



**SENATE FISCAL OFFICE
REPORT**

FY2018 BUDGET AS ENACTED

H-5175 SUB A AS AMENDED

INCLUDING FY2017 REVISED BUDGET

SEPTEMBER 20, 2017

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EXECUTIVE SUMMARY

Executive Summary

The Budget represents the \$9.2 billion spending plan for the State for the fiscal year ending June 30, 2018 (FY2018). Also included is the revised spending plan for the current fiscal year (FY2017). The State is estimated to end FY2018 with a general revenue balance of \$189,759 The Budget Reserve and Cash Stabilization Account (aka Rainy Day Fund) would be fully-funded at \$194.2 million. The following document summarizes key budget initiatives and changes.

Expenditures by Source	FY2017 Enacted	FY2017 Governor	FY2017 Budget	Change to Governor	FY2018 Governor	FY2018 Budget	Change to Governor
General Revenue	\$3,683.7	\$3,700.4	\$3,686.5	(\$13.9)	\$3,792.7	\$3,767.7	(\$25.0)
Federal Funds	2,957.1	3,098.1	3,184.6	86.5	3,081.8	3,134.1	52.3
Restricted Receipts	257.0	306.8	276.3	(30.5)	273.8	261.7	(12.1)
Other Funds	2,040.9	2,095.3	2,054.1	(41.2)	2,099.7	2,079.2	(20.5)
Total	\$8,938.7	\$9,200.5	\$9,201.5	\$0.9	\$9,248.1	\$9,242.8	(\$5.2)
FTE Authorization	14,952.6	15,035.9	14,959.0	(76.9)	15,067.4	15,160.2	92.8

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

STATEWIDE CHANGES:

- **Personnel and Operating Savings:** The FY2018 Budget as Enacted includes savings of \$30.1 million in general revenue, reflecting increased statewide savings of \$28.1 million in FY2018, which includes the \$25.0 million savings projection added into the enacted budget. The savings are stated under the Department of Administration to be distributed to State agencies as part of the revised budget.

Personnel and Operating Reforms	FY2018 Projected Savings
Unspecified Salary and Benefit Savings	(\$23,700,000)
Miscellaneous Expense Savings	(3,800,000)
Contracted Management Consultant Savings	(400,000)
Telecom CENTREX to PBX Conversion	(213,703)
Total	(\$28,113,703)

- **FTE Authorization:** Authorizes 15,160.2 FTE positions, 207.6 FTE positions more than authorized in the FY2017 Budget as Enacted.

GENERAL GOVERNMENT:

- **Debt Service:** Includes \$7.9 million more for general revenue debt service. This includes \$18.4 million more to fund the costs of the State's general obligation debt service in FY2018. Offsetting the increase is a \$5.3 million reduction to cover the debt service on eleven projects financed through certificates of participation (COPs), a decrease of \$2.5 million in general revenue for the 38 Studios Debt service, and \$2.6 million from various adjustments from the FY2017 Budget as Enacted. The adjustments include \$2.9 million in lower projected debt service for the Rhode Island Convention Center debt, an increase of \$120,496 for the Historic Structures Tax Credit debt, and an increase of \$150,000 for the I-195 Land Acquisition interest only debt service.
- **Pay-for-Success project:** Eliminates \$300,000 in general revenue to fund the pay-for-success project in the Department of Corrections (DOC).
- **State Studies:** Eliminates \$250,000 in general revenue for the implementation services required for the Employee Compensation and Classification Study.

TAXES/FEEES:

