6	\$3.8	\$3.1	\$3.4	\$3.5	\$3.6	\$3.7	38.5
Modernization/Renov Acad Bldgs. - I	0.9	6.7	18.0	20.0	6.1	6.0	-	57.7
Student Union Addition/Renovation	0.1	-	-	-	2.4	19.5	15.0	36.9
New Art Center Facility/Renovation Of Art Center	18.8	2.5	-	-	-	-	-	21.2
Infrastructure Modernization	3.5	4.5	2.0	3.0	3.5	2.0	-	18.5
RIC Alternative Entrance/Master Plan Improvement	0.6	-	-	-	1.5	2.5	3.1	7.7
Energy Performance Contract	0.2	4.6	3.1	-	-	-	-	7.9
Renovation/Addition Life Sciences Building	0.1	5.5	0.5	-	-	-	-	6.1
Modernization/Renovation - Residence Halls	-	0.1	-	-	-	-	-	0.1
Modernization/Renov Acad Bldgs. - II	-	0.2	-	-	-	-	-	0.2
Modernization/Renov Acad Bldgs. - III	-	0.2	-	-	-	-	-	0.2
Modernization/Renov Acad Bldgs. - IV	-	-	0.2	-	-	-	-	0.2
East Campus Improvements	-	-	0.2	-	-	-	-	0.2
New Residence Hall (II)	-	0.1	-	-	-	-	-	0.1
Total	\$41.7	\$28.0	\$26.9	\$26.4	\$16.9	\$33.5	\$21.8	\$195.3

Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
RICAP	\$23.3	\$8.2	\$5.1	\$6.4	\$14.5	\$14.1	\$6.8	\$78.3
Certificates Of Participation	-	4.5	3.0	-	-	-	-	\$7.5
General Obligation Bonds	17.5	11.5	18.0	20.0	-	-	-	\$67.0
RIHEBC Bonds	-	-	-	-	-	19.5	15.0	\$34.5
University/College Funds	0.9	3.8	0.9	0.0	2.4	-	-	\$8.0
Total	\$41.7	\$28.0	\$26.9	\$26.4	\$16.9	\$33.5	\$21.8	\$195.3

\$ in millions.

Asset Protection

Asset Protection projects are budgeted from Rhode Island Capital Plan (RICAP) funds and are used to maintain and repair facilities, including roads, buildings, and infrastructure. Most college properties are between 40 and 50 years old and need continual repairs and maintenance. The asset protection program includes a number of projects at various facilities, and allows the school to shift funding based on current priorities. The College's project list includes roof replacements/repairs, campus-wide fire panel upgrades, and campus-wide repurposing of space in several buildings.

Project Status: The Budget includes a total of \$20.9 million in asset protection funding for RIC from FY2015 to FY2020, including \$3.8 million in FY2015 and \$3.1 million in FY2016. The General Assembly has, in the past, programmed an annual increase in RICAP funds for Higher Education Asset Protection.

Modernization/Renovation Academic Buildings I

This project will modernize and rehabilitate two major academic buildings, Craig Lee Hall and Gaige Hall, beginning in FY2014. These two buildings contain 46 classrooms, which represents over fifty percent of the classroom space on campus. These facilities will be designed with modern double pane window walls; new elevators; new restrooms; improved classrooms, corridors, and 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 project will also include re-purposing and renovating areas of Adams Library to accommodate student service organizations and academic departments that will be moving out of Craig Lee Hall and Gaige Hall prior to renovating these buildings.

Project Status: The voters approved a \$50.0 million bond issue in November 2012, which provides \$44.7 million toward this \$57.7 million project. The Budget includes bond funds of \$6.0 million in FY2015, \$18.0 million in FY2016, and \$20.0 million in FY2017. RICAP funds of \$6.1 million in FY2018 and \$6.0 million in FY2019 are also included in the Budget recommendation to backfill funding used early in the project to renovate the Adams Library, which was not part of the original proposal.

Student Union Addition/Renovation

This building is being renovated and expanded at the request of student leaders to meet projected enrollment and demographic needs. Recommended by the Student Union Feasibility Study, this project was scheduled for FY2013 in the Enacted Capital Improvement Plan; however due to the anticipated renovations to Craig Lee Hall and Gaige Hall, the College postponed this project to minimize campus disruptions.

Project Status: The Budget includes \$36.9 million for this project, including \$2.4 million in University/College Funds in FY2018 and \$34.5 million in RIHEBC bond funds over two years, FY2019 and FY2020 for this project. Funding is consistent with the approved capital plan; however, funds are extended through FY2020.

New Art Center Facility/ Renovation of Art Center

This project involves the renovation of the existing 34,000 square foot Art Building and a new 6,000 square foot wrap around addition. The new Art Center includes faculty offices; classrooms; studios for print making, metals, ceramics, photography and sculpture; workshop areas; slide library; photography lab; computer lab; and multipurpose presentation areas. The new facility will centralize the Art Program activities, which are currently scattered around campus. A feasibility study was conducted by RGB design firm in April of 2004. A \$17.0 million bond question was approved by the voters in November 2010. Construction began in the spring of 2012 on the interior of the facility, and the grand opening and ribbon cutting of the new Alex and Ani Hall Art Center was held on September 23, 2014.

Project Status: The Budget includes \$2.3 million in University/College funds in FY2015 to complete this \$21.3 million project, which included \$17.0 million in general obligation bond funds, \$2.7 million in University/College fund, and \$1.5 million in RICAP funds.

Infrastructure Modernization

This project will use RICAP funds to modernize and replace steam lines, water lines, and the electrical distribution system in order to improve water quality, limit power failures, and eliminate steam plumes throughout the campus. The project also includes upgrades to voice and data systems.

Project Status: The Budget includes \$15.0 million in RICAP funds between FY2015 and FY2019, including \$4.5 million in FY2015 and \$2.0 million in FY2016.

Alternative Entrance/Master Plan Improvement

In 2009, Saratoga Associates was hired by RIC to prepare a Comprehensive Facilities Master Plan to serve as a framework for site and facility planning for the period 2010 – 2020. The master plan identified traffic circulation, parking, and signage as important elements in improving the campus. This project includes the upgrade of two key road interchanges on College Road, upgrade eight parking lots, upgrade the Fruit Hill and Mt. Pleasant Avenue entrances, and update identification signage. The goal of this project is to alleviate congestion and increase safety.

Project Status: The Budget includes RICAP funds of \$7.1 million over three years, including \$1.5 million in FY2018, \$2.5 million in FY2019, and \$3.1 million in FY2020. The College expended \$620,000 in RICAP funds prior to FY2015 to convert a section of College Road from one-way to two-way and make improvements to the entrances at both Mt. Pleasant Avenue and Fruit Hill Avenue.

Energy Performance Contract

The College has entered into an energy performance contract with an Energy Service Company (ESCO) to purchase energy saving improvements for buildings and infrastructure. Performance contracting is structured so that the cost of implementing the energy conservation measures is recovered from the cost

avoidance achieved by the performance measures. It is not known at this time what types of improvements will be recommended, but based on successful savings at URI and other State locations, the College estimates \$7.5 million in future savings.

Project Status: The energy service contract was signed in FY2014 and an investment grade energy audit is underway. Energy efficiency improvements began in late 2014. The Budget includes \$7.5 million in Certificates of Participation (COPs) from FY2015 through FY2016 and \$200,000 in University/College funds through FY2016.

Renovation/Addition Life Sciences Building

This project includes an addition to and renovations of the Fogarty Life Sciences 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. Approximately 12,000 square feet of space will be added to house nursing skills labs, a health assessment lab, simulation labs and de-briefing rooms, standardized patient exam rooms, and skill and simulation lab support. The renovation work includes improvements to the building envelope, interior spaces, handicapped accessibility, and upgrades to the HVAC and electrical systems. The voters approved a \$50.0 million bond issue in November 2012, of which \$5.3 million is earmarked for this project.

Project Status: The College engaged an architect in late 2013 and completed a schematic design in the spring of 2014. Projects bids are scheduled to be opened on May 11, 2015. The Budget includes \$5.3 million in general obligation bond funds and \$247,308 in College funds FY2015, and an additional \$452,692 in University/College funds in FY2016.

Modernization/Renovation – Residence Halls

The College currently has five residential facilities ranging in age from 20-50 years old. All interior systems are in need of replacement and upgrade as each facility has had only limited renovations since opening. Three of the five need handicap accessibility upgrades. The College intends to conduct a feasibility study to examine what upgrades should be made to the residence halls to make them safer, more comfortable, and more modern.

Project Status: The Budget includes \$90,000 in University/College funds in FY2015 to conduct a feasibility study for this project.

Modernization/Renovation Academic Buildings II

This is the second phase of a four-phase modernization project and includes upgrades to two buildings, Adams Library and Horace Mann Hall. The project includes upgrades and modernization of elevators and restrooms; the enhancement of classrooms, corridors, and staff offices (lights, ceiling tiles, wall and floor surfaces); removal of asbestos tiles; exterior building envelope upgrades; and the repurposing of some space. The existing facilities are not energy efficient or able to support modern classroom technology.

Project Status: The Budget includes \$150,000 in University/College funds in FY2015 to conduct a feasibility study for this project.

Modernization/Renovation Academic Buildings III

This is the third phase of a four-phase modernization project and involves modernization and upgrades to two buildings, Whipple Hall and Robert Hall. Functional upgrades include Americans with Disability Act (ADA) and fire code compliance. Elevators and restrooms will be upgraded, as well as lighting and egress. The academic and office space will be improved. The brick and slate walls of the exterior of the buildings will be weather sealed. All planned improvements will extend the life of these buildings.

Project Status: The Budget includes \$150,000 in University/College funds to conduct this feasibility study in FY2015.

Modernization/Renovation Academic Buildings IV

This is the fourth phase of a four-phase modernization project and involves modernization and upgrades to two buildings, Clarke Science Hall and the Henry Barnard School. Both of these buildings are currently rated as being in fair condition. The modernization of elevators and restrooms are required by code. Functional upgrades include Americans with Disability Act (ADA) and fire code compliance. Elevators and restrooms will be upgraded, as well as lighting and egress. The academic and office space will be improved. The brick and slate walls of the exterior of the buildings will be weather sealed. All planned improvements will extend the life of these buildings.

Project Status: The Budget includes \$150,000 in University/College funds to conduct a feasibility study in FY2016.

East Campus Improvements

In 1992, Rhode Island College took possession of ten existing buildings formerly belonging to the Department of Children, Youth, and Families. The College has renovated six of these buildings, leaving four in need of remediation. Renovations include improvement of HVAC and electrical systems, a new building envelope, and accessibility upgrades. In addition, the College will develop a conceptual design for a greenway on the upper portion of Cole Road. Parking Lot E6 on Salisbury Road will be reviewed for potential renovation and expansion.

Project Status: The Budget includes in University/College funds of \$150,000 in FY2016 for a feasibility study for this project.

New Residence Halls (II)

The College will conduct a feasibility study in FY2015 to determine the College's ability to expand housing capacity by 350 to 400 beds.

Project Status: This is a new project request. The Budget includes University/College funds of \$75,000 in FY2015 for a feasibility study for this project.

COMMUNITY COLLEGE OF RHODE ISLAND (CCRI)

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Post FY2020	Total
Asset Protection - CCRI	\$34.9	\$2.2	\$2.2	\$2.7	\$2.8	\$2.4	\$2.4	\$0.0	\$49.6
Flanagan Campus Addition	-	-	-	-	-	-	4.0	2.0	6.0
Flanagan Campus Lab Renovations	0.1	0.0	-	0.0	0.0	-	-	-	0.1
Flanagan Campus Locker Room Upgrades	0.0	0.0	0.0	-	-	-	-	-	0.1
Knight Campus Renewal	0.1	2.2	2.1	4.0	5.0	4.0	3.0	-	20.4
Energy Performance Contract	11.3	0.3	-	-	-	-	-	-	11.5
Total	\$46.3	\$4.7	\$4.3	\$6.8	\$7.8	\$6.4	\$9.4	\$2.0	\$87.7

Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Post FY2020	Total
RICAP	\$13.8	\$4.2	\$4.2	\$6.7	\$7.8	\$6.4	\$9.4	\$2.0	\$54.5
Certificates of Participation	6.6	-	-	-	-	-	-	-	6.6
General Obligation Bonds	21.1	0.1	-	-	-	-	-	-	21.2
University/College funds	4.8	0.4	0.1	0.0	0.0	-	-	-	5.4
Total	\$46.3	\$4.7	\$4.3	\$6.8	\$7.8	\$6.4	\$9.4	\$2.0	\$87.7

\$ in millions.

Asset Protection

Asset Protection projects are budgeted from Rhode Island Capital Plan (RICAP) funds and are used to maintain and repair facilities, including roads, buildings, and infrastructure. The asset protection program includes a number of projects at various facilities and allows the school to shift funding based on current priorities. The College's project list includes repairs at the Knight Campus Data Center, Simulation (SIM) labs at the Flanagan Campus, and repairs to parking lots, electrical and mechanical upgrades, and technology upgrades on all four campuses.

Project Status: The Budget includes \$14.7 million in RICAP asset protection funding for CCRI from FY2015 to FY2020. The General Assembly has, in the past, programmed an annual increase in RICAP funds for Higher Education Asset Protection.

Flanagan Campus Addition

This project adds 50,000 square feet to the Flanagan (Lincoln) CCRI Campus. The addition includes 15 classrooms, computer labs, faculty offices, a theater/arts space, student lounge, and additional study space.

Project Status: The Budget includes a total of \$6.0 million in RICAP funds for this project, which would begin in FY2020 and be completed in FY2021.

Flanagan Campus Laboratory Renovations (New)

Laboratory classrooms and prep rooms have not been updated since the building was built in the 1970s. This project will upgrade seven labs and seven prep rooms at the Flanagan Campus, including painting; remediation of asbestos flooring; updating fume hoods and bench top utilities; and ventilating storage units, dissection tables, and specimen storage units.

Project Status: The Budget includes University/College funds of \$60,166 for this project, including \$26,874 in FY2015 and \$16,646 in FY2016 for this project.

Flanagan Campus Locker Room Upgrade (New)

Eleven locker rooms and two rest rooms at the Flanagan Campus Field House will be upgraded to include replacing toilets, partitions, lockers, sinks, shower heads, grab bars and installing new slip resistant floor coatings. This area has had limited renovation since the Field House was built in the early 1970s.

Project Status: The Budget includes \$56,288 in University/College funds, including \$37,185 in FY2015 and \$19,103 in FY2017 for this project.

Knight Campus Renewal

The Knight Campus Megastructure, which was completed in 1972, will be comprehensively renovated, including lighting, painting and replacement of carpeting/tile. Plans include installing new, efficient HVAC systems, the relocation of several offices, modifications to the cafeteria, student dining commons, student lounge, and bookstore, as well as roadway and landscape improvements to the main entrance road and facility entrance.

Project Status: A feasibility study was completed in FY2014, and an architectural design is anticipated to be completed in FY2015. The Budget includes \$20.1 million in RICAP funds and \$205,575 in University/College funds for this project between FY2015 and FY2020, including \$2.0 million in RICAP funds and \$82,868 in University/College funds in FY2016.

Energy Performance Contract

The College has entered into a 15-year energy performance contract with an Energy Service Company (ESCO) to purchase energy saving improvements for buildings and infrastructure. Performance contracting is structured so that the cost of implementing the energy conservation measures is recovered from the cost avoidance achieved by the performance measures. The project entails upgrading existing lighting systems, improvements to the HVAC systems, weatherization, water conservation measures, and the replacement of kitchen equipment to natural gas.

Project Status: The project, which is substantially completed, will be finished in FY2015. The Budget includes \$269,303 in University/College funds in FY2015.

Rhode Island State Council on the Arts

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Creative & Cultural Arts Program	\$0.0	\$0.0	\$5.0	\$5.0	\$10.0	\$10.0	\$0.0	\$30.0
Total	\$0.0	\$0.0	\$5.0	\$5.0	\$10.0	\$10.0	\$0.0	\$30.0

Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
G.O. New Referenda	\$0.0	\$0.0	\$5.0	\$5.0	\$10.0	\$10.0	\$0.0	\$30.0
Total	\$0.0	\$0.0	\$5.0	\$5.0	\$10.0	\$10.0	\$0.0	\$30.0

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

Cultural Arts and the Economy

In November 2014, voters approved a \$30.0 million bond issue to establish the Cultural Arts and the Economy Grant Program. Rhode Island State Council on the Arts (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

Project Status: The Budget includes \$5.0 million in bond funds in FY2016. RISCA is currently establishing 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.

Atomic Energy Commission

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Atomic Energy Asset Protection	\$0.3	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.7
Total	\$0.3	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.7
Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
RICAP Funds	\$0.3	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.7
Total	\$0.3	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.7

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

Atomic Energy Asset Protection

The Rhode Island Atomic Energy 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.

The Rhode Island Atomic Energy Commission is required to provide assurances to the NRC that it has adequate resources to operate the facility safely during the renewal period. Should the Commission not receive funding sufficient to safely operate the facility, the reactor would have to be decommissioned at a projected cost to the State of \$30.0 million. Furthermore, the Commission is unsure whether a complete decommission is even possible at this time since some of its waste is “mixed waste” for which there is currently no place for disposal.

Asset protection funds are used by the Commission to perform small renovations and repairs. Recent projects have included painting, landscaping and paving.

Project Status: The Budget includes \$50,000 annually for FY2015 through FY2020 in RICAP funds, consistent with the enacted capital plan. Plans for FY2016 include a redesign of the facility’s waste water system and installation of a single consistent key card master key system to replace the approximately six different key types that are currently in use.

The Commission is currently seeking a 20-year renewal of its license from the Nuclear Regulatory Commission (NRC). During this renewal period, the Commission is operating under its existing license while the NRC has been conducting twice-annual inspections that have found no significant problems with the reactor. The Commission believes the renewed license will be issued in 2016, in which case it will be effective until 2046.

Historical Preservation and Heritage Commission

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Eisenhower House	\$0.3	\$2.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$2.4
State Preservation Grant Program	-	-	1.0	1.0	1.0	1.0	1.0	5.0
Total	\$0.3	\$2.1	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$7.4

Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
RICAP Funds	\$0.3	\$2.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$2.4
G.O. New Referenda	-	-	1.0	1.0	1.0	1.0	1.0	5.0
Total	\$0.3	\$2.1	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$7.4

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

Eisenhower House

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 events facility. Revenue from corporate and social events is deposited into the State general fund. The Commission indicated that the revenue potential of the Eisenhower House has been constrained by the facility's disrepair and increasingly worn interior spaces. Because of the House's oceanfront location, the front porch and stairs require frequent replacement. In previous years, RICAP funds have been used to repair gutters, downspouts, soffits and structural framing as well as to reglaze porch windows and the front door.

Project Status: The Budget includes \$2.1 million in FY2015 to complete renovations to the Eisenhower House. Renovations began in early 2014 and are scheduled to be completed by spring 2015. Project costs total \$2.4 million.

State Preservation Grant Program

This program provides matching funds to renovate and improve public and nonprofit historic sites, museums, and cultural art centers located in historic structures. Since 2002, two bond issuances, one in 2002 and one in 2006, have provided a total of \$6.0 million in funding for 108 projects. Past projects have included the Newport Art Museum, Southeast Lighthouse on Block Island, and the Dr. Reuben Mason House in Chepachet. The Commission granted the last of these funds in 2007. In November 2014, voters approved \$5.0 million in general obligation bonds to recapitalize this program.

The State Preservation Grants Review Panel awards grants based upon the project's historical and/or architectural significance, physical preservation needs, ability to serve the public and to attract support, and upon geographic distribution. Additionally, projects that are compatible with a local development plan within the city or town in which they are located are given priority.

Project Status: The Budget includes \$1.0 million in newly issued bond proceeds for this program in FY2016.