- **Hospital Fee:** Increases the hospital licensing fee from 5.625 percent to 5.856 percent upon net patient services revenue. The fee increase results in an additional \$13.0 million, for total licensing fee revenue in FY2018 of \$181.0 million.
- **Remote Sellers Sales Tax Collection:** Provides a new statutory framework designed to encourage remote sellers to register, collect, and remit the sales and use tax. The framework puts in place a series of notification requirements on the remote sellers. New revenues are budgeted at \$37.3 million.
- **Transfers from Quasi-Public Agencies:** Transfers a \$29.0 million in reserves from ~~seven~~ five quasi-public agencies and the Rhode Island Renewable Energy Fund.
- **Tax Amnesty:** Provides for a 75-day period tax amnesty program that is estimated to increase revenue by \$12.5 million.
- **Motor Vehicle Fund:** Adjusts the phase-in schedule for transferring of all vehicle license and registration fees from the general fund to the State Highway Maintenance Account (HMA). The new schedule retains 25.0 percent more of the fees in FY2017 for the general fund and 20.0 percent more in FY2018. The complete transfer of funds is delayed until FY2019. These adjustments result in \$13.0 million more in general revenue in FY2017, and \$9.4 million in FY2018.
- **Commercial Truck Registrations:** Reverses the new registration fee schedule for commercial trucks that was enacted by the 2016 General Assembly and was to take effect July 1, 2017. Revenues are increased by \$840,000.
- **Historic Homeowner Tax Credit:** Restores the Historic Homeowner Assistance Tax Credit Program to accommodate all outstanding tax credits issued prior to the personal income tax reform that began January 1, 2011. The existing 115 taxpayers hold \$797,911 in outstanding credits, with \$160,276 expected to be exercised in FY2018.
- **Seeds - Exemption from Sales Tax:** Adds seeds and plants that are used to grow food and food ingredients to the list of goods and services exempted from the State's sales and use tax. The change will cost \$6,000 annually in decreased revenue.

ECONOMIC DEVELOPMENT:

- **Rebuild RI:** Includes \$12.5 million for the Rebuild RI Tax Credit program.
- **Other Incentives:** Funds several Economic Development Initiatives under the Executive Office of Commerce/Commerce Corp, including:
 - \$1.8 million for the First Wave Closing Fund to catalyze development
 - \$2.0 million for the I-195 Redevelopment Fund.
 - \$1.0 million for the Innovation Vouchers Program
 - \$500,000 for the Main Street RI Streetscape Program
 - \$800,000 to support the RI Wavemaker Fund to provide tax credits against the taxpayers' tax liability to cover educational loan expenses
 - \$500,000 to support the Air Service Development Fund, which provides loss protection to an airline for new routes while minimizing downside risk for the airline and giving Rhode Island a competitive edge against other airports
- **I-195 Redevelopment Fund:** Includes \$2.0 million for the I-195 Redevelopment Fund.

EDUCATION:

- **Funding Formula:** Increases FY2018 general revenue funding by \$44.2 million to adjust the seventh-year formula calculation based on March 2017 student enrollment and free and reduced price lunch data. This adjustment brings the total of formula aid to \$859.3 million for all the school districts except Central Falls, which is included as a separate budget program, and the state schools. The funding increase for the seventh 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 \$41.5 million. The difference is due to the decrease in funding to Central Falls (\$1.2 million), Davies (\$850,458), and the Met (\$627,280) in FY2018 relative to the FY2017 enacted level.
- **Advanced Manufacturing Program (RICAP funds):** Includes \$3.7 million in Rhode Island Capital Plan (RICAP) funds to provide updated technology and infrastructure to train students in advanced manufacturing at Davies. The investments will be guided by the needs of the industry.
- **Agency-Wide Reduction:** Includes a 3.0 percent agency-wide reduction in general revenue of \$600,040. The specific areas of reductions are at the discretion of the Commissioner. This reduction is prior to any application of the statewide savings included in the budget.
- **Turnover:** Reduces funding for personnel costs by \$183,655 to reflect the turnover to be achieved by keeping staffing at the May 2017 levels.
- **Interdepartmental Cost Allocation:** Includes a \$112,487 interdepartmental transfer representing 50.0 percent of the salary and benefits of a Deputy Chief of Staff in the Governor's Office who works on education policy issues.
- **Rhode Island Promise Scholarship Program:** Provides \$2.8 million for scholarships at CCRI for first-time, full-time high school graduates. The scholarship program has no income restrictions. Other costs, such as room and board, textbooks, meal plans, or travel are not included. Students must maintain a grade point average 2.5 or greater, and commit to live, work, or continue their education in Rhode Island after graduation.
- **Nursing Education Center:** Includes \$5.0 million for the State's share of Nursing Education Center (NEC) a partnership between the State, Rhode Island College, and the University of Rhode Island to provide a state-of-the-art facility to be shared by the institutions thus reducing redundancy.
- **Increased Operating Support for Institutions of Higher Education:** Increases general revenue operating support at the institutions by \$2.8 million, including \$1.5 million for the University of Rhode Island, \$750,000 for Rhode Island College, and \$500,000 for CCRI.
- **Westerly Higher Education and Job Training Center:** Provides \$1.3 million in general revenue and \$1.5 million in restricted receipts for the Westerly Higher Education and Job Training Center. This represents an increase of \$500,000 in general revenue and \$1.0 million in restricted receipts relative to the FY2017 Budget as Enacted.
- **OPC Dual/Concurrent Enrollment:** Article 12 limits payments to the public institutions of higher education for dual and concurrent enrollment to the amount appropriated and requires the Council on Postsecondary Education to promulgate rules and regulations enforcing the limit on program costs.
- **Small Business Development Center:** Increases funding for the Rhode Island Small Business Development Center (RISBDC) by \$100,000 to leverage additional federal funding, bringing the total state support to \$350,000.