Attorney General

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Automated Fingerprint Identification Systems	\$0.4	\$1.7	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$2.1
Building Renovations and Repairs	1.8	0.3	0.3	0.3	0.4	0.4	0.4	3.8
Google Forfeiture Funds	5.19	11.1	-	-	-	-	-	16.3
Total	\$1.8	\$0.3	\$0.3	\$0.3	\$0.4	\$0.4	\$0.4	\$3.8

Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
RICAP Funds	\$1.8	\$0.3	\$0.3	\$0.3	\$0.4	\$0.4	\$0.4	\$3.8
Restricted Receipts	5.2	11.1	-	-	-	-	-	16.3
Federal Funds	0.4	1.0	-	-	-	-	-	1.4
G.O. Bonds	-	0.8	-	-	-	-	-	0.8
Total	\$1.8	\$0.3	\$0.3	\$0.3	\$0.4	\$0.4	\$0.4	\$3.8

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

Automated Fingerprint Identification Systems

The Integrated Automated Fingerprint Identification System (IAFIS) is used to transmit fingerprint data from local and state police departments to the Bureau of Criminal Identification's Rhode Island Criminal History database. For example, when an individual is arrested for committing a crime, fingerprints of the arrested individual are run through the IAFIS and the FBI database. The IAFIS also stores civil fingerprint information, primarily for providing background checks. Rhode Island has partnered with the State of Connecticut for a shared IAFIS system since 1995.

Project Status: The Governor recommends \$750,000 in general obligation bonds funds and \$977,719 in federal funds to replace the current system in FY2016. Prior to FY2015, \$376,643 in federal funds was spent, bringing the total project cost to \$2.1 million. The new IAFIS system is recommended resolve differences between the Connecticut system and Rhode Island laws and increase slow speeds of the current system.

Building Renovations and Repairs

This asset protection project includes nine capital repairs for the main headquarters at 150 South Main Street in Providence. Projects include repointing and limestone repair on the building exterior, electrical upgrades throughout the building, HVAC upgrades, and replacement of bathroom fixtures and flooring. Projects are given priority based on the bond covenants used in the issuance of debt to purchase the building. The building was built in 1952 and originally outfitted as a banking facility prior to the purchase by the State for use as legal offices for the Attorney General.

Project Status: The Budget includes RICAP funding of \$250,000 in FY2015 and \$300,000 in FY2016 for fire protection upgrades, repointing and limestone repair, and HVAC upgrades. The Budget includes \$2.1 million for continued asset protection projects from FY2015 to FY2020. Completed renovations include conference rooms, office remodeling, and cubicle reconfigurations.

Google Forfeiture Funds

The Department of the Attorney General received \$60.0 million in federal forfeiture funds from participation in the United States Department of Justice (DOJ) investigation of Google's role in placing online ads for illegal pharmacies. DOJ approval is required for all projects funded by the settlement. Funds are deposited to a restricted receipt account within the Department of Attorney General.

Since FY2013, the Department has utilized these funds to complete upgrades to existing IT infrastructure, such as the Pawns and Precious metals database (\$315,846), which stores information enabling state and local law enforcement agencies to track stolen materials. An upgrade to the State Criminal History database (\$777,405) adds the ability to house criminal photos, priority list defendant last known addresses, provides fields to track mental health index data, and generates administrative reporting that was not already in place. Funds have also been spent to acquire a new office building at 180 South Main

Street adjacent to the current headquarters. The building, along with 22 additional parking spaces, was paid for entirely with Google forfeiture funds.

Project Status: The Budget includes \$11.1 million in FY2015 for information technology (IT) projects throughout the agency, including new computer equipment, and for renovations to 180 South Main Street in Providence, adjacent to the Attorney General's headquarters at 150 South Main Street. The Department did not request spending authority from DOJ for Google funds in FY2016; therefore, no projects are funded by Google in FY2016. Projects such as the building renovation for the recently purchased office space are still underway and the Department plans to finish projects current projects before requesting additional funds. The table below outlines current expenditures of these funds to date.

Attorney General - Google Funds Expenditures			
Item	FY2013	FY2014	FY2015
Building Maintenance and Repairs	\$0	\$1,118,978	\$2,029,085
Vehicles	53,769	-	-
Building Acquisition	-	3,400,000	-
IT System Design	-	574,205	708,304
General Operating Expenses	4,600	40,994	591,693
Total	\$58,369	\$5,134,177	\$3,329,082
Balance Remaining from Award			\$51,478,372

\$ in millions. As of April 5, 2015.

Department of Corrections

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Bernadette Guay Renovations	\$0.6	\$0.8	\$0.5	\$0.7	\$0.5	\$0.5	\$0.0	\$3.5
Corrections Asset Protection	11.6	3.3	4.0	4.0	4.0	4.0	4.0	34.9
Dix Bath	1.2	0.2	-	-	-	-	-	1.3
Dix Renovations	1.7	1.0	0.2	0.8	1.1	0.8	-	5.5
General Renovations - Maximum	2.8	1.4	0.9	1.0	1.0	0.5	-	7.5
Gloria McDonald Renovations	15.7	0.1	0.5	0.2	-	-	-	16.4
ISC Exterior Envelope and HVAC Renovation	0.4	2.0	1.0	1.5	1.7	1.5	2.0	10.1
Medium Infrastructure	0.3	3.0	3.0	3.4	6.0	3.0	2.5	21.2
Minimum Security Renovations	0.1	3.0	1.1	0.8	3.0	3.0	-	11.0
Total	\$34.5	\$14.7	\$11.1	\$12.2	\$17.3	\$13.3	\$8.5	\$111.6
Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
RICAP Funds	\$22.1	\$14.7	\$11.1	\$12.2	\$17.3	\$13.3	\$8.5	\$99.2
Federal Funds	12.4	-	-	-	-	-	-	12.4
Total	\$34.5	\$14.7	\$11.1	\$12.2	\$17.3	\$13.3	\$8.5	\$111.6

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

Bernadette Guay Renovations

This project converts the Bernadette Guay building from office space to detention facilities. Projects include HVAC installation, upgrades to bathroom facilities, and basement renovations. The building will house two categories of female offenders: Minimum Security and Work Release. These inmates were previously housed in the Gloria McDonald facility.

Project Status: The Budget includes \$750,000 in FY2015 and \$500,000 in FY2016 in Rhode Island Capital Plan (RICAP) funds. Bath renovations, window replacements, and basement renovations are underway. Asbestos removal and mold remediation projects have been completed.

Corrections Asset Protection

This asset protection project includes ongoing capital repairs throughout existing facilities owned and operated by the Department, known collectively as the Adult Correctional Institutions (ACI). Asset protection is made as a single appropriation, not specific to any single project, so the Department can prioritize projects in a particular fiscal year. While upgrades are not all considered major, any failure of security systems and HVAC systems can result in security complications and/or failure to maintain accreditation standards set by the American Correctional Association and National Institution of Corrections.

Project Status: The Budget includes \$23.3 million in RICAP funding for asset protection projects spread between FY2015 to FY2020, including \$3.3 million in FY2015 and \$4.0 million in FY2016, a decrease of \$2.1 million from the enacted level based on revised FY2015 project timelines. Current projects include: \$3.7 million to install new surveillance systems (security cameras) at the Dix facility and Maximum Security facility. The design of camera systems at Maximum Security is complete and ready to go out to bid. \$1.1 million has been spent on this project to date; and, \$1.1 million to replace emergency generators in facilities as generators reach or approach their useful service life of 25 years. The Budget includes \$4.0 million annually for ongoing asset protection projects from FY2016 through FY2018, with \$405,000 spread over three years for complex-wide mechanical engineering and architectural work to develop plans and designs for general asset protection projects.

Dix Bath

Bath and shower facilities in the Dix building are being removed to convert these areas to an office environment. The Dix building serves as the Women's Minimum Security facility and is undergoing renovations accommodate the Correctional Officer Training Academy, Correctional Emergency Response Team (CERT) Team, and public access to the building. Inmates have been transferred from this building to the Bernadette Guay building.

Project Status: The Budget includes \$153,161 of RICAP funds to complete the project in FY2015.

Dix Renovations

This project converts the Dix building from a secure facility environment to departmental office space. Renovations include installing shower facilities, storage areas, and office space. Electrical upgrades to the building will occur when renovations are complete. The lower level will house the Correctional Officer Training Academy and CERT team.

Project Status: The Budget includes RICAP funding of \$1.0 million in FY2015 and \$166,000 in FY2016. The Department expects basement electrical systems will be completed in FY2015. It is necessary to complete basement upgrades prior to completing other renovations in order to be able to use the area for storage and office space. Renovation of the building for office space will continue from FY2017 through FY2019; a total of \$2.7 million is planned for these renovations.

General Renovations – Maximum

This project includes general asset protection projects and mechanical system upgrades at the Maximum Security building. Projects include renovating the heating and plumbing system, including insulation of pipes in the basement, HVAC upgrades, and replacement of the steam line in the yard area, which provides hot water and heat to the facility.

Project Status: The Budget includes \$1.4 million in FY2015 and \$900,000 in FY2016 in RICAP funds for general renovations at the Maximum Security facility. Funding was approved for this project in FY2013 but the award of the bid was delayed and the project began in FY2014. The installation of a new gate has been completed, as well as HVAC upgrades in buildings 1 and 3. Ongoing projects include HVAC upgrades in the facility's kitchen area, yard renovation projects, and main steam line replacement.

Gloria McDonald Renovations

Building renovations began in 2010 to retrofit the once-vacant Gloria McDonald building to house maximum security female inmates. Projects include interior and exterior renovations, removal of an above ground corridor, and expansion of the outdoor recreation area, parking lot, and security fences.

Project Status: The Budget includes \$100,000 in FY2015 and \$450,000 in FY2016 in RICAP funds. Almost all phases of the project are complete. The Budget includes \$150,000 in FY2017 for retrofit renovations for the medical, dental, and segregation areas.

Intake Service Center (ISC) Exterior Envelope and HVAC Renovation

This project restores and repairs the exterior of the ISC, upgrades the HVAC systems, and general repairs and upgrades. Repointing and resealing of brick veneers, replacement of all windows and casements, and DryVit (building insulation) patching projects will repair water damage on the building exterior. The project also includes renovating the existing HVAC system, upgrades to the door-locking system, expansion of parking for staff and visitors, as well as a number of other general repairs and upgrades.

Project Status: The Budget includes \$2.0 million in FY2015 and \$1.0 million in FY2016 in RICAP funds for the project. The Department anticipates that a feasibility study will be complete in FY2015 to evaluate whether the DryVit system needs to be replaced or repaired.

Medium Infrastructure

The Department continues to operate the Medium-Moran facility with populations substantially greater than the facility was designed to support. Built in 1992, it was intended to house 650 inmates and today houses more than 1,000. Dining, kitchen, laundry and bathroom facility upgrades and capacity are needed to comply with correctional standards. The original project expanded the kitchen and installed new kitchen equipment; however, with the shift in population resulting from the closure of the Medium Price facility, the project also expands the dispensary's number of treatment and exam rooms, mechanical

upgrades to housing and ancillary areas, and reconstructs the current perimeter roads to accommodate fire and rescue vehicles responding to the facility.

Project Status: The Budget includes \$3.0 million in FY2015 and \$3.0 million in FY2016 in RICAP funds for this project. The Department expects to accept bids for laundry facility expansion, HVAC upgrades, and mechanical upgrades in FY2015. The Budget includes \$14.9 million from FY2017 through FY2020 for continued HVAC upgrades, kitchen and recreational area expansion, and upgrades to the hot water distribution system.

Minimum Security Renovations

This project renovates and expands the kitchen facilities and constructs a new control center and committing area at the Minimum Security prison. The existing facility has a capacity of 500 inmates; however, the minimum-security population is approaching 700 inmates; thus, the facility is undersized to serve the expanding population. The construction of the new building for support services will make space available within the main structure for inmate housing. Projects include a visiting room, gym, laundry room, and control center for supervision of work crews, deliveries, and visitor traffic, and expansion of the kitchen facilities and equipment.

Project Status: The Budget includes \$3.0 million in FY2015 and \$1.1 million in FY2016 in RICAP funds for the project, a decrease of \$3.5 million from the enacted level based on updated project expenditures. Current projects include expansion of the kitchen area and control center. Total project cost of \$11.0 through FY2019 is consistent with the enacted level.

Judiciary

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Judicial Asset Protection	\$5.3	\$0.8	\$0.9	\$0.9	\$1.0	\$1.0	\$1.0	\$10.7
Judicial Complexes - HVAC	4.0	0.6	0.9	0.9	0.9	1.0	1.0	9.3
Licht Judicial Complex Restoration	0.5	-	0.8	0.8	0.8	0.8	0.8	4.3
Noel Shelled Courtroom Build Out	-	-	-	-	-	3.0	3.0	6.0
Total	\$9.8	\$1.4	\$2.5	\$2.5	\$2.6	\$5.7	\$5.8	\$30.3

Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
RICAP Funds	\$9.8	\$1.4	\$2.5	\$2.5	\$2.6	\$5.7	\$5.8	\$30.3
Total	\$9.8	\$1.4	\$2.5	\$2.5	\$2.6	\$5.7	\$5.8	\$30.3

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

Judicial Asset Protection

This asset protection project funds renovations and improvements throughout the Judiciary's facilities. Interior renovations include elevator system upgrades, replacing outdated fire alarm and suppression systems, and upgrading the current security system to include new surveillance cameras. Additional interior renovation will allow the courts to repair ongoing wear and tear resulting from high use by the public. Exterior restoration projects include painting, window replacement, and repointing of the brick facades. Generally, the capital asset protection appropriation is not specific to any single project, thereby providing the Department discretion as to which projects are worked on in a particular fiscal year.

Project Status: The Budget includes \$846,790 in FY2015 and \$850,000 in FY2016 for asset protection projects, an increase of \$450,000 from the enacted level. Funds for both years will be used for security upgrades, fire suppression systems, and general building renovations. In FY2015, the Budget includes an insurance deductible of \$100,000 related to a sprinkler head failure which flooded the third floor and elevators of the Licht Complex.

Judicial Complexes - HVAC

This project replaces and repairs court-managed HVAC systems at all judicial complexes. Funds provide for architecture and engineering design, installation of air handler units, and chillers in various court complexes.

Project Status: The Budget includes \$589,359 in FY2015 and \$900,000 in FY2016 in RICAP funding, and plans \$900,000 to \$1.0 million annually from FY2017 through FY2020, to address the ongoing replacements and future maintenance needs. The Judiciary expects to begin replacing air handling units at the Garrahy building in FY2015 and Fogarty courthouse in FY2016.

Licht Judicial Complex Restoration

This project renovates and restores the Licht Judicial Complex in Providence. The courthouse building was completed in 1933. Renovations are highly labor intensive due to the historical nature of the building. Courtroom ceilings are covered with ornate woodwork and plaster, requiring restoration work to be done by historic preservation specialists. The Department undertakes general restoration projects as enabled by available funds.

Project Status: Beginning in FY2016, the Budget includes \$750,000 annually to continue the restoration of courtrooms one through eleven, thirteen, and fourteen. Courtroom twelve is complete. The Judiciary completed the bid process for courtroom nine; however, the Budget does not include funding for FY2015 as the Judiciary requested to delay construction to summer months since the construction work requires a two month closure of the courtroom.

Noel Shelled Courtroom Build Out

The Noel Shelled Courtroom Build-Out (NCBO) will expand the capacity of the Noel Judicial Complex by completing unfinished courtroom space within the interior shell. The build out will also include an

addition to the existing parking structure, which is at near capacity for the courtrooms currently in use. The building was completed in 2007, funded by certificates of participation (COPs); however, due to cost overruns at the time of construction, a space in the center of the building intended for additional courtrooms was never completed. The Department indicates a need to complete this courtroom space due to overcrowding of courtrooms in both the McGrath Judicial Complex (Wakefield) and the Garrahy Complex (Providence). Noel is centrally located in Warwick and may serve populations in both Washington and Providence counties. 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. The second phase of the project will build out the shelled courtroom space within the Noel Complex.

Project Status: The Budget includes \$3.0 million per year in FY2019 and FY2020 in RICAP funds to complete the courtroom space and build an addition to the existing parking structure. Project costs post-FY2020 are planned at \$4.0 million, bringing the entire project cost to \$10.0 million.

Executive Military Staff

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Armory of Mounted Commands Rehab	\$6.5	\$0.6	\$0.7	\$1.2	\$0.0	\$0.0	\$0.0	\$8.9
Benefit Street Arsenal Rehabilitation	0.0	0.8	-	-	-	-	-	0.8
Bristol Readiness Center	-	-	-	0.1	-	-	-	0.1
Burrillville Regional Training Institute	0.0	0.0	-	-	-	-	-	0.0
Camp Fogarty Armory Roof	1.3	0.0	-	-	-	-	-	1.3
Joint Force Headquarters Building	-	2.5	0.6	22.5	3.0	4.1	-	32.7
Military Staff Asset Protection	5.2	1.6	2.1	1.8	1.7	2.0	1.6	15.9
Total	\$13.0	\$5.5	\$3.4	\$25.6	\$4.7	\$6.1	\$1.6	\$59.8

Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
RICAP Funds	\$5.4	\$1.8	\$1.7	\$4.4	\$3.7	\$4.8	\$0.7	\$22.5
Federal Funds	7.6	3.7	1.7	21.2	1.0	1.3	0.9	37.3
Total	\$13.0	\$5.5	\$3.4	\$25.6	\$4.7	\$6.1	\$1.6	\$59.8

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

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, that are trained and equipped through numerous facilities throughout the state, including fourteen armories, three air bases, two training sites, and ten maintenance and support buildings housing equipment valued at a total of \$500.0 million.

Armory of Mounted Commands Rehab

The Armory of Mounted Commands (AMC) was built in 1925 and is located on North Main Street in the City of Providence. Prior to WWII, the facility was used by the State Militia's cavalry and mounted artillery units. Later, the armory became the Rhode Island National Guard Joint Force Headquarters until its relocation to 645 New London Avenue in the City of Cranston in 1993. Many of the structural and utility components of the building are failing due to the age of the structure and require repair or replacement. The projects include repointing brick mortar joints, replacement of the slate roof and gutters, repairing skylights, replacement of the HVAC system, replacement of the headshed roof, expanding and repaving the parking lots, electrical and plumbing work including the replacement of the latrines, and installing an elevator in the four-story AMC to achieve Americans with Disabilities Act compliance.

Project Status: The Budget includes \$2.4 million between FY2015 and FY2017, divided approximately 50/50 between federal and RICAP funds. The new HVAC system is complete and operational. A design package was recently issued for architectural and engineering design bids on the remaining projects.

Benefit Street Arsenal Rehabilitation

The Benefit Street Arsenal is located at 176 Benefit Street in the City of Providence. The structure was built in 1839 and was relocated 150 feet north to its present location in 1906. The Arsenal was added to the National Register of Historic Places in 1970. In the 19th Century, the Arsenal was used as the armory of the Providence Marine Corps of Artillery (PMCA) and associated artillery units in the Rhode Island Militia, was used as the mobilization site for the militia units during the Dorr Rebellion, and again as a mobilization site for ten batteries of light artillery which were raised in Rhode Island during the American Civil War. Presently, the Rhode Island National Guard only uses this structure for ceremonial programs associated with the 103rd Field Artillery. Therefore, the structure is historically significant to the State, but is of little use to the Rhode Island National Guard. The structure is occupied and leased by the Providence Marine Corps of Artillery (PMCA). The lease term is for 1,000 years.

The structure has significant water penetration issues including damage to plaster walls and ceilings. Additional interior repairs include replacement of the 80-year old electrical system and fire code upgrades. The exterior façade work includes masonry and window repairs and complete exterior painting. In addition, the sidewalk along Meeting Street is in such disrepair that it is a hazard. There are several significant legal issues surrounding this structure including the inventory and insurance of the artifacts inside, ownership of the sidewalks, and abutting property owner issues.

Project Status: The Budget includes \$787,260 Rhode Island Capital Plan (RICAP) funds in FY2015. There are no out-year appropriations for this capital project.

Analyst's Note: The Chafee administration concluded that once all of the repairs are completed, ownership of the structure (and contents) will be transferred to the PMCA, which will be responsible for all future repairs. This still may be in the overall capital plan.

Bristol Readiness Center

Military Staff is planning for the design and renovation/construction of a new armory and field maintenance shop to service the East Bay. The current facilities fail to meet federal operational, logistical, and security standards. Military Staff is currently exploring all potential site development options, including models used in other states that allow for public shared-use spaces.

Project Status: The Budget includes \$125,000 in RICAP funds in FY2017 to fund a project feasibility study. Approximately 75.0 percent of future construction costs will be federally funded, with the balance financed by the State.

Burrillville Regional Training Institute

Military Staff currently operates a regional training institute on 33 acres at Camp Varnum in Narragansett for military education and outdoor survival skills, including land navigation, map and compass reading. However, the present location of the training institute is outdated, too small for practical simulation, and it is located within a flood plain.

Military Staff plans to construct a new regional training institute on 133 acres of state-owned land in Burrillville. The land was previously used by the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals, but was recently approved for use by Military Staff. Construction of the regional training institute will be 100.0 percent federally-funded. The State is only required to provide the land and to fund a master plan/feasibility study.

Project Status: The wetland survey and environmental remediation and feasibility study are complete. The Budget includes \$22,150 in FY2015 in RICAP to complete the master plan.

Camp Fogarty Armory Roof

The Camp Fogarty Armory houses several units of the Army National Guard including the 56th Troop Command, 115th Military Police Company, 126th Aviation Support Battalion, 1/143rd Infantry Battalion, 1/182nd Infantry Battalion, and the Recruit Sustainment Program. The roof on the armory was last replaced in 1995 with an expected life of 15 years. The roof has several areas where rain water penetrates the structure and leaks into several rooms including computer and storage rooms, damaging floors, carpeting and equipment.

Project Status: The Budget includes \$40,303 to complete the project in FY2015.

Joint Force Headquarters Building Project

This project involves the design and construction of a new \$32.7 million, 86,000 sq. ft. Joint Force Headquarters Building (JFHQ) to house the Rhode Island National Guard (RING). The structure will be located on federal land at Camp Fogarty in the Town of East Greenwich, and will be used to support the administration, training, and logistics of both the Army and Air National Guard. The new structure will replace the existing 44,840 sq. ft. structure located at 1511 New London Avenue in the City of Cranston. The former building is proposed as the headquarters of Rhode Island Emergency Management Agency.

Project Status: The Budget includes \$2.5 million in federal funds in FY2015. The National Guard states that the project was recently approved by the Department of the Army and placed on the federal list of future year defense program spending with an additional \$19.5 million federal fund capital commitment scheduled for federal fiscal year 2017. This increases the total federal fund commitment to \$22.0 million. In order to receive the federal funds, the State will need to provide a 33.0 percent state match. The

Budget includes RICAP appropriations of \$10.7 million between FY2016 and FY2019, to secure the federal fund match.

Military Staff Asset Protection

This project includes sixteen capital repairs at various facilities that are categorized as asset protection for the Military Staff. These projects are funded with both RICAP and federal funds. The asset protection program includes sub projects at various facilities, and allows the National Guard to prioritize each project and shift funding based on current conditions and needs. The projects include fence installation, HVAC replacement, parking lot repairs and repaving, door and window replacements, roof replacement, installation of back-up generators, latrine upgrades, interior repairs, and painting.

Project Status: The budget includes \$10.7 million, of which \$7.0 million is federal and \$4.2 million is RICAP funds. The enacted plan contains \$1.6 million in federal funds and \$700,000 in RICAP funds between FY2015 and FY2020.

Rhode Island Emergency Management Agency

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Emergency Management Building	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1.0	\$1.1
Hurricane Sandy Cleanup	2.6	1.0	-	-	-	-	-	3.7
Statewide Communication Network (RISCON)	-	2.0	2.0	2.0	2.0	2.0	2.0	12.0
Total	\$2.8	\$3.0	\$2.0	\$2.0	\$2.0	\$2.0	\$3.0	\$16.8

Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
RICAP Funds	\$0.7	\$0.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.5	\$1.5
General Revenue	-	1.0	1.0	1.0	1.0	1.0	1.0	6.0
Federal Funds	2.0	1.8	1.0	1.0	1.0	1.0	1.5	9.3
Total	\$2.8	\$3.0	\$2.0	\$2.0	\$2.0	\$2.0	\$3.0	\$16.8

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

The Rhode Island Emergency Management Agency (RIEMA) is the coordinating agency for multi-jurisdiction and multi-agency response in the State for all emergencies including natural and technological hazards such as fires, floods, tornadoes, hurricanes, winter storms, chemical releases, weapons of mass destruction, and terrorism incidents. RIEMA is the official coordinating agency of the State for the federal Department of Homeland Security and the federal Emergency Management Agency.

Emergency Management Building

The enacted capital plan includes funds for a new RIEMA Headquarters and Emergency Operations Center, with the capability to incorporate other state agencies in the event a man-made and/or natural disaster. The project includes administrative offices, information technology and communications facilities, support facilities for emergency operations, the State Emergency Operations Center, and a radiological vault.

Project Status: The Budget includes \$1.0 million in FY2020, including \$500,000 in RI Capital Plan (RICAP) funds and \$500,000 in federal funds for building retrofit needs for RIEMA once the Rhode Island National Guard Command Readiness Center relocates to Camp Fogarty in East Greenwich.

Analyst's Note: A feasibility study was completed by the firm Robinson Green and Berretta in June 2013 that identified the spatial needs of RIEMA and supported the agency's request for a separate facility. However, as part of the FY2016 Capital Budget request, the Military Staff requests funding to match federal funds to construct a new Rhode Island National Guard Command Readiness Center in federal fiscal year 2017. This new facility would be located on federal property at Camp Fogarty in East Greenwich. The RIEMA confirmed that relocating the Rhode Island National Guard Command Readiness Center to East Greenwich will provide RIEMA with sufficient operating space at the existing Cranston location.

Hurricane Sandy Cleanup

On October 29, 2012, Hurricane Sandy damaged State property and State agencies incurred costs to clean-up debris left in the wake of the storm. The Federal Emergency Management Agency (FEMA) provided federal funds to aid the State in the clean-up and repairs. These federal funds required a State funded match of approximately 25.0 percent, which was provided through RICAP. Both State and quasi-state agencies applied for reimbursement for their damages and expenses. The State entities receiving this assistance include the Department of Environmental Management, Department of Transportation, Rhode Island National Guard, Rhode Island Emergency Management Agency, Coastal Resources Management Council, Rhode Island Airport Corporation, Rhode Island Turnpike and Bridge Authority, Quonset Development Corporation, Department of Public Safety, and the University of Rhode Island.

Project Status: The Budget includes \$1.0 million in FY2015 comprised of \$779,952 in federal funds and \$254,943 in RICAP funds. FEMA reimbursed the State \$2.0 million to date. The projects are complete.

Rhode Island Statewide Communications System Network (RISCON)

Under RIGL 30-15-43 Statewide interoperable communications system, RIEMA is authorized and empowered to provide for the installation, operation, and maintenance of a statewide interoperable communications system for the purpose of promptly collecting, exchanging, disseminating, and distributing information relating to police, fire, first responder, and first receiving health care facilities of the state. The Rhode Island Statewide Communications System Network (RISCON) is an 800MHz interoperable radio system that is the main communications platform used for the daily operations of all public safety agencies in the State. RIEMA continues to sustain, enhance, and develop RISCON to be used in the event of a man-made or natural disaster for interoperability among local, state, and federal government entities.

RISCON is used by all state agencies and by 39 municipalities. Over 70 percent of the municipalities use RISCON for law enforcement needs and 50.0 percent use the system for fire and EMS needs. There are approximately 10,000 end-users on the system, which requires regular hardware maintenance, and 29 tower locations throughout the state.

Project Status: The Budget includes \$12.0 million, evenly derived from federal funds and general revenues between FY2015 and FY2020 to further enhance and maintain the system.

Department of Public Safety

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Consolidated Training Academy	\$0.0	\$0.3	\$6.7	\$8.5	\$4.1	\$0.0	\$0.0	\$19.5
Computer Crimes Unit	-	0.4	-	-	-	-	-	0.4
DPS Asset Protection	-	-	0.3	0.3	0.3	0.3	0.3	1.3
Fire Academy Building	6.5	1.0	2.0	1.2	-	-	-	10.7
Headquarters Annex Renovations	0.4	0.2	-	-	-	-	-	0.5
Lincoln Woods Barracks Renovation	1.9	2.5	1.5	0.5	-	-	-	6.4
Secure Vehicle Garage	-	0.7	-	-	-	-	-	0.7
State Police Barracks	-	-	0.4	-	-	-	-	0.4
Supply and Intelligence Buildings	0.3	2.7	-	-	-	-	-	3.0
Total	\$9.1	\$7.7	\$10.8	\$10.5	\$4.3	\$0.3	\$0.3	\$42.9

Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Restricted Receipts	\$0.0	\$4.7	\$6.9	\$3.6	\$1.0	\$0.0	\$0.0	\$16.2
RICAP Funds	3.0	3.0	3.9	6.9	3.4	0.3	0.3	20.6
G.O. Bonds	6.4	0.0	-	-	-	-	-	6.4
Total	\$9.1	\$7.7	\$10.8	\$10.5	\$4.3	\$0.3	\$0.3	\$42.9

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

Consolidated Training Academy

This project involves the design and construction of a new \$19.5 million Consolidated Training Academy facility, which will combine the current training facilities of the Rhode Island State Police and Municipal Police Training Academies. The site that is being considered is the State-owned land in the Town of Exeter at the former Ladd School. The Academy building will be used to support the administration, training, and logistics of both the State Police Academy (SPA) and the Municipal Police Academy (MPA). The current State Police facilities were constructed in the 1950s as a Nike missile site for the United States Army. The facility was turned over to the State Police in the 1960s and has since undergone renovations to accommodate State Police training needs and technology upgrades. The Municipal Academy contracts leased space at the Community College of Rhode Island. According to the Department, training efforts common to both groups can be coordinated; and, savings will be achieved since the DPS would no longer need to renovate the SPA site or lease space for the MPA classes.

Project Status: A feasibility study to determine total project cost will be completed in FY2015, funded by \$300,000 in restricted receipts from Google forfeiture funds. The Budget includes \$1.3 million from RICAP and \$5.4 million in restricted receipts in FY2016 to begin construction. The project will be 50.0 percent funded through RICAP funds and 50.0 percent through restricted receipts: \$9.8 million from each source.

Computer Crimes Unit

The Department is relocating the Computer Crimes Unit (CCU) from State Police Headquarters to 50 Service Avenue in Warwick, a building owned by the Department of Administration. Based upon the current size of the CCU, there is a need for them to move into a larger work area to accommodate for their staffing needs. This space is currently occupied by the State Police Detective Unit, which will move to other available space in this building. This project will renovate and add to the office space to be occupied by CCU.

Project Status: The Budget includes restricted receipts from Google forfeiture funds of \$400,000 in FY2015 for architectural and design services, as well as renovations to the space. An architect has been selected for the office design, and they will begin work once purchasing assigns a Purchase Order number. It is anticipated that this project will be completed in FY2015.

DPS Asset Protection

Based upon the age of some of the buildings that fall under the Department of Public Safety, it is imperative that funding be available to address an issue that may not otherwise be covered by the Department's operating budget. Asset protection is made as a single appropriation, not specific to any single project, so the Department can prioritize projects in a given fiscal year.

Project Status: The Budget includes \$250,000 annually in RICAP funds from FY2016 through FY2020 for asset protection projects. Current projects include repairs to the gutter system and installation of a snow melting system to alleviate pooling and freezing of water on the roof of the Headquarters building in Scituate. The building officially opened in 2010 and houses the State Police, including the Command Staff, and the E-911 Public Safety Answering Point.

Fire Academy Building

The Fire Academy Building project is a two-phase undertaking which began after voters approved \$6.4 million in general obligation bonds in November 2002. Phase I was completed in December 2011 and included a four acre Burn Pad, paved parking, on-site wastewater treatment, apparatus building and a garage at the site of the former Ladd School in Exeter. Phase II incorporates classrooms and administrative offices to the current hands-on portions of the Academy. Until Phase II is completed, classroom training is conducted at off-site locations. This project has also expanded to include the construction of new office space and storage space for the State Fire Marshal's office, as they have been moved out of the Cranston Street Armory based on poor working conditions.

Project Status: The Budget includes \$1.0 million in FY2015, including \$27,482 in remaining general obligation bond funds and \$1.0 million in RICAP funds for construction of Phase II of the project. In FY2016, RICAP funds of \$2.0 million will provide financing for continued project construction while also providing for a feasibility study, which will be conducted in order to determine the cost of the addition of moving the Fire Marshal's office to this site location. Since moving out of the Cranston Street Armory in 2014, the majority of the staff are situated within the Department of Administration, while a small portion moved to a secondary site used as a backup building for the E-911 unit on Smith Street in Providence.

Lincoln Woods Barracks Renovations

The Lincoln Woods Barracks was constructed in the 1930s, directly off Route 146 in Lincoln, and originally served as State Police Headquarters. While the Barracks has undergone changes to accommodate evolving staffing and technology needs, the building requires a number of other renovations, including an HVAC system to address energy inefficiencies, public restrooms, trooper amenities such as storage lockers and bath facilities, and office space. The project reconfigures the sally port (the entrance where persons in custody are brought into the building), processing room, and basement location of the cell block to address public and officer safety concerns. There is currently no secure means of transporting someone in custody through each of these areas.

Project Status: The Budget includes \$6.4 million to complete the renovation projects of the building, including \$2.5 million in FY2015 and \$1.5 million in FY2016. \$1.5 million in Google forfeiture funds are included in both years.

Secure Vehicle Garage

This project is to construct a pre-engineered, secure steel building at the Scituate headquarters to house and prolong the life of 13 specialty use trucks and trailers with Google forfeiture settlement funds.

Project Status: The Budget includes \$700,000 in restricted receipts from Google forfeiture funds to complete the project in FY2015.

State Police Barracks

This project funds a feasibility study to build new Wickford and Hope Valley State Police Barracks.

The Department plans to build a new Wickford Barracks to replace the existing 1935 barracks that is undersized and not designed to modern and secure standards. The configuration does not have a secure sally port or space for secure movement of prisoners. The new barracks will be a two-story, state of the art structure in Quonset to house the 34.0 trooper positions currently stationed in Wickford. The Department is seeking to enter a lease agreement with Quonset Development Corporation for a parcel upon which to build the new barracks.

The Hope Valley Barracks was built in 1930 and designed to meet the needs of the State Police during that era. The current configuration of the sally port, processing room, and basement cell block presents public and officer safety concerns. There is no secure means of transporting someone in custody through each of these areas. This project constructs a new state-of-the-art barracks on land immediately adjacent to the current structure. The Department will maintain possession of the current barracks, which will be renovated and used by members of the Department for office space.

Project Status: The Budget includes \$400,000 in RICAP in FY2016 to fund the cost study for both projects. Lease agreement negotiations with Quonset Development Corporation are underway.

Supply and Intelligence Buildings

The Supply and Intelligence buildings are part of the Department of Public Safety's (DPS) main campus in Scituate. Renovations will occur in both the Supply building and the Intelligence building and include installation of HVAC systems, additional offices, interior walls and flooring, electrical wiring, security cameras, and ADA compliant bathroom and shower facilities.

The Supply building, constructed in 1940, has a fitness area, storage room, mechanical room, and maintenance offices. After the new headquarters was built, the DPS decided to repurpose the Supply building to be used as office space.

The Intelligence building, also constructed in 1940, was primarily used for training State Troopers. The building, vacant since 2008, has been undergoing renovations in order to move the Intelligence Unit into this space. The Intelligence Unit currently occupies space at the Lincoln Woods Barracks, but requires close proximity to headquarters because of the sensitive nature of the work.

Project Status: The Budget includes \$2.7 million in FY2015 comprised of \$850,829 in RICAP and \$1.8 million in Google forfeiture funds to complete the renovation projects of both buildings by May 2015. This is an increase of \$1.5 million above the enacted level. Interior demolition, replacement of the roof, and soffit and fascia work has been completed.

Department of Environmental Management

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Blackstone Valley Bike Path/State Park	\$0.6	\$0.7	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0	\$1.5
Brownfields Remediation	-	-	1.0	1.0	1.0	1.0	1.0	5.0
Dam Repair	1.9	1.5	0.8	1.0	1.6	1.5	1.0	9.2
Farmland Development Rights Acquisition	0.7	1.8	2.0	1.0	1.0	1.0	-	7.5
Fish & Wildlife Maintenance Facility	-	-	-	0.2	0.6	-	-	0.7
Flood Prevention	-	-	1.0	1.0	1.0	-	-	3.0
Fort Adams Rehabilitation	3.4	0.3	0.1	-	-	-	-	3.8
Fort Adams Sailing Improvements	3.0	3.4	3.6	-	-	-	-	9.9
Galilee Piers	5.7	4.5	0.4	0.4	0.4	0.4	0.4	12.1
Historic/Passive Local Recreation Grants	3.2	1.3	0.5	-	-	-	-	5.0
India Point	3.0	0.2	-	-	-	-	-	3.2
Local Land Acquisition Grants	5.7	3.0	1.6	1.1	1.0	-	-	12.5
Local Recreation Development Grants	1.3	3.7	2.0	1.5	2.0	1.0	1.0	12.5
Marine Infrastructure/Pier Development	-	-	0.1	1.0	1.0	1.0	0.9	4.0
Narragansett Bay and Watershed Restoration	6.6	2.9	1.0	1.0	1.0	-	-	12.5
Natural Resources Offices/Visitor's Center	0.3	-	-	-	-	-	3.0	3.3
Newport Piers	1.4	0.1	0.1	0.1	-	-	-	1.8
Recreational Facility Improvements	24.5	4.6	4.2	2.3	1.7	1.6	0.9	39.6
Rocky Point Acquisition/Renovations	9.8	3.9	-	-	-	-	-	13.8
Roger Williams Park	10.9	0.1	3.6	3.6	3.6	3.6	3.6	29.0
State Land Acquisition - Open Space	9.7	2.3	0.5	-	-	-	-	12.5
World War II Facility	-	1.8	0.8	-	-	-	-	2.6
Total	\$91.6	\$36.1	\$23.5	\$15.2	\$15.8	\$11.1	\$11.8	\$204.9
Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Federal Funds	\$11.9	\$2.1	\$1.3	\$0.0	\$0.4	\$0.0	\$0.0	\$15.7
G.O. Bonds	59.1	17.0	13.2	10.2	10.6	6.6	5.6	122.3
Insurance Proceeds	-	-	-	-	0.1	-	-	0.1
Restricted Receipts	-	-	2.2	-	-	-	-	2.2
RICAP	20.6	17.0	6.7	4.9	4.7	4.5	6.2	64.6
Total	\$91.6	\$36.1	\$23.5	\$15.2	\$15.8	\$11.1	\$11.8	\$204.9

\$ 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. DEM's capital projects are designed to stimulate the State's economy by supporting tourism, commercial fishing, and outdoor recreation.

Blackstone Valley Bike Path/State Park

This project provides funds to the Friends of the Blackstone River for improvements to areas around the Blackstone River Valley focused on enhancing river access and safety, and complimenting the State's efforts to improve this river corridor. The Friends of the Blackstone River is a non-profit organization, recognized by the Rhode Island Rivers Council and dedicated to making the Blackstone River fishable and swimmable.

Project Status: The current project funding will match funding from the United States Army Corps of Engineers to build four fish ladders. The project is currently in the feasibility/design phase. The Budget provides \$659,170 in FY2015 and \$198,410 in FY2016 to complete this \$1.5 million project.

Brownfield Remediation

As part of the \$53.0 million bond referendum for Clean Water, Open Space, and Healthy Communities initiative on the November 2014 ballot, the voters approved \$5.0 million in general obligation bond proceeds to provide matching grants of up to 80.0 percent of project costs to public, private, and non-profit entities for brownfield remediation projects. According to the Department, between 10,000 and 12,000 abandoned industrial sites lie idle across the State. The clean-up and re-purposing of these sites will remove hazards, attract jobs, and protect the urban environment.

Project Status: The Budget includes a total of \$5.0 million in general obligation bond proceeds for brownfield remediation, including \$1.0 million annually in FY2016 through FY2020. The rules for the grant program will be promulgated in the summer of 2015, with grants expected to be awarded beginning in the spring of 2016.

State-Owned Dam Repairs

This project allows DEM to complete engineering studies, designs and repairs to “high-hazard” State-owned dams which, if they were to fail, would cause significant property damage and potential for loss of life. The State owns 10 high hazard and four significant hazard dams. During the past 10 years, the Department completed repairs to the Stillwater Dam in Smithfield, the Olney Pond Dam in Lincoln Woods, and the Bowdish Lake Dam at the George Washington Management Area.