LOCAL/MUNICIPAL ISSUES AND AID:

- **Motor Vehicle Excise Tax:** Decreases the motor vehicle excise tax each year from FY2018 through FY2023, fully eliminating the tax in FY2024. In FY2018, municipalities will lose an estimated \$25.2

million in forgone tax levy; therefore, the Budget is increased by \$26.0 million in general revenue to reimburse municipalities for the lost tax revenue.

- **PILOT:** Increases the payments in lieu of taxes (PILOT) by \$3.2 million over last year, resulting in \$45.2 million in total funding. This new reimbursement level is at the required level of 27.0 percent of forgone tax revenue.
- **Distressed Community Relief:** Maintains FY2017 funding at \$12.4 million. The City of Johnston is newly qualified as a distressed community in FY2018 and the City of Cranston will exit the program.
- **Libraries:** Includes \$59,822 less than the FY2017 Budget due to a construction project delay in Barrington.

HEALTH AND HUMAN SERVICES:

- **Nursing Facilities:** Freezes the scheduled inflation-based payments to nursing facilities saving \$5.6 million in general revenue (\$10.9 million all funds). Additionally, the Budget saves \$2.5 million in general revenue (\$5.1 million all funds) related to reduced nursing facility utilization.
- **Hospitals:** Restores \$12.3 million in hospital savings proposed in the Governor's FY2018 budget and increases general revenue by \$2.0 million for the Graduate Medical Education (GME) program in FY2018.
- **MCOs:** Includes savings related to Managed Care Organizations (MCOs) by reforming the MCO performance goal program, saving \$2.3 million in general revenue (\$1.6 million all funds); reducing administrative rates paid to MCOs, saving \$3.5 million in general revenue (\$9.3 million all funds); and eliminating the provider incentive program, saving \$1.5 million in general revenue (\$3.0 million all funds), for a total savings of \$7.3 million in general revenue (\$13.9 million all funds) in FY2018.
- **Enhanced CHIP Claiming:** Includes a general revenue reduction of \$3.6 million in FY2018 related to improved Children's Health Insurance Program (CHIP) claiming.
- **FQHCs:** Includes savings related to modifying the alternative payment methodology for FQHCs saving \$1.2 million in general revenue (\$3.0 million all funds) in FY2018.
- **Contract Savings:** Reduces general revenue for contracted services by \$1.9 million (\$3.9 million all funds) in FY2018.
- **Children's Health Account (CHA):** Increases the assessment to private and self-funded insurers which funds the CHA, generating an additional \$3.8 million in restricted receipts in FY2018.
- **Program Integrity:** Includes savings related to improved program integrity through recovered beneficiary collections, Medicare premium collections, eligibility integrity, and estate recoveries, saving \$3.8 million in general revenue in FY2018.
- **Federal Medicaid Matching:** Saves \$4.0 million in general revenue in FY2018 related to improved Medicaid claiming for services provided by the Department of Children, Youth, and Families.
- **Eleanor Slater Hospital Reorganization:** Includes a reduction in general revenue of \$1.3 million (\$8.4 million all funds) related to the reorganization at Eleanor Slater Hospital. Reorganization efforts are expected to reduce overtime expenditures, consolidate medical units, reduce medical service costs, and transfer sex offenders to a lower-cost setting.
- **Recovery Housing Pilot Program:** Includes a \$200,000 general revenue increase to fund the recovery housing pilot program in FY2018. The pilot will create a stable, drug free living environment for individuals recovering from substance abuse disorders.