Project Status: 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. Other dams recommended for repair are the Wyoming Pond upper dam in Hope Valley, Browning Mill Pond dam in Hopkinton, and Burlingame Reservoir dam in Glocester. The Budget includes \$1.5 million in RICAP funds in FY2015 and \$750,000 in FY2016.

Farmland Development Rights

This program enables the Department to purchase the development rights for farms in order to eliminate the economic pressure on the farmer to sell land for residential or commercial development. Since 1985, the State has purchased agricultural development rights to 98 farms, protecting over 6,500 acres for future farming. The Agricultural Preservation Commission continues to accept applications for this on-going program.

Project Status: As part of the \$53.0 million bond referendum for Clean Water, Open Space, and Healthy Communities initiative on the November 2014 ballot, voters approved \$3.0 million in general obligation bond proceeds to allow the Department to expand the program and purchase farmland, preserve the development rights thereby restricting the land to agricultural use, and transfer the property to qualified farmers. The modification to the program is intended to encourage new farming businesses or existing farmers to expand by reducing the cost of the land. If the land is sold, the proceeds will be credited back to the account for use in new projects.

The rules for the grant program will be promulgated in the summer of 2015, with grants expected to be awarded beginning in the spring of 2016. The Budget includes \$1.8 million in bond proceeds annually in FY2015 and \$2.0 million in FY2016.

Fish and Wildlife Maintenance Facility

The current Division of Fish & Wildlife facility at the Great Swamp Management Area is over 30 years old, is undersized, and is incapable of housing the heavy equipment and research equipment used by the Division to monitor fish and wildlife populations. This project is for the construction of a new facility.

Project Status: The Department requests funding for design work in FY2017 with project completion in FY2018. The Budget includes total project costs of \$718,253 as requested, including \$426,000 in federal funds, \$150,000 in RICAP funds, and \$142,253 in insurance proceeds from the fire at the Round Top Management Area in November 2013.

Flood Prevention

As part of the \$53.0 million bond referendum for Clean Water, Open Space, and Healthy Communities initiatives on the November 2014 ballot, voters approved a total of \$3.0 million in general obligation bond proceeds for flood prevention. The project funds project design and construction grants to public and/or non-profit entities for repairing and/or removing dams; restoring and/or improving the resiliency of

vulnerable coastal habitats; and restoring river and stream floodplains. These funds are expected to leverage matching funds in support of local programs to improve community resiliency and public safety during a time of increased flooding, major storm events, and environmental degradation.

Project Status: The Budget includes \$1.0 million in general obligation bond proceeds annually in FY2016 through FY2018. The rules for the grant program will be promulgated in the summer of 2015, with grants expected to be awarded beginning in the spring of 2016.

Fort Adams Restoration

Fort Adams was first established in 1799; and, in the 1800's, it became the most complex fortification in the Western Hemisphere. This program provides funding for renovation projects at the 80-acre historical site that serves today as an educational and cultural attraction in Newport. Proposed projects include the restoration of the northeast officers' quarters walkway, stabilization of the masonry, and roof repairs along the west wall.

Project Status: The Budget includes \$300,000 in RICAP funds in FY2015 and \$125,000 in FY2016, consistent with the Budget as Enacted, but less than the Department requested. The Department requested an additional \$375,000 in FY2016, \$500,000 annually in FY2017 through FY2019, and \$475,000 in FY2020 to fund additional renovations at the Fort.

Fort Adams Sailing Improvements

This project provides improvements to Fort Adams to allow for the hosting of large scale sailing events, such as America's Cup, the Extreme Sailing Championship, and the Volvo Regatta. The Department completed the upgrades necessary to host America's Cup trials in the summer of 2012, including the installation of the electrical and water utility upgrades, parking lot re-pavement, and marine improvements, such as docks and pilings.

Project Status: Construction of a 240 foot, fixed pier should be completed in April 2015. 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.

The Budget includes \$3.4 million in RICAP funds in FY2015 (including \$375,515 in carryforward funds from FY2014) and \$3.6 million in FY2016 (\$1.4 million in RICAP funds and \$2.2 million in restricted receipts). This \$9.9 million project is expected to be completed in FY2016.

Port of Galilee

The Port of Galilee is home to 170 commercial fishing vessels and provides affordable berthing spaces close to wholesale and retail seafood processing businesses. The Department has rebuilt numerous piers, as well as the southwest and northwest bulkhead since 2009. 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. The Department won a \$2.7 million federal grant from the Economic Development Agency for this project. Out-year repairs include reconstruction of the 650-foot central bulkhead.

Project Status: The southern bulkhead was completed in February 2015, with additional repairs to Pier HH to be completed by July 2015. Repairs to Pier PP will begin in the fall of 2015. The Budget provides \$12.1 million for this project including \$4.4 million in FY2015 (\$2.4 million in RICAP funds and \$2.1 million in federal funds) and \$400,000 in RICAP funds in FY2016.

Historic/Passive Local Recreation Grants

DEM provides grant funding of up to 90.0 percent of project costs to municipalities to renovate and develop historic and passive recreation areas. These funds can be used to acquire, develop or rehabilitate local recreation facilities. The primary goal of this program is provide outdoor recreation opportunities to

residents and visitors to the State. Funds for this program were authorized in the 2004 Open Space Bond totaling \$4.0 million and in 2012 an additional \$1.0 million.

Project Status: In FY2014, the Department awarded 18 grants totaling \$1.5 million, which were matched with \$1.3 million in local funds. Some of the projects funded included replacing historic lighting at Eisenhower Park in Newport (\$100,000), rehabilitation of Cogswell Tower in Jenks Park in Central Falls (\$100,000), and construction of two composting restrooms at Chase Farm Park in Lincoln (\$100,000). The Budget includes \$1.3 million in bond proceeds in FY2015 and \$500,000 in FY2016.

Local Land Acquisitions Grants

Through this program, the Department provides funding to municipalities, local land trusts, and non-profit organizations to acquire title, development rights, or conservation easements of open space in Rhode Island. The DEM grants provide up to 50.0 percent of the purchase price and associated costs to preserve local open space that has natural, ecological, agricultural, or scenic value.

Project Status: The Budget includes \$3.0 million in bond proceeds in FY2015 and \$1.6 million in FY2016.

Local Recreation Development Grants

Through this program, the Department provides matching grants of up to 50.0 percent to municipalities to acquire and develop recreation areas. Since 1988 the program has awarded over 200 grants totaling over \$34.0 million. As part of the \$53.0 million bond referendum for Clean Water, Open Space, and Healthy Communities initiative on the November 2014 ballot, voters approved \$4.0 million in general obligation bond proceeds to provide matching grants of up to 80.0 percent of project costs to municipalities to acquire, develop, or rehabilitate local recreational facilities to meet the growing needs for active recreational facilities, instead of the 50.0 percent provided by the previous program. According to the Department, the increase in State match was requested by municipalities having difficulty raising the local match. The grants cover the development of sports fields, tennis courts, and playgrounds. The grant applications are evaluated and ranked by the State Recreation Resources Review Committee, which is comprised of state and local government officials and representatives of non-profit agencies.

Project Status: In FY2014, the Department awarded 16 grants totaling \$719,925, which were matched by \$804,583 in local funds. Some of the projects included upgrades to the Roger Williams Softball Field and shade structure in Providence (\$68,000), tennis court construction in Hunter Park in Newport (\$75,000), and resurfacing of basketball courts, tennis courts, and a skateboard park at McGinn Park in North Kingstown (\$75,000). The Budget includes \$3.7 million in bond proceeds in FY2015 and \$2.0 million in FY2016.

Marine Infrastructure and Pier Development

This project is for the development of a fishing pier, boating access ramp, and public restroom facility at Rocky Point in Warwick; a fishing pier and public restroom facility at India Point in Providence; and a fishing pier at Green Lane in Middletown. Funds used for marine development and improvements are matched with federal funds, while improvements made to land assets will be used to leverage local, private, and federal funds.

Project Status: The Budget includes \$100,000 in RICAP funds in FY2016. The design phase of this project will begin in FY2016.

Narragansett Bay and Watershed Restoration

The goal of this project is to restore and protect water quality, and enhance the economic viability and environmental sustainability of Narragansett Bay and Rhode Island's watersheds. The funds provide matching grants of up to 50.0 percent to state and local agencies and nonprofit and for-profit businesses with proposals to address environmental pollution or degradation that may have originated decades

earlier. Funded activities include storm water management, nutrient load abatement, pollution abatement, and riparian buffer and ecosystem protection projects. The November 2004 ballot included \$8.5 million in bond authorization for matching grants for nonpoint source pollution abatement projects. The November 2012 ballot included an additional \$4.0 million in bond funds. The project encourages activities that may not qualify for funding from other clean water sources.

Project Status: The Budget includes \$2.9 million in bond proceeds in FY2015 and \$1.0 million in FY2016.

Natural Resources Offices/Visitor's Center

This project involves the construction of a new Natural Resources Offices/Visitor's Center 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. The administrative offices are currently located in temporary quarters at the Forestry Management Headquarters in Scituate and the Freshwater Fisheries and Wildlife Departments are located in the Great Swamp Management Area in South Kingstown. Many of the facilities currently being used to house staff do not meet building code requirements. The Department had previously requested a facility be built in the Great Swamp Wildlife Management Center; however, it now believes that a facility in the Arcadia Management Area would better serve its needs.

Project Status: According to the Department, the design is complete and all permitting has been approved. The Budget provides \$3.0 million for this project in FY2020.

Newport Piers

This project supports the commercial fishing industry by making infrastructure improvements for commercial fishing facilities at the State Pier in Newport. State Pier #9 in Newport houses approximately 50 commercial fishing vessels. Over the past several years, DEM has replaced the bulkhead and pilings, renovated the parking facilities and also made landscape and drainage improvements.

Project Status: A new building to provide an office and restrooms will be designed for construction to begin in FY2016. The Budget includes \$100,000 in RICAP funds in FY2015 and \$137,000 in FY2016.

Recreation Facilities Improvements

The Department manages over 50 buildings and 25 miles of roads, in addition to water supply systems and other infrastructure elements, in State Parks and Management Areas. This project is for 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.

Project Status: The design for the Lincoln Woods facility is complete and construction scheduled to start in September 2015; the Fishermen's Memorial Campground is under construction, with completion scheduled for the fall of 2015; and, design for the George Washington Campground is complete. The Budget includes \$4.6 million in FY2015 (\$1.4 million in bond proceeds and \$3.2 million in RICAP funds) and \$4.2 million in FY2016 (\$1.3 million in federal funds and \$2.9 million in RICAP funds).

Rocky Point Acquisition/Renovations

Rhode Island voters approved a November 2010 ballot referendum that provided \$10.0 million in general obligation bond funding to purchase 81 acres of land in the City of Warwick. This land, the site of the former Rocky Point Amusement Park, abuts 41 acres of coastal shoreline protected through a joint effort of the City of Warwick and the Department of Environmental Management (DEM). This site will provide

passive recreation activities such as picnicking, hiking, and sightseeing, as well as saltwater-based recreation such as boating, kayaking, and fishing.

Project Status: The demolition and removal of derelict buildings, the removal of debris piles and cottages, and the grading of the property were completed in the fall of 2014 and the park opened in October 2014. Project costs total \$13.8 million (\$10.0 million in bond proceeds and \$3.8 million in RICAP funds). The Budget includes \$3.9 million in FY2015 (\$199,005 in bond proceeds and \$3.7 million in RICAP funds) to complete this project.

Roger Williams Park Development

This project provides for ongoing renovations and improvements to Roger Williams Park in the City of Providence. The project is funded from general obligation bonds as part of the \$53.0 million bond referendum for Clean Water, Open Space, and Healthy Communities initiative approved by voters on November 2014 ballot. The referendum provides \$15.0 million for three projects at the Zoo, including \$9.0 million to replace the Tropical Rainforest Building, \$5.0 million to replace the education center, and \$1.0 million to convert the old education center into a reptile house. The referendum also provides \$3.0 million for the construction and reconstruction of roads, bridges, sidewalks, and walkways within the Park.

Project Status: The Budget includes \$74,330 in bond proceeds in FY2015 and \$3.6 million in FY2016.

State Land Acquisition - Open Space

Since 1985, the State has acquired or protected more than 20,250 acres of open space through the purchase of land, development rights and conservation easements statewide. The State has adopted a goal to protect 3,000 acres annually through the land acquisition program. On average, DEM is able to leverage a 75.0 percent match from federal and/or local sources. The November 2004 ballot included \$10.0 million, the November 2008 ballot included \$2.5 million, and the November 2012 ballot included \$2.5 million in general obligation bond funds for this program. The 2004 and 2008 bond proceeds were exhausted in FY2014.

Project Status: The Budget includes \$2.3 million in bonds proceeds in FY2015 and \$500,000 in FY2016. The bond proceeds for this project are expected to be exhausted in FY2016 and no other funding is provided.

World War II State Park Improvements

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. The architectural plans are complete; however, the project had been delayed while the Department negotiated with the city to develop a plan to staff and maintain the park. The FY2015 operating budget included \$250,000 for the first year of a five-year initiative to transfer maintenance and operation of the park from the State to Woonsocket following completion of the revitalization project. Due to project delays the operating funds were pushed out and will begin in FY2016. The memorandum of understanding requires \$2.6 million in RICAP funding in FY2015 to complete the renovations.

Project Status: The groundbreaking took place in April 2015 and most of the project will be completed by December 2015 with some minor clean-up scheduled for the spring of 2016. The Budget includes \$1.8 million in RICAP funds in FY2015 and \$770,000 in FY2016.

Coastal Resources Management Council

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Coastal and Estuary Habitat Restoration Trust Fund	\$3.0	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$4.5
Shoreline Change SAMP	-	0.3	0.1	-	-	-	-	0.3
South Coast Restoration Project	-	4.0	0.7	-	-	-	-	-
Narrow River Salt Marsh Restoration Project	-	1.5	0.4	-	-	-	-	1.9
Total	\$3.0	\$6.0	\$1.4	\$0.3	\$0.3	\$0.3	\$0.3	\$11.4

Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
RICAP Funds	\$0.0	\$0.8	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.9
Federal Funds	-	4.9	1.1	-	-	-	-	6.0
Restricted Receipts	3.0	0.3	0.3	0.3	0.3	0.3	0.3	4.5
Total	\$3.0	\$6.0	\$1.4	\$0.3	\$0.3	\$0.3	\$0.3	\$11.4

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

Coastal and Estuary Habitat Restoration Trust Fund

Since FY2005, the Council has received an annual appropriation of \$250,000 from a fee of \$0.05 per barrel of oil coming into Narragansett Bay collected under the Uniform Oil Spill Prevention and Response Act (OSPAR), to be disbursed by the Council as grants for habitat restoration projects. Approved projects include the construction of fish passages, removal of dams, erosion control, and habitat enhancement.

Project Status: The Trust Fund has awarded over \$2.5 million for 96 projects, which has leveraged more than \$23.0 million in matching funds. In March 2014, the Council approved funding for four salt marsh restoration projects, three anadromous fish passage projects, one coastal upland restoration, and one equipment request for RI Department of Environmental Management (RI DEM). The Budget includes \$250,000 annually in restricted receipts in FY2016 through FY2020.

Shoreline Change Special Area Management Plan (SAMP)

The CRMC is developing a new Shoreline Change (Beach) Special Area Management Plan (SAMP) to provide a comprehensive approach to address erosion issues along the Rhode Island shoreline. It is the position of the CRMC that climate change is a significant issue for Rhode Island raising concerns about sea level rise, increased storm surge damage, displacement of natural and physical shoreline uses, and coastal erosion. The SAMP is intended to provide practical, science-based tools and techniques for protecting and developing shoreline assets that are vulnerable to erosion and flooding caused by storm surge and sea level rise.

Project Status: The Budget includes \$300,000 in RICAP funding for this project, including \$250,000 in FY2015 and the final \$50,000 in FY2016. The RICAP funds will be used to leverage federal funding. The CRMC has entered into a cooperative agreement with the University of Rhode Island. The Beach SAMP team is working to provide support and proposed solutions to coastal communities across the State; however, the work will be conducted in phases. Phase 1 of the SAMP focusses on the Southern Coast and Block Island. Phase 2 will focus on the shoreline along Narragansett Bay and Phase 3 on the shoreline along the Sakonnet River and Southern Aquidneck Island.

South Coast Restoration Project

In partnership with USFWS, the CRMC will dredge portions of the Ninigret Pond and spray the material over the salt marsh to slowly raise the level of the salt marsh vegetation. The goal is to help the marsh

adapt more quickly to future sea level rise, reduce erosion, and mitigate flooding of the area during future storm surges.

The project also addresses the dredging maintenance for the three breachways. The project cost agreement with the ACOE for the work on Ninigret and Winnapaug ponds requires Rhode Island to remove sediment buildup within and through the deltas of each pond so that the improved habitats can remain productive. Pursuant to the agreement, the maintenance dredging, not associated with the restoration of the salt march, continues to require state funding.

This project was previously funded by the Army Corp of Engineers (ACOE) and was focused primarily on habitat and eelgrass restoration in Winnapaug, Quonochontaug, and Ninigret Ponds. When Hurricane Sandy hit the Rhode Island shore, the ACOE received sufficient funding to partially restore Winnapaug Pond; however, not enough funding to remove the sediment deposited by the storm into the previously restored Ninigret pond. The ACOE is no longer funding this project and the focus has shifted.

This project is now funded by the Department of the Interior-United State Fish and Wildlife Service (USFWS) and the Department of Agriculture-Natural Resources Conversation Services (NRCS), which received federal funding for projects that address the effects of Hurricane Sandy. As a result, these federal agencies sought the expertise of the CRMC to manage projects for Winnapaug, as requested by the NRCS, and Ninigret ponds, as requested by the USFWS. Property owners adjacent to Quonochontaug Pond are working to raise private funds to restore the pond and the USFWS project for Ninigret will yield strategies to help in this and other restoration projects.

Project Status: The Budget includes \$4.0 million in FY2015 and the final \$696,141 in federal funds in FY2016. The current year amount includes \$582,432 in RICAP funds.

Narrow River Salt Marsh Restoration Project

The project is designed to build up the level of the marsh land, increasing the capacity of the marsh to mitigate flooding of the surrounding area during storms and improving water quality, carbon sequestration, plant habitat, recreation fishing, and breeding and foraging for migratory birds. The United States Fish and Wildlife Service (USFWS) of the Department of the Interior requested that the Council implement and manage the project and will provide the funding.

Project Status: The \$1.9 million project is entirely federally funded, with \$1.5 million in FY2015 and the final \$370,000 in FY2016.

Clean Water Finance Agency

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Clean Water State Revolving Loan Fund	\$1,219.5	\$64.9	\$64.8	\$64.8	\$62.8	\$60.8	\$57.8	\$1,595.3
Drinking Water State Revolving Loan Fund	332.2	47.7	28.0	30.0	30.8	29.4	29.4	527.5
Municipal Road & Bond Revolving fund	10.3	5.0	-	-	-	-	-	15.3
R.I. Water Pollution Control Revolving Fund	4.0	0.2	0.2	0.2	0.2	0.2	0.2	5.0
Total	\$1,566.0	\$117.8	\$93.0	\$94.9	\$93.7	\$90.4	\$87.4	\$2,143.1

Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Agency Funds	\$0.0	\$0.0	\$0.0	\$0.7	\$1.8	\$1.8	\$1.8	\$6.0
Federal Funds	361.0	25.2	19.3	19.3	19.3	19.2	19.2	482.5
G.O. Bond	15.9	5.2	2.2	3.4	3.2	1.9	1.9	33.7
Interest Earnings	2.4	0.1	0.1	0.1	0.1	0.1	0.1	2.7
Other Funds	10.3	5.0	-	-	-	-	-	15.3
Revenue Bonds	1,019.1	59.7	53.6	52.8	50.6	47.8	45.3	1,328.9
Revolved Capitalization Grants	157.3	22.6	17.9	18.6	18.9	19.7	19.1	274.0
Total	\$1,566.0	\$117.8	\$93.0	\$94.9	\$93.7	\$90.4	\$87.4	\$2,143.1

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

The Rhode Island Clean Water Finance Agency (CWFA) is a quasi-public corporation that provides low-interest loans to municipalities, drinking water suppliers, sewer commissions, and wastewater management commissions through the use of State Revolving Fund (SRF) programs. The Clean Water Finance Agency administers four SRF programs – the Clean Water SRF, the Safe Drinking Water SRF, the Rhode Island Water Pollution Control Revolving Fund, and the Municipal Road and Bridge Revolving Fund. Each SRF program, except the Municipal Road and Bridge Revolving Fund, is designed to leverage federal capital which increases the amount of money available to borrowers.

Clean Water State Revolving Fund (SRF)

The Clean Water State Revolving fund was authorized in 1987 by Title VI of the federal Clean Water Act to provide subsidized loans for municipalities to finance wastewater infrastructure projects. Projects eligible to receive financing from the SRF include capital improvements to water pollution control facilities, landfill closures, septic system repairs or replacement, and programs dedicated to estuary protection. Municipalities repay the loans over twenty years and receive an interest rate at least one-third below market. The Agency recycles, or revolves, the loan repayments into new loans.

The SRF is capitalized by federal Environmental Protection Agency (EPA) grants, with the State providing a 20.0 percent match, generally through general obligation bond proceeds. Other funding is available from CWFA revenue bonds and revolved capital. Projects eligible for Clean Water SRF financing must meet EPA and Rhode Island Department of Environmental Management (DEM) requirements.

Project Status: As of FY2014, 29 communities, Providence Water, the Rhode Island Airport Corporation, and the Narragansett Bay Commission have received \$1.1 billion in subsidized loans from the SRF, which has funded over 300 design and construction projects. Presently, DEM has identified \$1.4 billion wastewater infrastructure projects in its FY2015 Project Priority List. The budget provides \$64.9 million in FY2015 and \$64.8 million in FY2016.

Drinking Water State Revolving Fund (SRF)

The Drinking Water State Revolving Fund (SRF) was established in 1996 when Congress authorized EPA grants to capitalize state revolving funds to finance public drinking water projects. As required by the federal government, the fund targets small water suppliers serving populations less than 10,000 and where system improvements financed at full market value would significantly increase water rates paid by consumers. The SRF provides 20-year term subsidized loans (at a rate at least 25.0 percent below market) for eligible projects that include the planning, design, and construction of public drinking water supplies. The Agency charges a 3.0 percent interest rate to small borrowers on amounts up to \$300,000. In

addition, 2.0 percent of the federal capitalization grant is available to the Agency for administrative expenses. (An additional 2.0 percent is transferred to the Department of Health for administrative costs.)

The Department of Health prioritizes projects based on health and financial criteria. The EPA capitalization grants and state match of 20.0 percent fund this program. Other funding is available from CWFA revenue bonds and revolved capital. As with the Clean Water SRF, the fund is perpetual because loan repayments from earlier borrowers, combined with earned interest income, become the source of funds for subsequent borrowers.

Project Status: To date, the Drinking Water SRF has loaned over \$357.9 million to communities and water systems for drinking water projects. The Department of Health's project priority list for FY2014 identifies over \$72.0 million in project need. The budget includes \$47.7 million in FY2015 and \$28.0 million in FY2016.

Rhode Island Water Pollution Control Revolving Fund (RIWPCRF)

The state capital contributions are deposited into the Rhode Island Water Pollution Control Revolving Fund (RIWPCRF) and transferred to provide the appropriate match amount to the Clean Water SRF and the Drinking Water SRF. The fund can make loans, issue bonds, and receive interest earnings and other capital from both private and public sources (revenue bonds). The RIWPCRF may be used to fund loans that do not meet the exacting requirements of the CWSRF and the Federal Clean Water Act, including loans through the Facility Plan Loan Program and the Sewer Tie-In Loan Fund. DEM must approve all projects financed from the fund; the EPA must receive notification of all loans.

Project Status: The budget provides \$150,000 annually in FY2015 and FY2016.

Municipal Road and Bridge Revolving Fund

Article 20 of the FY2014 Budget as Enacted created the "Municipal Road and Bridge Revolving Fund" (Fund). The revolving fund is administered by the CWFA for projects approved and prioritized by the Rhode Island Department of Transportation (RIDOT). The FY2014 Budget as Enacted transferred \$7.0 million of bond premium proceeds derived from the sale of 2013 general obligation bonds from the Rhode Island Capital Plan Fund (RICAP) to capitalize a Municipal Road and Bridge Revolving Fund. The FY2014 Revised Budget increased this amount by \$3.3 million, for a total of \$10.3 million. The FY2015 Budget included an additional \$5.0 million in funding made available from the sale of Tobacco Settlement Bonds, and the Clean Water Finance Agency will contributed \$3.5 million from its board designated administrative fund to capitalize this program in FY2015.

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, including interest payments, allow state-sponsored financing on an ongoing basis. 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.

Project Status: To date, the Clean Water Finance Agency has approved applications from 13 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 to other municipalities for borrowing in FY2015.

The budget does not provide additional revenue for the Municipal Road and Bridge Fund in FY2016.

Narragansett Bay Commission

Funding by Project	Pre- FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Comprehensive CSO Program - Phase II	\$165.8	\$35.6	\$8.9	\$4.6	\$0.0	\$0.0	\$0.0	\$215.0
Comprehensive CSO Program - Phase III	0.7	3.7	13.9	15.0	45.3	126.3	134.0	338.7
CSO Interceptor Maintenance/Construction	1.9	3.9	8.8	8.3	5.4	5.2	2.0	35.5
Sewer System Improvements/Maintenance	4.9	0.7	0.4	0.4	0.2	0.2	0.1	7.0
Wastewater Treatment Facility	100.8	22.3	20.9	1.1	0.3	0.0	0.0	145.4
Total	\$274.1	\$66.2	\$52.9	\$29.4	\$51.2	\$131.7	\$136.1	\$741.6
Funding by Source	Pre- FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Other Funds	\$274.1	\$66.2	\$52.9	\$29.4	\$51.2	\$131.7	\$136.1	\$741.6
Total	\$274.1	\$66.2	\$52.9	\$29.4	\$51.2	\$131.7	\$136.1	\$741.6

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

The Narragansett Bay Commission (NBC) is a public corporation of the State of Rhode Island created in 1980 and charged with correcting and minimizing pollution discharge into the Upper Bay. The NBC is authorized to acquire, operate and improve the Providence wastewater collection and treatment facilities. On January 1, 1992, the former Blackstone Valley District Commission (BVDC) was merged into the NBC, expanding the service area to include the cities of Pawtucket, Central Falls, and parts of the towns of Cumberland, Lincoln, Smithfield, and the City of East Providence.

The merger consolidated the service areas of the two largest wastewater treatment facilities in Rhode Island. The Field's Point plant serves NBC's original district and provides secondary treatment for average dry weather flows of up to 65.0 million gallons per day (MGD). The Bucklin Point facility serves the area formerly served by the BVDC and treats average dry weather flows of 23.0 MGD. These two treatment plants serve ten Rhode Island communities and include approximately one-third of the State's population. The NBC also owns, operates and maintains an extensive infrastructure of interceptors, pump stations, tide-gates, and combined sewer overflows.

The NBC is governed by a 19-member Board of Commissioners (Board) and is regulated by the Rhode Island Public Utilities Commission (PUC). Any changes to sewer charges on residential, industrial or commercial users must be approved by both the Board and the PUC. User charges support NBC's existing debt and future debt, as well as its operating and maintenance costs. The average annual residential rate has increased by \$140, or 34.1 percent, from FY2010 to FY2015. The rates have increased to reflect a reduction in the number and size of non-residential meters as well as to reflect lower consumption. The rates have also increased due to the debt incurred for the capital improvement plan.

Comprehensive CSO Program - Phase II

This project is the second of three phases of the federally-mandated Combined Sewer Overflow (CSO) Abatement Program required as part of the Consent Agreement between the NBC and the Rhode Island Department of Environmental Management (RIDEM). During periods of heavy rain, the increased flow through the combined sections of NBC's collection system can exceed the capacity of the system, resulting in untreated wastewater and storm water entering rivers and Narragansett Bay.

Phase I involved 12 separate projects and included the construction of one tunnel, one pump station, seven drop shafts, gate and screening structures, and a screening building. Phase II consists of 14 construction projects, including the construction of two interceptors in the Field's Point service area to convey flows from combined sewer overflows in Providence along the Seekonk and Woonasquatucket Rivers to the Main Spine Tunnel constructed in Phase I. The proposed length of the Woonasquatucket Interceptor is approximately 18,200 feet. The proposed length of the Seekonk CSO Interceptor is 8,000 feet. This phase also includes two sewer separation projects in Providence which will separate the sanitary flow from the storm water flow. A wetlands treatment facility in Central Falls will also be constructed.

Project Status: The design of the CSO Phase II facilities was completed in September 2010 (\$18.7 million) and construction is expected to be completed in FY2015 (\$197.3 million). All related debt service for the Phase II CSO project is funded by NBC user charges. The Budget provides \$35.6 million in FY2015 and \$8.9 million in FY2016.

Comprehensive CSO Program - Phase III

The CSO Phase III Facilities are the third and final phase of the federally-mandated CSO Abatement Program required as part of the Consent Agreement between the NBC and the Rhode Island Department of Environmental Management (RIDEM). This phase includes the construction of a 13,000 foot tunnel in Pawtucket along the Seekonk and Blackstone Rivers which will store flows from three CSO interceptors totaling 14,500 feet and two sewer separation projects. Flows from this tunnel will connect to the Bucklin Point Waste Water Treatment Facility for treatment.

Project Status: Phase III is being re-evaluated as a result of the recent federal Environmental Protection Agency (EPA) guidance document of affordability, to review water quality improvements resulting from Phase I, and also to consider new technologies, primarily green infrastructure, for CSO mitigation. The costs of Phase I and II and the resulting increases in rates are pushing the limits of affordability in the poorer communities as set by the EPA. A stakeholders group convened to review affordability, water quality, and alternative technologies from March through December of 2014. The results of those stakeholders' discussions were transmitted to the Board in December 2014. Since that time, the Board has continued to consider the stakeholders' input. The Board is expected to make a decision on the various alternatives for Phase III at the Board Meeting on April 28th. Once the Board makes a decision, the Rhode Island Department of Environmental Management (DEM) must approve the plan. DEM was present for the stakeholder's meeting, but no formal submission has been made to the Department.

The Budget includes \$3.7 million in FY2015 and \$13.9 million in FY2016.

CSO Interceptor Maintenance/Construction

Interceptor repair and construction projects result from NBC's inspection and cleaning of sewer pipes and emergency situations. This ongoing project funds any necessary repairs and construction to restore carrying capacity of the NBC sewers and reduce CSO discharge volumes.

Project Status: As inspections continue, specific interceptor repair and construction projects will be identified. The budget includes \$3.9 million in FY2015 and \$8.8 million in FY2016.

Sewer System Improvement/Maintenance

This project provides funding for general sewer system improvements, such as pumping station upgrades and site studies.

Project Status: The largest project is the floatable control facilities for the three largest Phase III overflows (\$5.5 million). Other projects include system-wide facilities planning to determine if there is adequate sewer capacity for the next twenty years and if there is any excessive infiltration into the interceptors (\$511,000); and for the evaluation and clearing of the Abbott Valley Interceptor easements across private property in Cumberland to ensure the easements are sufficient to maintain the system (\$1.4 million). Similar easement surveys are planned for the East Providence area and the Blackstone Valley. The Budget includes \$744,000 in FY2015 and \$377,000 in FY2016.

Wastewater Treatment Facility

NBC is currently required to attain a total seasonal nitrogen limit of 5 mg/l from May to October at both the Field's Point and Bucklin Point Wastewater Treatment Facilities; consequently, upgrades are needed at both of these facilities to meet the nitrogen limit. The Rhode Island Department of Environmental

Management sets the nitrogen limit through the Rhode Island Pollutant Discharge Elimination System (RIPDES), the authority for which is delegated to the State from the federal program. Other projects include the design and construction of a Regulatory Compliance Building to house the Environmental Monitoring and Data Analysis program and laboratory section of the NBC (\$24.2 million), and a biogas reuse project at Bucklin Point for the generation of heat and electricity at the treatment facility (\$6.1 million).

Project Status: The Budget includes \$22.3 million in FY2015 and \$20.9 million in FY2016.

Rhode Island Resource Recovery Corporation

Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Leachate Pretreatment Facility Construction	\$13.9	\$14.8	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$28.7
Leachate Sewer Line and Pump Station	2.2	1.0	-	-	-	-	-	3.3
Leachate Storage Tanks	2.0	0.0	-	-	-	-	-	2.0
MRF Boiler Replacement	-	-	-	0.1	-	-	-	0.1
MRF Emergency Generator	-	-	-	0.2	-	-	-	0.2
MRF Fiber Storage Bunkers	-	-	-	-	0.8	-	-	0.8
MRF Fire Alarm System and Wiring	-	-	-	0.3	-	-	-	0.3
MRF Roof Replacement	-	-	0.3	-	-	-	-	0.3
Phase VI Construction	5.8	3.9	10.9	2.9	5.4	7.7	2.8	39.4
Total	\$23.9	\$19.8	\$11.2	\$3.5	\$6.2	\$7.7	\$2.8	\$75.1

Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
RRC Operating Funds	\$5.8	\$4.2	\$11.2	\$3.5	\$6.2	\$7.7	\$2.8	\$41.4
Revenue Bonds	18.1	15.6	-	-	-	-	-	33.7
Total	\$23.9	\$19.8	\$11.2	\$3.5	\$6.2	\$7.7	\$2.8	\$75.1

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

The Rhode Island Resource Recovery Corporation (RIRRC) operates a statewide system of solid waste management which includes waste prevention programs, recycling programs, the disposal of household hazardous waste, and the Central Landfill in Johnston. The goal of the solid waste management system is twofold: minimize the amount of waste generated and deposited in the landfill, and maximize the amount of waste recycled and reused. Also located at the Johnston site is the Materials Recycling Facility (MRF), the construction and demolition waste processing facility, the Eco-Depot household hazardous waste collection center, the landfill gas power generation plants, and the RIRRC's administrative offices.

During the 2012 session, the General Assembly provided debt authorization of up to \$40.0 million in revenue bonds for costs related to the design and construction of a leachate pretreatment facility as well as capitalized interest, debt service, and costs of issuance. Bonds proceeds fund the leachate pretreatment facility construction, the Rhode Island Pollution Discharge Elimination System (RIPDES) treatment system, the Brook Street electrical upgrade, the leachate sewer line and pump station, and the leachate storage tanks.

Leachate Pretreatment Facility Construction

This project is for the construction of the new leachate pretreatment facility to reduce nitrogen in order to comply with standards established by the Narragansett Bay Commission and the Rhode Island Department of Environmental Management (DEM). Leachate is polluted and toxic liquid generated from rainfall and decomposing waste that must be drained from the landfill and pre-treated. The RIRRC intends to discharge the wastewater from the leachate pretreatment facility into the Field's Point treatment system, operated by the Narragansett Bay Commission (NBC). The NBC has a consent agreement with DEM requiring treatment facility modifications that will reduce the nitrogen content of its effluent to 5.0 mg/l annually from May to October beginning in 2014.

Project Status: Construction is underway with completion scheduled for spring 2015. The Budget provides \$28.4 million in revenue bond proceeds and \$308,000 in RIRRC operating funds, including \$14.8 million in FY2015 and an increase of approximately \$500,000 in project costs due to several change orders. As of April 2015, however, the approval of an alternative design has reduced project costs by approximately \$1.7 million to about \$26.7 million.

Leachate Sewer Line and Pump Station

This project uses revenue bond proceeds for the demolition of the existing leachate pretreatment building, the installation of a new sewer line, and the construction of a new pump station. The new sewer line is needed to increase the capacity of the leachate transmission system for additional leachate sources

including gas condensate and gas well dewatering. The new pumping station will feed the two equalization/storage tanks.

Project Status: This project was completion in October 2014. The budget includes \$3.3 million in revenue bond proceeds, including \$1.0 million in FY2015.

Leachate Storage Tanks

This project uses revenue bond proceeds for the installation of the leachate storage tanks. This project involves the installation of two 750,000 gallon, glass-lined, steel, leachate storage tanks. The leachate storage tanks are a preliminary component of the pretreatment facility. The tanks will serve as flow equalizers and provide excess storage for heavy storm events.

Project Status: Construction began in 2013 and was completed in July 2014. The Budget includes \$2.0 million in revenue bond revenues, including \$15,000 in FY2015.

Materials Recycling Facility Emergency Generator (new)

The RIRRC is replacing the current, aging emergency backup generator at the Materials Recycling Facility (MRF) with a larger unit to allow comingled recyclables to be baled for storage and processed at a later date. The emergency generator is used to ensure a continued supply of recyclable goods to RIRRC's vendors.

Project Status: This is a new project. The Budget includes \$235,000 in RIRRC operating funds to replace the emergency generator in FY2017.

Materials Recycling Facility Boiler Replacement

The RIRRC proposed to use operating funds to replace the existing boiler with a high efficiency natural gas boiler and hot water heater.

Project Status: The Budget includes \$134,000 in RIRRC operating funds to replace the boiler in FY2017.

Materials Recycling Facility Fiber Storage Bunkers (new)

This project is to replace the fiber storage bunkers used for the storage of newspaper, mixed paper, and cardboard. The current fiber storage bunkers are reaching the end of their useful life and repairs are no longer feasible. The RIRRC proposes to replace the bunkers in FY2018.

Project Status: This is a new project. The Budget includes \$800,000 in RIRRC operating funds to replace the fiber storage bunkers in FY2018.

Materials Recycling Facility Fire Alarm System

The Johnston Fire Department recommended upgrading the current analog fire alarm system to a digital, addressable system. The digital system will be programmed to send notification of problems or alarms on specific devices, such as a smoke detector, instead of just indicating a problem without providing specific information. Also, the alarm system will be rewired to provide a safety alert to notify of problems in the wiring circuits and devices in the equipment loop.

Project Status: The Budget includes \$250,000 in RIRRC operating funds to upgrade the fire alarm system in FY2017.

Materials Recycling Facility Roof Replacement (new)

This project replaces the 40,000 square foot roof with thermoplastic polyolefin (TPO) membrane and skylights. The roof is over 26-year-old roof and leaks during heavy rain and when accumulated snow melts. The water penetrating the roof is damaging the interior of the building and equipment, as well as creating slip hazards when the water pools on the concrete floor.

Project Status: This is a new project. The Budget includes \$275,000 in RIRRC operating funds to replace the roof in FY2016.

Phase VI Construction

The Central Landfill has undergone a series of phased expansions since it opened in 1974. The RIRRC has closed and capped Phases 1, 2, and 3, but continues post closure maintenance and monitoring of these phases in accordance with EPA requirements. The RIRRC reached full capacity of Phase 4 in FY2011 and capping was completed in July 2014. Phase 5 is the current, primary operating phase that went into operation in 2005 and is expected to reach capacity in 2016. Phase 6, the final stage, is the eastern expansion of the Central Landfill and is expected to provide space for solid waste disposal through 2031. The project includes \$34.5 million to demolish and relocate existing RIRRC facilities that are in the path of the expansion. The facilities include the administration building, garage and scale houses; however, the demolition is outside the current five-year capital plan.

Project Status: The RIRRC anticipates that the first cell of Phase 6 will be operational by January 2016, the year in which Phase 5 is expected to reach capacity. In FY2015, RIRRC conducted an in-depth analysis of project and updated project costs accordingly. Also, since construction began in July 2014, RIRRC has real costs to use for projections. The Budget provides \$3.9 million in corporation operating funds in FY2015 and \$10.9 million in FY2016, and includes a significant increase in project cost based on updated projections, including real cost from current experience and an additional four years in project life.