- **Direct Support Professional (DSP) Wage Increase:** Increases general revenue expenditures by \$3.0 million (\$6.1 million all funds) to increase wages for Direct Support Professional (DSP) workers and job coaches providing care for individuals with I/DD.
- **Residential Group Home Transitions:** Includes \$3.9 million in general revenue savings in FY2018 related to group home transitions.
- **Third Party Billing:** Reduces general revenue expenditures by \$1.6 million and increases restricted receipts by \$1.6 million in FY2018.
- **Child Care Costs to TANF:** Reduces general revenue expenditures by \$2.8 million by shifting Child Care Assistance Program (CCAP) expenditures to the federal Temporary Assistance to Needy Families (TANF) Block Grant.
- **Transitional Child Care Program:** Removes the sunset for the Transitional Child Care Program making the program permanent. The funding for the Transitional Child Care Program was included in the May Caseload Estimating Conference.

PUBLIC SAFETY:

- **Judiciary:** provides \$1.8 million in general revenue to fund personnel costs associated Pretrial Services Staff which works with defendants to reduce the incidence of bail violation or revocation.
- **Consolidation of Fire Marshal's Office:** Provides \$135,070 to finance the lease for the Fire Marshal's new 560 Jefferson Boulevard Offices, consolidating the Division's various offices from around the state.

NATURAL RESOURCES:

- **Eisenhower House:** Transfers management of the Eisenhower House from the Historical Preservation and Heritage Commission to the Department of Environmental Management (DEM).
- **Conservation Districts:** Provides a \$50,000 line-item grant award for the Conservation Districts. The Districts are not-for-profit, quasi-public subdivisions of state government, administered by volunteers from the community.
- **Clean Diesel Program:** Shifts \$1.0 million of the funding to establish the Rhode Island Clean Diesel Program into FY2018 and FY2019 to reduce emissions from heavy-duty engines operating on state roads and helping companies improve supply chain efficiency.
- **Volvo Ocean Race to Commerce Tourism Funds:** Provides \$775,000 in Commerce Corporation Tourism funds for security, waste disposal, and program supply costs for the Volvo Ocean Race in May 2018.

TRANSPORTATION/TRANSIT:

- **Federal Highway Improvement Program:** Adds \$12.0 million in federal funds in FY2018 to finance projects under the Federal Highway Improvement Program (HIP). HIP projects include bridge, pavement, transit, and transportation alternatives.
- **Restoration of Free Fare Program:** Provides the Rhode Island Public Transit Authority (RIPTA) with \$5.0 million in Rhode Island Highway Maintenance Funds in both FY2018 and FY2019 to fund the free-fare program for low-income senior and disabled persons. A coordinating council is established to develop recommendations for the sustainable funding of the program going forward.