Department of Transportation

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Highway Improvement Program	\$1,566.4	\$322.0	\$300.6	\$269.0	\$257.3	\$243.7	\$238.4	\$3,197.4
Fixed Guideway (Commuter Rail)	65.2	25.9	45.3	8.7	8.9	9.0	8.5	171.5
Mass Transit Hubs	-	0.9	0.5	10.0	10.0	14.5	-	35.9
Pawtucket-Central Falls Train Station Study	1.2	1.7	0.3	-	-	-	-	3.1
Train Station Maintenance and Repairs	0.0	0.3	0.4	0.4	0.4	0.4	0.4	2.0
Drainage Repair, Improvement, and Preservation	-	1.0	1.0	1.5	2.0	2.0	2.0	9.5
Maintenance - Capital Equipment Replacement	5.9	2.5	3.0	5.0	5.0	5.0	5.0	31.4
Salt Storage Facilities	7.0	1.6	1.0	1.0	1.0	1.0	1.0	13.6
Portsmouth Facility	0.6	1.2	1.9	1.6	-	-	-	5.3
Cooperative Maintenance Facility	-	-	-	2.5	2.5	-	-	5.0
East Providence Facility Relocation	4.7	0.3	-	-	-	-	-	4.9
Maintenance Facility Improvements	1.8	0.6	0.5	0.5	0.5	0.5	-	4.4
Warren Yard Facility Replacement	-	-	-	-	-	0.8	-	0.8
Total	\$1,652.9	\$357.9	\$354.3	\$300.1	\$287.5	\$276.9	\$255.3	\$3,484.9
Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
RICAP Funds	\$51.9	\$32.1	\$52.1	\$35.7	\$34.1	\$32.4	\$31.1	\$269.3
G.O. Bond	79.8	11.1	1.3	-	-	-	-	92.2
Federal Funds	989.2	245.6	236.6	219.9	206.1	200.1	195.0	2,292.5
New G. O. Bond Referenda	-	-	0.5	10.0	10.0	14.5	-	35.0
GARVEE Bonds	460.8	22.6	9.3	-	-	-	-	492.6
GARVEE Residual Earnings	17.3	3.8	-	-	-	-	-	21.1
Gas Tax	1.4	-	-	2.5	2.5	2.5	2.5	11.4
Gas Tax Proceeds - Debt Service	28.6	7.2	7.2	6.9	6.9	6.9	6.9	70.4
Land Sale Revenue	8.1	17.7	10.8	6.1	8.4	1.0	1.0	53.1
Local Funds	0.2	0.3	0.1	-	-	-	-	0.5
Massachusetts Bay Transit Authority	7.1	4.1	7.5	0.8	0.8	0.8	-	20.9
Other Funds	-	0.8	0.2	0.0	0.0	0.0	0.0	1.1
Other Highway Funds	0.1	0.2	-	-	-	-	-	0.2
Private Funding	-	-	10.0	-	-	-	-	10.0
State Fleet Replacement Fund	2.5	-	1.0	-	-	-	-	3.5
Vehicle Registration Fees	5.9	12.4	17.8	18.3	18.8	18.8	18.8	110.9
Total	\$1,652.9	\$357.9	\$354.3	\$300.1	\$287.5	\$276.9	\$255.3	\$3,484.9

\$ in millions.

Transportation Improvement Program

The TIP, a program monitored and adopted by the State Planning Council 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 new 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.

The following table shows the TIP by category, as approved by the State Planning Council, from FY2013 through FY2016.

Project Category	FY2013	FY2014	FY2015	FY2016	Total
Major Projects	\$109.4	\$78.4	\$74.4	\$72.6	\$334.8
Bridge	39.5	41.5	41.8	46.0	168.8
Traffic Safety	30.5	30.5	33.5	30.5	125.0
Pavement Management	26.8	31.0	30.0	30.0	117.8
Highway	39.4	26.8	22.3	11.5	100.0
Interstate	13.5	12.5	15.5	18.0	59.5
Enhancement/Planning/Study	11.3	11.3	11.3	11.3	45.2
CMAQ ¹	10.3	10.3	10.3	10.3	41.2
Administrative	9.1	9.1	9.1	9.1	36.4
Bicycle/Pedestrian/CMAQ ¹	12.4	9.1	5.1	5.1	31.7
Rail - Transit	40.5	44.9	50.8	47.7	183.9
Total	\$342.7	\$305.4	\$304.1	\$292.1	\$1,244.3

\$ in millions.

¹Congestion Mitigation and Air Quality Improvement (CMAQ) Program.

Analyst's Note: The HIP shows the project funding on a state fiscal year basis (July 1 through June 30); whereas the TIP lists funding required at the time of a project authorization by federal fiscal year (October 1 through September 30).

Highway Improvement Program

The Highway Improvement Program (HIP) represents federally-funded highway and intermodal projects administered by the Federal Highway Works Administration (FHWA) and state-funded highway transportation infrastructure projects (gas tax and bonds). The HIP helps to implement RIDOT's Capital Program as identified in the State's Transportation Improvement Program (TIP).

The State spends an average of \$300.0 million in capital funds annually on the TIP including \$45.0 million in federal funding in RIDOT and RIPTA capital projects for public transit and \$210.0 million in federal matching funds for a wide range of projects. Beginning in FY2014, the State began using a combination of RICAP funds and revenue from surcharges on license and registrations to supply the 20.0 percent state match for federal funds, which were previously funded by \$40.0 million annually in general obligation bond funds.

The Federal Highway Trust Fund (HTF) that supports federal highway and transit investments, and is the State's largest funding source of the HIP, is expected to have insufficient cash to meet all of its funding commitments, resulting in steadily accumulating shortfalls. This means that states may not be able to obligate any new federal highway funds in fiscal year 2015. HTF revenue is generated by 18.4 cents for every gallon of gas pumped throughout the country, as well as 24.4 cents per gallon of diesel fuel. This tax has not increased since 1993. In July, Congress passed a bill to extend the current federal authorization bill (MAP-21) until May 2015. The proposed 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 in May. In the event that Congress fails to act, 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.

Following is a description of the major HIP 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. This project is included in the TIP for design in 2013, with \$20.0 million programmed per year for construction, which began 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.

I-195 Relocation: The project relocates a 1.6 mile stretch of Interstate 195 (I-195) and a 0.8 mile segment of Interstate 95 (I-95). The project has relocated the highway spans to the south of the Hurricane Barrier, and has created more than 20 acres of developable land along the Providence waterfront. This project has entered its final phases, which include landscaping, surface road relocation, demolition of old portions of the highway, construction of a pedestrian bridge and park amenities, and two additional ramps. The project will reach substantial completion in FY2016.

Washington Bridge Repairs: This project constructs a new eastbound span on the Washington Bridge, to replace the existing span, which was constructed in 1928. The westbound span was reconstructed in 1970. Additional construction will occur in conjunction with the I-195 relocation through FY2016.

Sakonnet River Bridge: The State spent \$243.1 million (including \$99.5 million in other highway funds and \$113.9 million in GARVEE bond funding) through FY2013 to replace the existing Sakonnet River Bridge. The old bridge had weight restrictions placed on truck and trailer traffic and deteriorated rapidly across the center span. The new bridge was constructed adjacent to the existing structure. The old bridge, which was built in 1956, is being demolished. This project has reached substantial completion. Currently \$9.6 million in GARVEE proceeds are available for the demolition contract on the old Sakonnet River Bridge. This contract is expected to be bid and awarded in FY2015.

Project Status: The Budget includes funding as follows:

Funding Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
2010 G.O. Bonds	\$72.4	\$7.6	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$80.0
Federal Highway Administration	738.7	175.6	156.2	159.1	145.2	148.0	143.0	1,665.9
Gas Tax Proceeds - Debt Service	28.6	7.2	7.2	6.9	6.9	6.9	6.9	70.4
Federal Highway Funds - Debt Service	193.6	48.4	52.6	52.8	52.8	43.8	43.6	487.6
Land Sale Revenue	8.1	17.7	10.8	6.1	8.4	1.0	1.0	53.1
Rhode Island Capital Plan Fund	41.1	27.7	47.7	27.2	27.2	27.2	27.2	225.2
GARVEE Residuals	478.1	26.4	9.3	-	-	-	-	513.7
Vehicle Registration Fees	5.9	11.4	16.8	16.8	16.8	16.8	16.8	101.4
Total	\$1,566.4	\$322.0	\$300.6	\$269.0	\$257.3	\$243.7	\$238.4	\$3,197.4

\$ in millions.

Fixed Guideway (Commuter Rail)

This project involves planning, design, and construction of commuter rail facilities serving the State, including construction of stations, tracks and signals, right-of-way acquisition, track usage fees, purchase of locomotives and rail coaches, and other rail equipment to accommodate rail passenger service. The Commuter Rail Service is provided by the Massachusetts Bay Transit Authority (MBTA) as an extension of its service to South Attleboro. Funding will be used for South County Commuter Rail operating costs, the start of construction of the Kingston Station bypass, the start of construction of short-term improvements at the Providence Station in order to renovate and upgrade the station, and the completion of the Pawtucket Layover Facility improvements.

Project Status: Construction continues on the Kingston Station bypass; preliminary engineering and environmental work continues at the Providence Station; and additional improvements are being made at the Pawtucket Layover Facility. The Budget includes \$171.5 million in total project costs for the expansion of commuter rail service in Rhode Island. For FY2016, the Budget includes \$13.0 million in FTA funding, \$14.5 million in Federal Stimulus funding, \$10.0 million in private funding, \$7.5 million in MBTA financing, and \$231,156 in Other Funds.

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. The Department plans to use these funds 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 would 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.

Project Status: In addition to the \$35.0 million general obligation bond authorization, the Department received a \$650,000 TIGER (Transportation Investment Generating Economic Recovery) grant to be

used for final pre-construction planning, design, and analysis needed to build an intermodal facility at the Providence Station. General obligation bond proceeds of \$500,000 will be allocated in FY2016 to begin this project, which will be completed in FY2019.

Pawtucket-Central Falls Train Station Study

This project was first funded in FY2005 to study the feasibility of establishing commuter rail service to Pawtucket and/or Central Falls and to help stimulate economic development in the area. The focus has been on the historical Pawtucket Train Station, a location for commuter rail service supported by the mayors of both Pawtucket and Central Falls, in cooperation with private developers and public, non-profit organizations. Studies completed to date have looked at establishing a Transit-Oriented Development (TOD) district in conjunction with the redevelopment of the station itself. The current project is for the planning/environmental analysis and conceptual design.

Project Status: The feasibility study has been completed, and this project is now in the environmental review stage. The total project is expected to cost \$3.1 million, with the FTA providing \$2.5 million to move the project forward through the environmental assessment stage. FTA funds of \$200,000 and local funds of \$50,000 are allocated for FY2016. No funding for the construction phase of this project is included.

Train Station Maintenance and Repairs

RIDOT's Division of Highway and Bridge Maintenance is responsible for the oversight and maintenance of three train stations: Woonsocket, Kingston Station, and Westerly Station. Projects include interior and exterior painting, HVAC and roofing repairs, repairs to parking lots, and repairs to the restrooms at the Westerly Station to comply with ADA standards. Normal operating expenses have been paid through gas tax funds; however, according to RIDOT, these funds cannot support the major capital repairs needed at each of these facilities.

Project Status: The Budget includes \$2.0 million in RICAP funds through FY2020, including \$265,648 in FY2015 and \$350,000 each year from FY2016 through FY2020.

Drainage Repair Improvement and Preservation (DRIP) - New

This funding will allow RIDOT to establish an asset protection program for catch basins. 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. Additionally, there is approximately 200,000 feet of closed drainage associated with these catch basins. 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.

Project Status: The Budget includes \$9.5 million through FY2020 from vehicle registration fees made available through the passage of Article 21 of the FY2015 Budget as Enacted (see Sustainable Transportation Funding below). The Budget includes \$1.0 million in both FY2015 and FY2016 for this project.

Maintenance – Capital Equipment Replacement

Funding for this project will be used to purchase or lease heavy trucks, sweepers, loaders, backhoes, and tractors to replace aging equipment in the Maintenance Division. This funding will allow RIDOT to follow the structured replacement plan that has been developed by the Department. According to the Department, more than 50.0 percent of its fleet and equipment was purchased before 2003.

Vehicle Replacement	FY2015	FY2016	FY2017
10 Ton Roller	1	-	-
Heavy 10-Wheel Dumps	5	11	6
Heavy 6-Wheel Dumps	11	-	4
Arrowboard	-	2	2
Attenuator	-	-	2
Backhoe	-	1	1
Bucket Truck	-	1	2
Chipper	-	1	2
Compressor	-	1	2
Larger Tractor	-	3	2
Large Tractor	-	3	-
Light Tower	-	1	1
Loader	1	1	1
Message Board	-	2	2
Paver Machine	1	-	-
Pickup 4 x 4	6	7	6
Pressure Washer	7	-	-
Skid Steer	-	-	2
Slope Tractor	-	-	2
Small Dump	-	5	5
Small Tractor	2	2	2
Stetco Hydraulic Trucks	3	1	2
Sweeper	5	2	3
Tanker	2	2	1
Trailer	12	-	3
Truck Attenuator	1	1	-
Van	3	2	2
Welding Truck	-	1	-
Zero Turn	5	-	-
Estimated Total Cost	\$6.6 million	\$5.3 million	\$5.5 million

According to the Department, the proposed replacement plan would require \$17.4 million from FY2015 through FY2017.

Project Status: The Budget includes \$25.5 million between FY2015 and FY2020 for the replacement of heavy equipment. This includes RICAP funding of \$2.5 million in FY2015, \$2.0 million in FY2016, and \$2.0 million annually from FY2017 through FY2020. In FY2016, the budget includes \$1.0 million from the State Fleet Loan Fund, for a total of \$3.0 million in FY2016. The Budget recommends that \$2.5 million in gas tax revenue be used annually from FY2017 through FY2020 for heavy equipment purchases (\$10.0 million total).

Salt Storage Facilities

The focus of this project is to construct salt storage facilities in locations across the state where salt is currently stored uncovered. As of January 1, 2011, new Rhode Island Department of Environmental Management (RIDEM) regulations require the complete operation of salt storage and truck loading to occur under the same roof, creating the need to build larger storage facilities. The Department believes it will be able to complete one storage facility each year with the current funding. Current and pending projects include construction of a facility at the former Lincoln Maintenance Facility (FY2014), Dillons Corner in Narragansett (FY2015), in East Providence at Rt. 6 and Rt. 114 (FY2016), Pawtucket/ East Providence at Roosevelt Avenue (FY2017), Newport (FY2018), and Portsmouth (FY2019).

Project Status: The Lincoln facility has been completed, and the salt storage facility at Dillons Corner is nearing completion. The Budget includes a total of \$6.3 million in RICAP funds for the FY2015 through FY2020 period for this project with \$1.3 million allocated for FY2015 and \$1.0 million allocated annually for FY2016 through FY2020.

Portsmouth Facility

In 2004, voters approved a \$5.1 million bond referendum to construct new maintenance facilities in Portsmouth and Lincoln. Of the approved bond, \$2.1 million is allocated to replace the Portsmouth facility. This facility requires replacement because 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. The Department of Environmental Management has cited RIDOT for having outdoor salt storage on the premises. The new facility will be constructed on RIDOT-owned land at the entrance to Route 24 at Boyd's Lane, a more central access point for highway maintenance.

Project Status: The bids for construction were received in late January 2015. Once construction commences, the building should be completed in 18 months. The Budget includes \$2.1 million in approved 2004 bond funds, distributed as \$1.2 million in FY2015 and \$865,000 in FY2016. RICAP funds of \$1.0 million in FY2016 and \$1.6 million in FY2017 will complete this project.

Cooperative Maintenance Facility

RIDOT is examining potential sites that could be used as a heavy equipment maintenance facility by both RIDOT and the Rhode Island Public Transit Authority (RIPTA). The original plan called for the former RIPTA maintenance facility on Elmwood Avenue to be converted to a cooperative maintenance facility; however, RIDOT and RIPTA have determined that the Elmwood Avenue facility has too many constraints. Forty percent of RIDOT's heavy fleet is currently maintained by RIPTA, and RIDOT would like to increase this percentage to decrease its costs, as well as to provide additional revenue to RIPTA.

Project Status: At this time, no agreement has been reached for the purchase of land and/or building for a new facility. The Budget includes a total of \$5.0 million in RICAP funds, including \$2.5 million in FY2017 and \$2.5 million in FY2018.

East Providence Facility Relocation

This project involves the relocation of the East Providence maintenance facility from its original site on a dead-end street in a residential neighborhood to state property along Route 114. Construction of the new facility is substantially complete; however, RIDOT requests funding for the construction of a stairway to the second floor of the facility and enhanced plumbing to increase water pressure for the truck washing. Spending in prior years has totaled \$1.7 million in general obligation bonds and \$3.3 million in RICAP funds.

Project Status: The FY2015 Budget includes \$256,176, which is the balance of general obligation bond funds, to complete this project.

Maintenance Facility Improvements

This project involves repairs and renovations to existing state highway maintenance facilities. The Department recognizes that although some maintenance facilities have been replaced, other facilities have not received any repair or restoration, resulting in deterioration of otherwise useful buildings. Work will include roof replacements, drainage and plumbing system repairs, garage door replacement, canopy structures over fuel pump sites, and energy efficiency projects to the Highway Division's headquarters in Warwick and to buildings in the Department's seven maintenance districts (Bristol Region, Kent Region,

Newport Region, Northwest Region, Providence Region, Washington North Region, and Washington South Region).

Project Status: The Budget includes \$2.6 million for the period FY2015 through FY2019, including \$400,000 in issued 2004 general obligation bond funds and \$100,000 of RICAP funds in FY2016.

Warren Yard Facility Replacement

This project involves the reconstruction of the Warren Yard facility, including replacement of a 3-bay garage, administrative offices, and replacement of failed pavement. This facility is located in a neighborhood of mixed commercial and residential development in Warren and serves primarily as a site for salt storage, equipment storage, and occasional housing of staff during emergency operations.

Project Status: The Budget includes RICAP funding of \$800,000 in FY2019 for this project.

Sustainable Transportation Funding

Article 21 of 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 (RIPTA) for operational support, beginning in FY2016.
- 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.
- 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 in Article 21.
- Allows more flexible use of the HMA, which was established in 2011 to provide the non-bonded match to the State federal program.

Revenues

Fees, Surcharges, and RICAP	FY2015	FY2016	FY2017	FY2018	FY2019
Motor Vehicle Registration and License ¹	\$0.0	\$13.2	\$39.3	\$50.2	\$49.7
Inspection Sticker ²	5.7	5.9	6.0	6.1	6.2
Motor Vehicle Title ²	9.0	9.3	8.8	8.4	8.3
Rental Car Surcharge ²	2.8	3.0	3.2	3.2	3.1
Inspection Sticker Increase ³	5.7	5.9	6.0	6.1	6.2
Gas Tax Index (bi-annually beginning in FY2016) ³	-	4.2	4.2	8.2	8.2
Good Driving Fee (\$25) ³	0.4	0.4	0.4	0.4	0.4
Increased RICAP Allocation	6.0	5.0	4.0	4.0	4.0
Total New Fees, Surcharges, and RICAP	\$29.7	\$46.9	\$71.9	\$86.5	\$86.0
Unallocated Bond Proceeds	17.0	8.0	-	-	-
Existing Gas Tax Freed up from the Debt Service Plan	2.9	9.8	20.5	28.4	29.7
Net New Revenue	\$49.5	\$64.7	\$92.4	\$114.9	\$115.7
Expenditures					
Less: Debt Service Transfer	(19.3)	(29.3)	(39.3)	(39.7)	(38.7)
Less: Transfer of 3.5 cents to Turnpike and Bridge	(15.0)	(15.0)	(14.6)	(14.5)	(14.4)
Less: Transfer to RIPTA	-	(2.7)	(4.0)	(4.7)	(4.7)
New Statewide Infrastructure Funding	\$15.3	\$17.8	\$34.6	\$55.9	\$57.9

\$ in millions.

Source: Office of Revenue Analysis and State Budget Office

¹ These fees are currently deposited into the State General Fund as general revenue , and will be shifted to RIDOT as follows: 25.0 percent in FY2016, 75.0 percent in FY2017, and 100.0 percent in FY2018 and beyond.

²These fees are currently deposited as general revenue. They will be shifted to RIDOT in their entirety beginning in

³New revenue

Analyst's Note: For FY2016, the Governor suspends the transfer of \$13.2 million in general revenue from motor vehicle license and registrations fees to the Rhode Island Highway Maintenance Account (HMA) within the Transportation Infrastructure Fund. The FY2015 Budget as Enacted shifted these funds to the HMA to be used by the Department of Transportation for highway, road, and bridge maintenance expenses. The scheduled transfers would resume in FY2017. Under Article 1 the Governor proposes to use \$20.0 million in Rhode Island Capital Plan funds in lieu of the transferred fees in FY2016.

Rhode Island Public Transit Authority

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Bus Purchases (RIPTA)	\$98.7	\$1.1	\$8.6	\$12.3	\$12.2	\$0.5	\$1.4	\$134.8
Paratransit Vehicles (RIPTA)	19.3	2.3	1.4	1.3	1.7	1.2	2.8	30.0
Intelligent Transportation Systems Implementation	7.9	2.0	-	-	-	-	-	9.9
Land and Buildings Enhancements	1.4	4.5	1.9	1.1	0.6	0.6	0.6	10.5
Fixed Route and Paratransit Cameras	1.9	0.4	-	-	-	-	-	2.3
Enterprise Software Solution	0.7	1.2	0.2	-	-	-	-	2.1
Rapid Bus Corridor	2.2	1.1	-	-	-	-	-	3.3
Redundancy	-	1.4	-	-	-	-	-	1.4
Total	\$132.1	\$13.9	\$12.1	\$14.7	\$14.4	\$2.3	\$4.8	\$194.3

Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Federal Funds	\$116.4	\$11.4	\$9.7	\$11.9	\$11.6	\$1.8	\$3.8	\$166.5
RICAP Funds	0.1	0.3	0.2	0.1	2.3	0.1	0.1	3.2
RIPTA Operating Funds	0.5	0.0	-	-	-	-	-	0.6
RIPTA Revolving Loan Fund	6.7	1.5	0.3	0.3	0.3	0.2	0.6	9.8
G.O. Bonds	8.3	0.2	0.2	-	-	-	-	8.7
Local Funds	0.1	0.6	0.2	0.0	0.0	0.0	0.0	1.0
Other Funds	-	-	-	-	-	0.1	0.3	0.4
State Fleet Replacement Fund	-	-	1.5	2.5	0.2	-	-	4.2
Total	\$132.1	\$13.9	\$12.1	\$14.7	\$14.4	\$2.3	\$4.8	\$194.3

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.

Project Status: In FY2015, RIPTA will replace 11 Flex vehicles, at a cost of \$98,364 per bus. RIPTA will use \$216,680 from previously issued General Obligation bonds and \$847,723 from the Federal Transit Administration (FTA). 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 from previously issued 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 RId. FTA guidelines specify that Paratransit vehicles should not be used for more than an average life of five years. During the past year, the Department of Human Services 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 will purchase 25 vehicles in FY2015 at an expected cost of \$91,700 per vehicle, replacing 25 buses manufactured in 2006. RIPTA will 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.

Project Status: 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.

Intelligent Transportation Systems Implementation

Funding for this project will allow RIPTA to purchase and implement an Automated Transit Management System (ATMS), using Computer Aided Dispatch (CAD) and Automatic Vehicle Location (AVL) technologies. Using GPS technology and real-time route monitoring, customer information at Kennedy Plaza and other major hubs will be improved. Buses will be equipped with technology for automatic stop announcement and visual displays to comply with American with Disabilities Act mandates.

Project Status: Installation is complete, and the entire system is undergoing review and finalization. The FTA will pay 80.0 percent of this project and RIPTA will pay a 20.0 percent local match. The Budget includes \$2.0 million in FY2015, including \$1.6 million in FTA funding and \$391,843 from the RIPTA Revolving Loan Fund to complete this project.

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 improve transit ridership.

Project Status: 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 \$9.1 million for land and building enhancements between FY2015 and FY2020, including \$1.5 million in FTA funds, \$200,000 in RICAP funds, and \$170,000 in local funds in FY2016.

Fixed Route and Paratransit Cameras

This project will place six digital security camera systems on each of the Authority's 228 fixed route buses and five cameras on each of its 125 paratransit vehicles, with a goal of improving employee and public safety as well as reduce insurance claims due to injury and accidents.

Project Status: Cameras on the paratransit buses are installed, and RIPTA is completing the installation of cameras on fixed route buses. The project is expected to be completed in FY2015. The FTA will provide an 80.0 percent match for this project. The FY2015 Budget includes \$284,273 from FTA funds and \$71,068 in RIPTA Revolving Loan funds as the state match to complete this project.

Enterprise Software Solution

This upgrades RIPTA's current iSeries IBM platform to ONE Solution Software Suite by Sungard Public Sector, a Windows-based enterprise software. This will allow RIPTA to improve its financial and other data systems, improve data quality, reduce processing time, and provide management with tools to monitor performance. Upgrades include maintenance, asset management, inventory, financial, payroll, customer service, and human resources.

Project Status: Implementation is continuing, with finance and purchase modules active. During FY2015, human resources/payroll systems and work order/inventory systems is being brought online and tested. Full implementation is anticipated in 2015. The FTA will provide an 80.0 percent match for this project. The Budget includes \$1.0 million from FTA funds and \$249,771 in RIPTA Revolving Loan funds as the state match in FY2015; and \$148,000 from FTA funds and \$37,000 in RIPTA Revolving Loan funds as the state match in FY2016 to complete this project.

Bus Rapid Transit Corridor

The concept of Bus Rapid Transit (BRT) originated in the Pacific Northwest in the 1990's, and has been developed to increase efficiency, comfort, and speed of travel along bus routes in urban areas. The BRT along the #11 Broad and #99 Pawtucket routes includes traffic signal prioritization and bus stops clearly marked and lighted, with advanced customer information. The routes targeted for BRT carry almost 15.0 percent of the fixed-route passengers served by RIPTA annually.

Project Status: The R Line was launched at the end of FY2014; however there have been delays in installing some of the signage and bus shelters along the route. In FY2015 the budget includes \$1.1 million, including \$805,833 in FTA funds and \$193,634 in local funds to complete this work.

Redundancy

Work will begin in FY2015 to create redundancy in RIPTA's computerized systems. Focus will be on offsite backup, redundancy of the main servers at Elmwood Avenue, and for the paratransit system, with a goal of improved disaster recovery response.

Project Status: The Budget includes \$1.1 million in FTA funding and \$280,000 from the RIPTA revolving fund in FY2015 for this project.

Rhode Island Airport Corporation

Funding by Project	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Post-FY2020	Total
Runway 16-34 Safety Improvements	\$8.4	\$20.4	\$11.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$40.0
Extension of Runway 5-23	7.0	15.7	15.7	27.0	16.5	-	-	-	82.0
Noise Mitigation/Land Acquisition 2025	3.4	11.4	4.0	-	-	-	-	-	18.8
Deicer Management System	18.6	13.1	1.5	-	-	-	-	-	33.1
Noise Mitigation/Sound Insulation	1.2	4.3	8.4	8.8	8.8	4.6	-	-	36.0
Noise Mitigation/Land Acquisition 2020	7.6	2.5	0.3	-	-	-	-	-	10.3
Runway 16/24 Obstructions	0.0	0.3	1.4	-	-	-	-	-	1.7
Hangar 2 Infrastructure Upgrades	0.0	0.8	0.1	-	-	-	-	-	1.0
Triturator Upgrade	-	0.5	0.1	-	-	-	-	-	0.6
Airport Improvement Mitigation Measures	0.0	0.2	0.1	0.1	0.1	-	-	-	0.5
Baggage Carousel Rebuild	-	0.5	0.1	-	-	-	-	-	0.5
Master Plan Upgrade	-	-	0.5	-	-	-	-	-	0.5
Runway 34 Taxiway C Improvements	-	-	-	-	-	2.0	11.7	6.3	20.0
Runway 16.34 Reconstruction	-	-	-	-	-	-	0.5	6.0	6.5
Total	\$46.2	\$69.8	\$43.1	\$35.8	\$25.3	\$6.6	\$12.2	\$12.3	\$251.4

Funding by Source	Pre-FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Post-FY2020	Total
Federal Aviation Administration/Transportation									
Security Administration (FAA/TSA)	\$21.5	\$38.0	\$32.8	\$28.1	\$17.8	\$5.2	\$9.2	\$9.2	\$161.9
Passenger Facility Charges (PFC)	4.6	6.8	2.6	1.8	1.8	1.4	3.1	3.1	25.1
Rhode Island Airport Corporation	0.0	0.0	0.3	-	-	-	-	-	0.3
General Airport Revenue Bonds	20.0	24.8	7.5	5.9	5.7	-	-	-	64.0
Total	\$46.2	\$69.8	\$43.1	\$35.8	\$25.3	\$6.6	\$12.2	\$12.3	\$251.4

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

The Rhode Island Airport Corporation (RIAC) is a subsidiary public corporation created in 1992 by the former Rhode Island Economic Development Corporation (EDC), currently the Rhode Island Commerce Corporation, for the purpose of managing the planning, development, operation, and maintenance of airport facilities in Rhode Island. These include the T.F. Green Airport in Warwick, as well as ancillary properties in Smithfield, Lincoln, North Kingstown, Westerly, Middletown, and Block Island. RIAC assumes operating responsibility for the airports as well as capital improvement planning management.

RIAC is governed by a seven-member Board of Directors. One member is appointed at will by the Mayor of Warwick, while the remaining six are appointed by the Governor, with the advice and consent of the Senate, for four-year terms. RIAC is entitled to receive funds from the Federal Aviation Administration (FAA) on a 75/25 percent (federal/state) matching basis. RIAC is not empowered to issue bonds or notes or borrow money without the approval of the Rhode Island Commerce Corporation and the General Assembly.

Funding for capital projects comes from four sources: Federal Aviation Administration/Transportation Security Administration (FAA/TSA), Passenger Facility Charges (PFC), Rhode Island Airport Corporation funds, and General Airport Revenue Bonds. The current Capital Improvement Plan (CIP) includes the continuation of T.F. Green Environmental Impact Statement projects (EIS), infrastructure expansion at T.F. Green Airport, General Aviation (GA) improvements, environmental compliance, and noise mitigation projects.

RIAC requests a total of \$192.9 million for the period FY2015 through FY2020 to support fourteen ongoing and future projects, including \$131.2 million in FAA/TSA funds, \$44.0 million in Airport Corporation Revenue Bond funding, \$17.4 million in PFCs, and \$290,422 in RIAC funds for infrastructure changes to T. F. Green Airport identified through the latest Environmental Impact Study.

T.F. GREEN AIRPORT IMPROVEMENTS

Article 4 of the FY2015 Budget as Enacted authorized \$60.0 million in debt for the Rhode Island Airport Corporation for various improvements to both T.F. Green and General Aviation Airports, including the extension of Runway 5/23 at T.F. Green. Total debt service on the bonds is not expected to exceed \$4.6 million annually and \$135.0 million in the aggregate, assuming level annual payments, an average interest rate of 6.25 percent, and a 30-year maturity. The bonds and/or loan agreements issued, pursuant to this article, will not constitute the indebtedness of the State, and required payments will be derived from Corporation revenues,

including passenger facility charges. The authorization for this debt applies to bonds issued within two years of the passage of the resolution.

Runway 16-34 Safety Improvements

Begun in FY2013, the Runway Safety Area (RSA) of Runway 16-34 is being extended to meet FAA requirements. The project includes installation of an Engineered Materials Arresting System (EMAS) bed in the RSA at each runway end. Major components of this project include:

- Reconfigured taxi lane entrance from the Runway 16 end to the North Apron
- Replacement and modifications to FAA navigational equipment
- Raising the elevation of Runway 34 end
- Wetland mitigation improvements

Project Status: The Corporation's Capital Improvement Program includes \$40.0 million through FY2016 for this project.

Extension of Runway 5-23

Begun in FY2014, Runway 5 will be extended 1,530 feet to the south (total length of 8,700 feet). This project includes:

- Realignment of a portion of Main Avenue, the mandatory acquisition of property to support this realignment, and the relocation of Winslow Park
- Installation of an Engineered Materials Arresting System (EMAS) bed to provide an FAA-approved Runway Safety Area (RSA) for Runway 5
- Modifications and replacement of FAA navigational equipment
- Voluntary acquisition of residences located in a newly defined Runway Protection Zone (RPZ) for the Runway 5 extension
- Removal of Aeronautical Obstructions to accommodate the approach surfaces to Runway 5

Project Status: The Corporation's Capital Improvement Program includes \$82.0 million through FY2018 for this project.

Noise Mitigation/Land Acquisition – 2025

The Corporation will purchase 65 residences and 10 associated land parcels in accordance with the Uniform Relocation Assistance Act, which requires the voluntary acquisition of homes and vacant parcels within and adjacent to the 2025 70-Day Night Average Sound Level (DNL) contour. Home acquisitions will be based on the fair market value as determined by a certified appraisal. Residents will be offered a replacement housing payment, moving expenses, closing costs, and incidental expenses.

Project Status: The Corporation's Capital Improvement Program includes \$18.8 million for this project through FY2016.

Deicer Management System

This project improves the deicer management system to prevent the discharge of deicing runoff to surface waters. The project consists of online monitoring and diversion of deicing stormwater to comply with the Rhode Island Pollutant Discharge Elimination System (RIPDES) permit issued by the Rhode Island Department of Environmental Management.

Project Status: The Corporation's Capital Improvement Program includes \$33.1 million through FY2016 for this project.

Noise Mitigation/Sound Insulation

In accordance with FAA regulations, this project provides for sound insulation of eligible homes and apartments within the 2020 65-DayNight Average Sound Level (DNL) contour of the airport and contiguous

neighborhoods. Sound mitigation measures may include window replacement, new prime and storm doors, and installation of air conditioning, to 650 units (homes and apartments). This project is consistent with the Corporation's Memorandum of Understanding with the City of Warwick.

Project Status: The Corporation's Capital Improvement Program includes \$36.0 million for this project through FY2019.

Noise Mitigation/Land Acquisition – 2020

In accordance with FAA regulations, this project provides for the voluntary acquisition of homes and vacant parcels within the 2020 70-Day Night Average Sound Level (DNL) contour by 2020. The request includes \$2.5 million in FY2015 and \$274,500 in FY2016 for the purchase and acquisition of three house and one apartment complex. Acquisitions will be based on the fair market value as determined by a certified appraisal; and residents will be offered a replacement housing payment, moving expenses, closing costs, and incidental expenses.

Project Status: The Corporation's Capital Improvement Program includes \$10.3 million for this project through FY2016.

Runway 16/24 Obstructions

Based on an FAA determination, RIAC will acquire easements and remove lighting and other identified obstructions of the secondary runway (16-34).

Project Status: The Corporation's Capital Improvement Program includes \$283,502 in FY2015 and \$1.4 million in FY2016 for this project.

Hangar 2 Improvements

This project includes upgrades to Hangar 2, including a fire suppression system, water main, alarm system and painting of the hangar.

Project Status: The Corporation's Capital Improvement Program includes \$811,977 in FY2015 and \$90,220 in FY2016 for this project.

Triturator Upgrade

To meet RI Department of Environmental Management and Warwick Sewer Authority standards, RIAC will design, permit, bid, and construct a triturator, which is a machine that processes airplane sewage and disposes it through airport sewer lines.

Project Status: The Corporation's Capital Improvement Program includes a total of \$500,000 from FY2015 through FY2018 for this project.

Airport Improvement Mitigation Measures

The Final Environmental Impact Statement identified mitigation measures associated with airport improvement projects. Final permitting and cultural assessment associated with the Main Avenue relocation, Winslow Park recreation facilities, Runway 5 extension, and post-construction tracking and monitoring for wetlands mitigation measures are included in this project.

Project Status: The Corporation's Capital Improvement Program includes \$500,000 through FY2018 for this project.

Baggage Carousel Rebuild

This project will rebuild four incoming baggage carousels that were originally installed in 1996.

Project Status: The Corporation's Capital Improvement Program includes \$450,000 in FY2015 and \$50,000 in FY2016 for this project.

Master Plan Update

The FAA recommends that an airport's master plan be updated every five to ten years. T. F. Green's master plan was last updated in 2009 to include the Environmental Impact Statement.

Project Status: The Corporation's Capital Improvement Program includes \$500,000 in FY2016 for the airport's master plan update.

Runway 34 Taxiway C Improvements

To meet current FAA standards, RIAC will relocate the Taxiway C centerline from the current 300 foot offset to 400 feet. Project costs may change significantly as impact to the wetlands and the cost of mitigation measures will be determined during the design phase.

Project Status: The Corporation's Capital Improvement Program includes \$20.0 million, beginning in FY2019, for this project.

Runway 16/34 Reconstruction

This project includes the design and reconstruction of runway pavement, including milling existing surfaces, grinding, paving, movement markings, and lighting and signage improvements.

Project Status: The Corporation's Capital Improvement Program includes \$6.5 million for this project, beginning in FY2020.

GENERAL AVIATION IMPROVEMENTS

The Corporation's Capital Improvement Program includes \$37.0 million in funding for 13 projects for the period pre-FY2015 through Post-FY2020, including \$24.6 million in FAA/TSA funds, \$1.3 million in RIAC funds, and \$11.1 million in Airport Corporation Revenue Bond, for repairs, renovations and general improvements at the five general aviation airports: Quonset, Newport, Block Island, North Central, and Westerly. Projects and anticipated costs are as follows:

Project	Airport	Pre FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Rehab/Expand Paved Aircraft Parking Apron	Block Island	\$0.0	\$0.0	\$0.0	\$0.0	\$0.2	\$3.8	\$0.0	\$4.0
Access Road Upgrade	North Central	-	-	-	-	0.4	-	-	0.4
Extend Taxiway A	North Central	-	-	-	-	-	-	1.7	1.7
Easement Acquisition/Obstruction Light/Remove Off Airport Obstructions	Newport	0.1	0.6	0.3	-	-	-	-	0.9
Rehabilitate & Expand Aircraft Apron	Newport	-	-	-	0.2	2.0	-	-	2.3
Rehabilitation of Runway 4-22	Newport	-	-	-	-	-	-	3.5	3.5
Demolition of Old Terminal	Quonset	-	-	1.6	-	-	-	-	1.6
Rehabilitation of Runway 5-23	Quonset	-	-	-	-	-	0.4	4.6	5.0
Extend Taxiway W to Runway 23	Quonset	-	-	-	-	-	0.2	1.8	2.0
Relocate Fuel Farm	Quonset	-	-	-	-	-	1.0	-	1.0
Seawall Reconstruction	Quonset	-	-	-	-	-	0.8	3.5	4.3
Hangar Development	Quonset	-	-	1.4	6.6	-	-	-	8.0
Easement Acquisition and Off-Airport Obstruction Removal	Westerly	1.2	0.8	0.3	-	-	-	-	2.3
Total		\$1.3	\$1.3	\$3.6	\$6.8	\$2.6	\$6.2	\$15.1	\$37.0

\$ in millions.