DEPARTMENTAL SUMMARIES

Department of Administration

Expenditures By Program	FY2016 Actual	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Enacted	Change from Enacted	
Accounts and Control	\$3.9	\$4.1	\$4.0	(0.10)	(0.02)	\$4.4	\$0.3	7.3%
Auditing	1.4	-	-	-	-	-	-	-
Office of Management and Budget	4.6	10.3	8.9	(1.4)	-13.6%	10.9	0.6	5.8%
Capital Asset Management and Maintenance	-	40.9	39.6	(1.4)	-	40.0	(0.9)	100.0%
Construction Permitting, Approvals and Licensing	2.6	3.3	3.1	(0.2)	-7.4%	3.0	(0.3)	-10.0%
Capital Projects and Property Management	1.6	-	-	-	-	-	-	-
Central Management	3.1	2.7	2.7	0.0	0.7%	3.0	0.3	12.6%
Debt Service Payments	162.8	179.0	168.1	(10.9)	-6.1%	181.3	2.3	1.3%
Energy Resources	16.6	12.9	16.7	3.8	29.5%	12.1	(0.8)	-6.0%
Facilities Management	35.9	-	-	-	-	-	-	-
General	37.1	61.8	57.2	(4.6)	-7.4%	56.2	(5.6)	-9.1%
Human Resources	9.7	10.5	10.9	0.4	3.8%	11.3	0.8	7.3%
Information Technology	35.5	41.3	47.5	6.2	15.1%	42.3	1.0	2.3%
Legal Services	2.1	2.2	2.1	(0.1)	-5.6%	2.2	(0.0)	-1.4%
Library and Information Services	2.3	2.5	2.6	0.1	2.5%	2.6	0.1	4.0%
Personnel Appeal Board	0.1	0.1	0.1	0.0	0.5	0.1	0.0	0.5
Personnel and Operational Reforms	-	(2.0)	(1.0)	1.0	-50.9%	(30.1)	(28.1)	1430.0%
Planning	3.5	5.4	5.0	(0.4)	-6.5%	5.5	0.1	1.9%
Purchasing	2.8	3.1	3.1	0.0	0.5%	3.4	0.3	9.7%
Rhode Island Health Benefits Exchange (HealthSource RI)	23.0	12.4	16.6	4.2	33.7%	9.6	(2.8)	-22.9%
The Office of Diversity, Equity and Opportunity	0.9	1.4	1.1	(0.3)	(0.2)	1.4	(0.0)	-1.4%
Total	\$349.6	\$391.9	\$388.3	(\$3.6)	-0.9%	\$359.2	(\$32.7)	-8.3%
Expenditures By Source								
General Revenue	\$212.9	\$237.1	\$223.2	(\$13.9)	-5.9%	\$216.2	(\$20.9)	-8.8%
Federal Funds	31.4	14.9	21.6	6.7	44.7%	13.2	(1.7)	-11.6%
Restricted Receipts	30.0	34.3	42.2	7.9	23.2%	33.2	(1.0)	-3.0%
Other Funds	75.3	105.7	101.4	(4.3)	-4.1%	96.6	(9.1)	-8.6%
Total	\$349.6	\$391.9	\$388.3	(\$3.6)	-0.9%	\$359.2	(\$32.7)	-8.3%
Authorized FTE Levels	712.7	708.7	708.7	-	-	696.7	(12.0)	-1.7%

\$ 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. The FY2017 Budget as Enacted consolidated and reorganized programs within the Department of Administration, thereby reducing the number of programs from 20 to 18 sub-programs with specific functions.

MAJOR ISSUES AND TRENDS FOR FY2018

The Budget includes an all funds appropriation of \$359.2 million in FY2018, reflecting a net decrease of \$32.7 million from the FY2017 Budget as Enacted. General revenues total \$216.2 million and comprise 60.2 percent of the Department's total appropriation. For FY2018, general revenues decreases \$20.9 million from the previous fiscal year primarily due to increased personnel and operating savings.

ACCOUNTS AND CONTROL

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

The program also prepares several publications, including the Comprehensive Annual Financial Report, Condensed State Financial Report, State Payroll Manual, Procedural Handbook of the Department of

Administration, and the Consolidated Statewide Cost Allocation Plan. The Budget includes 37.0 FTE positions in FY2017 and FY2018, consistent with the enacted level.

Accounts and Control	General Revenue
FY2017 Enacted	\$4,147,433
<i>Target and Other Adjustments</i>	<i>(16,637)</i>
FY2018 Enacted	\$4,130,796

Accounts and Control	Other Fund Changes
OPEB Administrative Expenses	\$225,000
<i>OPEB Administrative Expenses (restricted receipts)</i>	<i>\$225,000</i>

The Budget adds \$225,000 in restricted receipts for personnel and contract service costs associated with the administration of the Other Post Employment Benefit (OPEB) Trust Fund. This includes \$75,000 for salary and benefit expenses, \$50,000 for legal expenses, and \$100,000 for actuarial expenses. RIGL 36-12.1-15 authorizes the disbursement of funds from the OPEB Trust Fund into a restricted receipt account for the sole purpose of maintaining the trust fund.

OFFICE OF MANAGEMENT AND BUDGET

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

- **Budget Office:** Provides advice to the Governor relating to the financial management of state government, evaluating necessary resources, analyzing state programs, priorities and alternatives, and suggesting the optimum allocation of resources to meet policy and management goals. The Budget Office also prepares fiscal notes on legislation, participates in the Revenue and Caseload Estimating Conferences, and prepares presentations to bond rating agencies.
- **Director:** Assists departments and agencies with strategic planning and continuous improvement processes to enhance management.
- **Performance Management:** Develops and monitors performance measures for each state agency.
- **Federal Grants Administration:** Monitors and reports on federal grants and maximizes the use of federal funds for eligible programs and functions.
- **Regulatory Reform:** Evaluates and reforms state and local regulatory environments.
- **Office of Internal Audit:** Conducts audits on any state agency, state entity, or private entity receiving state funding or grants. The OIA evaluates the efficiency of an agency's operations and internal controls, and prevents or detects fraud and mismanagement.

The Budget includes 67.6 positions in FY2017 and in FY2018.

Office of Management and Budget	General Revenue
FY2017 Enacted	\$8,535,107
<i>Target and Other Adjustments</i>	<i>14,248</i>
Pay-for-Success Project	300,000
Special Legal Counsel - Regulatory Reform	170,704
Personnel	(77,708)
Fraud and Waste Data Tool	(60,000)
LEAN Initiative	Informational
FY2018 Enacted	\$8,882,351

Pay-for-Success Project***\$300,000***

The Budget includes \$300,000 in general revenue to fund the Pay-for-Success project in the Department of Corrections (DOC). The Department of Corrections worked with the Harvard Kennedy School's Government Performance Lab to develop a proposal to increase employment and reduce recidivism among high-risk or formerly incarcerated individuals.

To improve recidivism rates, DOC is exploring the use of Pay-for-Success, a data-driven approach to improving service delivery. In a Pay-for-Success initiative, investors provide up-front funding for a project; and the state only repays investors if a third party evaluator determines the initiative achieved specific, predetermined outcomes that benefit society and save taxpayer dollars. This approach ensures government funding is allocated based on proven results, not inputs or promised success.

DOC will manage the programmatic components of the Pay-For-Success project, but the Office of Management and Budget (OMB) will serve as contract administrator to ensure that funds are not disbursed unless certain benchmarks are achieved. Because OMB coordinates the state's involvement in the Pew-MacArthur Results First Initiative and has developed a cost-benefit model for recidivism reduction programs, it is able to project potential savings from recidivism reduction and track whether those savings are realized. At this point, no third-party funds are envisioned for the pilot project, but if the effort proves successful, OMB and DOC may work with the Harvard Kennedy School of Government Performance Lab team to pursue external funding sources for program expansion.

Special Legal Counsel – Regulatory Reform***\$170,704***

The Budget includes \$170,704 in general revenue funding reflecting the transfer of funds from the Office of the Secretary of State to support legal service assistance to state agencies working to revise and update rules and regulations as part of the regulatory reform initiative.

Personnel***(\$77,708)***

The Budget includes \$6.2 million in general revenue to cover the salary and benefit costs within the Office of Management and Budget. This reflects a net decrease of \$77,708 from the FY2017 Budget as Enacted and includes the elimination of \$235,886 in general revenue for salary and benefit costs associated with 2.0 Senior Economic and Policy Analyst positions within the Performance Management program. Funding for the positions was not included in the FY2017 Budget as Enacted, but the Department filled the positions. The adjustment also includes a reduction of \$307,999 in general revenue for personnel and operating costs for a 1.0 Senior Management and Methods Analyst position. The Budget also includes increases for planned salary and benefit changes.

Fraud and Waste Data Tool***(\$60,000)***

The Budget includes \$1.4 million in general revenue for the Fraud and Waste Data Tool as part of the FY2018 Budget, reflecting a reduction of \$60,000 from the FY2017 Budget as Enacted, but an increase of \$440,000 compared to the Governor's FY2018 Budget recommendation. The Budget shifts \$1.4 million in unspent funds from FY2017 to FY2018 due to a delay in implementing the program during FY2017. The appropriation in FY2017 was to implement a new fraud and waste detection system combining data across State agencies including the Department of Revenue, Department of Labor and Training, and the various human services agencies.

However, the Department recently cancelled the initial request for proposal (RFP) for the fraud data warehouse and system after discovering that much of the data required to deploy an enterprise wide fraud system currently exists in the Division of Taxation's new data warehouse. The Department will leverage the existing data and case management software and a new RFP is under development for data modeling, mining, and algorithm creation that will be used to explore fraud, waste, and abuse of state and federal program funds.