APPENDIX

Summary Tables

GENERAL REVENUE STATEMENT

Opening Surplus	FY2014	FY2015 Enacted	FY2015 Governor	FY2016 Governor
Free Surplus	\$104,119,715	\$59,210,130	\$67,806,737	\$3,071,666
Adjustment to Opening Surplus	-	-	14,221,136	-
Reappropriated Surplus	7,052,524	-	7,378,665	-
Subtotal	\$111,172,239	\$59,210,130	\$89,406,538	\$3,071,666
Revenues				
Enacted/Actual/Estimated	\$3,430,262,416	\$3,493,103,389	\$3,493,103,389	\$3,380,181,000
November Revenue Estimate	-	-	15,796,612	(3,374,752)
Governor Changes	-	-	901,649	220,315,859
Total Revenues	\$3,430,262,416	\$3,493,103,389	\$3,509,801,650	\$3,597,122,107
To Cash Stabilization Fund	(\$106,031,464)	(\$106,569,406)	(\$107,754,886)	(\$108,005,813)
Total Available Resources	\$3,435,403,191	\$3,445,744,113	\$3,491,453,302	\$3,492,187,960
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	-
Total Expenditures	\$3,336,423,288	\$3,445,169,968	\$3,488,381,635	\$3,491,628,573
Total Surplus	98,979,903	574,145	3,071,667	559,387
Transfer to Other Funds	(23,794,501)	-	-	-
Reappropriations	(7,378,665)	-	-	-
Free Surplus	\$67,806,737	\$574,145	\$3,071,667	\$559,387

ALL FUNDS EXPENDITURES

General Government	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted	FY2016 Governor	Change from Enacted
Administration	\$412,495,073	\$425,765,956	\$457,723,709	\$31,957,753	\$339,051,951	(\$86,714,005)
Business Regulation	12,249,226	12,976,430	13,817,345	840,915	14,729,029	1,752,599
Executive Office of Commerce	-	-	335,644	335,644	76,320,494	76,320,494
Labor and Training	511,348,590	511,579,990	487,572,151	(24,007,839)	445,208,317	(66,371,673)
Revenue	422,287,255	460,214,642	446,079,738	(14,134,904)	415,207,249	(45,007,393)
Legislature	35,681,698	38,016,750	40,748,731	2,731,981	41,154,944	3,138,194
Lieutenant Governor	2,673,290	1,089,434	1,064,842	(24,592)	1,292,621	203,187
Secretary of State	6,668,513	8,366,955	7,935,146	(431,809)	7,971,884	(395,071)
General Treasurer	38,039,736	35,241,893	35,666,177	424,284	34,430,778	(811,115)
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	1,532,455	52,276	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	\$1,511,837,633	(\$1,608,376)	\$1,393,966,610	(\$119,479,399)
Human Services						
Office of Health and Human Services	\$1,945,613,900	\$2,391,411,846	\$2,518,592,148	\$127,180,302	\$2,429,810,398	\$38,398,552
Children, Youth, and Families	219,685,921	210,636,391	226,659,958	16,023,567	212,844,162	2,207,771
Health	108,576,130	122,645,570	125,983,641	3,338,071	121,352,917	(1,292,653)
Human Services	613,340,811	649,786,890	627,883,574	(21,903,316)	620,393,325	(29,393,565)
BHDDH	445,714,460	365,509,826	364,817,841	(691,985)	366,867,639	1,357,813
Governor's Commission on Disabilities	871,546	1,508,802	1,572,596	63,794	-	(1,508,802)
Governor's Commission on the Deaf	399,505	474,279	478,741	4,462	-	(474,279)
Office of the Child Advocate	583,702	661,817	683,154	21,337	-	(661,817)
Office of the Mental Health Advocate	485,005	495,010	506,078	11,068	-	(495,010)
Total	\$3,335,270,980	\$3,743,130,431	\$3,867,177,731	\$124,047,300	\$3,751,268,441	\$8,138,010
Education						
Elementary and Secondary Education	\$1,197,362,280	\$1,246,096,357	\$1,251,804,389	\$5,708,032	\$1,302,876,096	\$56,779,739
Public Higher Education	1,061,770,203	1,080,789,192	1,075,696,542	(5,092,650)	1,087,759,178	6,969,986
Council on the Arts	2,280,949	2,914,959	2,972,986	58,027	3,681,407	766,448
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 & Heritage Comm.	2,000,284	5,909,976	6,080,581	170,605	3,911,203	(1,998,773)
Total	\$2,287,421,153	\$2,360,928,619	\$2,353,992,216	(\$6,936,403)	\$2,399,565,053	\$38,636,434
Public Safety						
Attorney General	\$31,009,997	\$36,791,685	\$40,176,612	\$3,384,927	\$28,035,317	(\$8,756,368)
Corrections	195,805,164	209,326,500	213,346,663	4,020,163	212,575,670	3,249,170
Judiciary	107,052,063	105,669,516	110,029,886	4,360,370	111,911,210	6,241,694
Military Staff	34,101,891	18,454,074	18,843,837	389,763	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	123,348,293	(3,206,553)	122,908,172	(3,646,674)
Public Defender	10,917,680	11,379,680	11,202,211	(177,469)	11,700,347	320,667
Total	\$490,496,628	\$528,798,528	\$540,718,425	\$11,919,897	\$ 525,076,732	(\$3,721,796)
Natural Resources						
Environmental Management	\$79,469,714	\$103,811,527	\$107,313,434	\$3,501,907	\$93,482,803	(\$10,328,724)
Coastal Resources Management Council	4,457,741	4,959,681	10,506,226	5,546,545	5,347,608	387,927
Total	\$83,927,455	\$108,771,208	\$117,819,660	\$9,048,452	\$98,830,411	(\$9,940,797)
Transportation						
Transportation	\$401,479,015	\$525,120,546	\$447,939,727	(\$77,180,819)	\$458,868,000	(\$66,252,546)
Grand Total	\$ 8,055,442,820	\$ 8,780,195,341	\$ 8,839,485,392	\$59,290,051	\$ 8,627,575,247	(\$152,620,094)

GENERAL REVENUE EXPENDITURES

General Government	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted	FY2016 Governor	Change from Enacted
Administration	\$259,268,901	\$268,843,237	\$250,382,004	(\$18,461,233)	\$173,930,982	(\$94,912,255)
Business Regulation	8,526,389	9,013,477	8,802,653	(210,824)	9,345,012	331,535
Executive Office of Commerce	-	-	335,644	335,644	62,236,691	62,236,691
Labor and Training	8,027,721	8,669,103	9,013,937	344,834	8,424,769	(244,334)
Revenue	99,768,361	107,798,690	107,304,673	(494,017)	105,198,446	(2,600,244)
Legislature	34,498,448	36,429,671	39,233,413	2,803,742	39,474,071	3,044,400
Lieutenant Governor	957,446	1,015,084	1,007,208	(7,876)	1,227,621	212,537
Secretary of State	6,196,251	7,337,203	7,296,007	(41,196)	6,936,530	(400,673)
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	1,221,763	28,680	1,252,174	59,091
Total	\$427,857,942	\$452,985,547	\$437,945,262	-\$15,040,285	\$418,813,194	(\$34,172,353)
Human Services						
Office of Health and Human Services	\$839,589,446	\$904,633,663	\$941,780,364	\$37,146,701	\$889,519,628	(\$15,114,035)
Children, Youth, and Families	154,719,224	148,707,146	158,341,580	9,634,434	151,837,731	3,130,585
Health	23,469,936	22,957,920	22,841,530	(116,390)	25,840,318	2,882,398
Human Services	92,107,740	96,328,781	94,808,416	(1,520,365)	96,425,089	96,308
BHDDH	200,160,407	167,536,873	168,796,376	1,259,503	170,425,740	2,888,867
Governor's Commission on Disabilities	339,529	358,275	357,141	(1,134)	-	(358,275)
Governor's Commission on the Deaf	375,549	394,279	398,741	4,462	-	(394,279)
Office of the Child Advocate	544,231	611,817	633,154	21,337	-	(611,817)
Office of the Mental Health Advocate	485,005	495,010	506,078	11,068	-	(495,010)
Total	\$1,311,791,067	\$1,342,023,764	\$1,388,463,380	\$46,439,616	\$1,334,048,506	(\$7,975,258)
Education						
Elementary and Secondary Education	\$959,927,061	\$1,004,400,123	\$1,003,585,213	(\$814,910)	\$1,067,340,856	\$62,940,733
Public Higher Education	179,174,880	190,954,911	188,298,201	(2,656,710)	195,693,088	4,738,177
Council on the Arts	1,310,474	1,483,075	1,491,068	7,993	1,507,761	24,686
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 & Heritage Comm.	1,282,682	1,320,610	1,206,107	(114,503)	1,355,972	35,362
Total	\$1,146,888,323	\$1,199,218,916	\$1,195,635,326	(\$3,583,590)	\$1,266,854,847	\$67,635,931
Public Safety						
Attorney General	\$23,235,530	\$23,607,146	\$24,544,068	\$936,922	\$25,193,210	\$1,586,064
Corrections	188,152,167	187,745,480	196,263,428	8,517,948	200,075,231	12,329,751
Judiciary	91,551,391	91,636,668	94,058,445	2,421,777	95,797,046	4,160,378
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	97,978,879	2,684,845	96,454,299	1,160,265
Public Defender	10,742,068	11,130,816	11,048,671	(82,145)	11,621,977	491,161
Total	\$413,191,205	\$413,216,098	\$427,919,502	\$14,703,404	\$432,973,199	\$19,757,101
Natural Resources						
Environmental Management	\$34,534,163	\$35,540,105	\$36,105,322	\$565,217	\$36,505,567	\$965,462
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	\$38,938,827	\$1,213,184
Grand Total	\$3,336,423,260	\$3,445,169,968	\$3,488,381,635	\$43,211,667	\$3,491,628,573	\$46,458,605

FEDERAL FUNDS EXPENDITURES

	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted	FY2016 Governor	Change from Enacted
General Government						
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
Executive Office of Commerce	-	-	-	-	10,983,803	10,983,803
Labor and Training	72,019,823	42,183,672	51,450,837	9,267,165	38,164,061	(4,019,611)
Revenue	1,655,815	5,113,145	4,692,166	(420,979)	1,315,154	(3,797,991)
Lieutenant Governor	1,583,196	74,350	40,134	(34,216)	65,000	(9,350)
Secretary of State	16,040	-	34,123	34,123	-	-
General Treasurer	852,195	870,338	902,766	32,428	891,955	21,617
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	\$149,240,901	\$47,109,282	\$97,903,678	(\$4,227,941)
Human Services						
Office of Health and Human Services	\$1,093,456,235	\$1,470,870,303	\$1,561,011,456	\$90,141,153	\$1,524,436,297	\$53,565,994
Children, Youth, and Families	61,602,917	56,568,664	62,235,275	5,666,611	58,167,464	1,598,800
Health	55,777,861	65,094,393	66,960,648	1,866,255	63,405,159	(1,689,234)
Human Services	513,984,570	547,332,819	525,722,659	(21,610,160)	517,564,219	(29,768,600)
BHDDH	228,621,075	181,157,004	181,151,974	(5,030)	180,590,102	(566,902)
Governor's Commission on Disabilities	50,799	141,350	305,524	164,174	-	(141,350)
Office of the Child Advocate	39,471	50,000	50,000	-	-	(50,000)
Total	\$1,953,532,928	\$2,321,214,533	\$2,397,437,536	\$76,223,003	\$2,344,163,241	\$22,948,708
Education						
Elementary and Secondary Education	\$203,805,167	\$208,495,934	\$213,815,072	\$5,319,138	\$202,962,314	(\$5,533,620)
Public Higher Education	5,204,666	5,092,287	5,099,787	7,500	15,442,544	10,350,257
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 & Heritage Comm.	522,900	2,183,588	2,255,295	71,707	2,054,893	(128,695)
Total	\$220,475,719	\$232,036,850	\$229,549,974	(\$2,486,876)	\$221,289,803	(\$10,747,047)
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	3,190,765	1,281,518	3,217,720	1,308,473
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	8,110,857	1,216,582	6,346,357	(547,918)
Public Defender	175,612	248,864	153,540	(95,324)	78,370	(170,494)
Total	\$41,949,736	\$45,394,538	\$52,101,012	\$6,706,474	\$44,185,010	(\$1,209,528)
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	\$271,020,767	(\$81,093,988)	\$263,615,422	(\$88,499,333)
Grand Total	\$2,676,201,769	\$3,086,526,049	\$3,140,495,914	\$53,969,865	\$3,003,078,979	(\$83,447,070)

RESTRICTED RECEIPTS EXPENDITURES

	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted	FY2016 Governor	Change from Enacted
General Government						
Administration	\$15,899,348	\$36,398,746	\$31,970,438	(\$4,428,308)	\$29,795,027	(\$6,603,719)
Business Regulation	1,683,995	1,941,123	2,545,184	604,061	2,588,777	647,654
Executive Office of Commerce	-	-	-	-	2,800,000	2,800,000
Labor and Training	36,675,422	41,540,583	51,418,162	9,877,579	23,130,150	(18,410,433)
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
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	32,127,266	408,424	30,899,755	(819,087)
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	\$130,787,716	\$4,698,619	\$103,982,701	(\$22,106,396)
Human Services						
Office of Health and Human Services	\$12,568,219	\$15,907,880	\$15,800,328	(\$107,552)	\$15,854,473	(\$53,407)
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	36,112,413	1,519,156	32,107,440	(2,485,817)
Human Services	2,355,044	1,797,309	3,024,518	1,227,209	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	-	(9,177)
Governor's Commission on the Deaf	23,956	80,000	80,000	-	-	(80,000)
Total	\$55,448,764	\$64,445,036	\$66,658,309	\$2,213,273	\$62,057,713	(\$2,387,323)
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 & 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	\$1,250,330	(\$9,999,578)
Corrections	53,383	398,879	404,403	5,524	47,058	(351,821)
Judiciary	10,426,434	10,773,601	11,346,527	572,926	10,396,444	(377,157)
Military Staff	301,196	442,800	388,300	(54,500)	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	9,523,426	(3,340,428)	11,383,011	(1,480,843)
Total	\$20,742,086	\$35,950,771	\$34,582,251	(\$1,368,520)	\$23,620,518	(\$12,330,253)
Natural Resources						
Environmental Management	\$13,377,916	\$15,934,989	\$16,478,862	\$543,873	\$18,454,537	\$2,519,548
Coastal Resources Management Council	170,000	250,000	250,000	-	250,000	-
Total	\$13,547,916	\$16,184,989	\$16,728,862	\$543,873	\$18,704,537	\$2,519,548
Transportation						
Transportation	\$7,202,773	\$12,352,761	\$1,000,000	(\$11,352,761)	\$1,000,000	(\$11,352,761)
Grand Total	\$222,092,632	\$283,055,536	\$278,214,301	(\$4,841,235)	\$239,396,225	(\$43,659,311)

OTHER FUNDS EXPENDITURES

General Government	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted	FY2016 Governor	Change from Enacted
Administration	\$64,624,462	\$69,030,518	\$86,118,325	\$17,087,807	\$92,023,313	\$22,992,795
Executive Office of Commerce	-	-	-	-	300,000	300,000
Labor and Training	394,625,624	419,186,632	375,689,215	(43,497,417)	375,489,337	(43,697,295)
Revenue	319,166,978	343,301,988	331,773,466	(11,528,522)	304,799,323	(38,502,665)
Secretary of State	-	500,000	63,754	(436,246)	436,246	(63,754)
General Treasurer	200,434	220,608	218,994	(1,614)	218,818	(1,790)
Total	\$778,617,498	\$832,239,746	\$793,863,754	(\$38,375,992)	\$773,267,037	(\$58,972,709)
Human Services						
Children, Youth, and Families	\$600,784	\$2,911,831	\$3,242,960	\$331,129	-	(\$2,911,831)
Health	56,184	-	69,050	69,050	-	-
Human Services	4,893,457	4,327,981	4,327,981	-	4,327,981	-
BHDDH	8,473,476	7,207,286	6,078,515	(1,128,771)	6,671,000	(536,286)
Governor's Commission on Disabilities	474,320	1,000,000	900,000	(100,000)	-	(1,000,000)
Total	\$14,498,221	\$15,447,098	\$14,618,506	(\$828,592)	\$10,998,981	(\$4,448,117)
Education						
Elementary and Secondary Education	\$8,100,266	\$6,246,328	\$7,019,571	\$773,243	\$3,624,000	(\$2,622,328)
Public Higher Education	876,760,039	884,097,994	881,654,554	(2,443,440)	875,970,346	(8,127,648)
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)
Total	\$893,851,599	\$901,639,971	\$900,349,753	(\$1,290,218)	\$881,389,647	(\$20,250,324)
Public Safety						
Attorney General	\$224,571	\$300,000	\$250,000	(\$50,000)	\$300,000	\$0
Corrections	5,765,039	19,527,438	14,669,432	(4,858,006)	11,116,000	(8,411,438)
Judiciary	2,087,376	1,350,000	1,434,149	84,149	2,500,000	1,150,000
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	\$26,115,660	(\$8,121,461)	\$24,298,005	(\$9,939,116)
Natural Resources						
Environmental Management	\$9,325,816	\$20,476,822	\$20,694,477	\$217,655	\$9,215,222	(\$11,261,600)
Coastal Resources Management Council	-	750,000	832,432	82,432	50,000	(700,000)
Total	\$9,325,816	\$21,226,822	\$21,526,909	\$300,087	\$9,265,222	(\$11,961,600)
Transportation						
Transportation	\$109,818,424	\$160,653,030	\$175,918,960	\$15,265,930	\$194,252,578	\$33,599,548
Grand Total	\$ 1,820,725,159	\$ 1,965,443,788	\$ 1,932,393,542	(\$33,050,246)	\$ 1,893,471,470	(\$71,972,318)

FULL-TIME EQUIVALENT POSITIONS

	FY2014 Actual	FY2015 Enacted	FY2015 Governor	Change from Enacted	FY2016 Governor	Change from Enacted
General Government						
Administration	720.7	710.7	710.7	-	710.7	-
Business Regulation	94.0	94.0	98.0	4.0	99.0	5.0
Executive Office of Commerce	-	-	5.0	5.0	18.6	18.6
Labor and Training	410.0	410.0	410.0	-	410.0	-
Revenue	492.0	505.0	505.0	-	514.5	9.5
Legislature	298.5	298.5	298.5	-	298.5	-
Lieutenant Governor	8.0	8.0	8.0	-	8.0	-
Secretary of State	57.0	57.0	57.0	-	57.0	-
General Treasurer	83.0	83.0	83.0	-	83.0	-
Board of Elections	11.0	11.0	11.0	-	11.0	-
Ethics Commission	12.0	12.0	12.0	-	12.0	-
Office of the Governor	45.0	45.0	45.0	-	45.0	-
Commission for Human Rights	14.5	14.5	14.5	-	14.5	-
Public Utilities Commission	49.0	50.0	50.0	-	50.0	-
Total	2,294.7	2,298.7	2,307.7	9.0	2,331.8	33.1
Human Services						
Office of Health and Human Services	184.0	184.0	184.0	-	202.0	18.0
Children, Youth, and Families	670.5	670.5	672.5	2.0	672.5	2.0
Health	491.1	491.3	491.3	-	488.6	(2.7)
Human Services	959.1	959.1	959.1	-	959.1	-
BHDDH	1,422.4	1,422.4	1,420.4	(2.0)	1,421.4	(1.0)
Office of the Child Advocate	6.0	6.0	6.0	-	-	(6.0)
Governor's Commission on the Deaf	3.0	3.0	3.0	-	-	(3.0)
Governor's Commission on Disabilities	4.0	4.0	4.0	-	-	(4.0)
Office of the Mental Health Advocate	3.7	3.7	3.7	-	-	(3.7)
Total	3,743.8	3,744.0	3,744.0	-	3,743.6	(0.4)
Education						
Elementary and Secondary Education	357.4	340.9	344.4	3.5	339.4	(1.5)
Public Higher Education	3,470.8	3,496.2	3,498.4	2.2	3,518.4	22.2
Council on the Arts	6.0	6.0	6.0	-	6.0	-
Atomic Energy Commission	8.6	8.6	8.6	-	8.6	-
Higher Education Assistance Authority	23.0	22.0	22.0	-	-	(22.0)
Historical Preservation and Heritage Commission	16.6	16.6	16.6	-	16.6	-
Total	3,882.4	3,890.3	3,896.0	5.7	3,889.0	(1.3)
Public Safety						
Attorney General	233.1	236.1	236.1	-	236.1	-
Corrections	1,419.0	1,419.0	1,419.0	-	1,419.0	-
Judiciary	726.3	723.3	723.3	-	723.3	-
Military Staff	117.0	85.0	85.0	-	92.0	7.0
Emergency Management	-	32.0	32.0	-	32.0	-
Public Safety	634.2	633.2	633.2	-	633.2	-
Public Defender	93.0	93.0	93.0	-	93.0	-
Total	3,222.6	3,221.6	3,221.6	-	3,228.6	7.0
Natural Resources						
Environmental Management	399.0	399.0	399.0	-	399.0	-
Coastal Resources Management Council	29.0	29.0	29.0	-	29.0	-
Total	428.0	428.0	428.0	-	428.0	-
Transportation						
Transportation	752.6	752.6	752.6	-	752.6	-
Higher Education Sponsored Research						
Office of Higher Education	1.0	1.0	1.0	-	1.0	-
CCRI	100.0	94.0	94.0	-	89.0	(5.0)
RIC	82.0	82.0	82.0	-	82.0	-
URI	593.2	573.8	573.8	-	573.8	-
Total	776.2	750.8	750.8	-	745.8	(5.0)
Grand Total	15,100.3	15,086.0	15,100.7	14.7	15,119.4	33.4

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