LEAN Initiative**Informational**

The FY2017 Revised Budget includes \$100,000 in general revenues for contracted professional services in the Office of Management and Budget (OMB). This reflects continued funding of the statewide LEAN process improvement program administered by OMB. The LEAN process improvement program allows State agencies to submit an application to OMB to conduct the review and improve processes within an agency. However, funding for the Initiative is not included in the FY2018 Budget. It is anticipated that funding for this issue may be available through the Rhode Island Foundation.

CAPITAL ASSET MANAGEMENT AND MAINTENANCE

The Division of Capital Asset Management and Maintenance (DCAMM) centralizes capital assets, capital projects, and state facilities maintenance functions. The division was established under the FY2017 Budget as Enacted. The division consists of the following subprograms: Capital Asset Management and Maintenance Administration, Office of Facilities Management and Maintenance, and the Office of Planning, Design and Construction, and has oversight of the following areas:

- Office of Planning, Design and Construction (PDC) manages new construction and rehabilitation projects.
- Office of Facilities Management and Maintenance (OFMM) maintains the state facilities.
- Office of Risk Management
- Office of State Fleet Operations administers the purchase, repair, and disposal of state vehicles and operates 15 state fuel depots.

The Budget recommends 136.5 FTE positions in FY2017 and in FY2018.

Capital Asset Management and Maintenance	General Revenue
FY2017 Enacted	\$34,693,189
<i>Target and Other Adjustments</i>	
	3,581
Capital Center Utilities	(1,523,582)
Personnel	400,599
Contracted Services	294,840
FY2018 Enacted	\$33,868,627

Capital Center Utilities **(\$1.5 million)**

The Budget appropriates \$13.9 million to pay for Capital Center utility expenses, reflecting a decrease of \$1.5 million from the FY2017 Budget as Enacted. The Budget is based on forecasted commodity and utility expenditures.

Capital Center Utility Expenses	FY2017 Enacted	FY2018 Enacted	Change
Fuel: Natural Gas	\$8,590,000	\$7,336,565	(\$1,253,435)
CUF: Overhead	2,809,247	2,573,000	(236,247)
Fuel: Oil #2 - Home Heating Oil	85,400	290,500	205,100
Sewer Use	1,833,000	1,682,000	(151,000)
Fuel: Wood Chips	350,000	252,000	(98,000)
Telecomm: Overhead	58,400	68,400	10,000
Electricity	309,000	309,000	-
Telecomm: Telephone Charges	25,000	25,000	-
Telephone and Telegraph	9,080	9,080	-
Water	1,392,000	1,392,000	-
Total	\$15,461,127	\$13,937,545	(\$1,523,582)

Personnel**\$400,599**

The Budget adds \$400,599 in general revenue for personnel expenses for the Division of Capital Asset Management and Maintenance reflecting unachieved turnover savings originally projected in the FY2017 Enacted Budget and increases in benefits as required in the FY2018 Budget planning values.

Contracted Services**\$294,840**

The Budget includes \$3.2 million in general revenue funding for contracted professional services within the Division. This reflects an increase of \$294,840. The largest contracted service is the management of the Pastore Power Plant by NORESKO, comprising 73.0 percent of the Division's contracted service costs. This is followed by janitorial services (18.0 percent) and grounds keeping services (4.0 percent). The Budget adds \$235,000 to cover a 3.0 percent contract increase with NORESKO and adds \$133,250 for increased janitorial service costs. The increases are offset set by other contract service adjustments totaling \$73,410.

CONSTRUCTION PERMITTING, APPROVALS, AND LICENSING

The Division of Construction Permitting, Approvals, and Licensing, consists of the following subprograms: State Building Code Commission, Contractor's Registration Board, and the Fire Code Board of Appeal. The Budget recommends 26.0 FTE positions in FY2017 and in FY2018.

- 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
FY2017 Enacted	\$1,823,455
<i>Target and Other Adjustments</i>	<i>52,520</i>
<i>Operating Adjustments</i>	<i>(85,000)</i>
FY2018 Enacted	\$1,790,975

Operating Adjustments**(\$85,000)**

The Budget includes a net decrease of \$85,000 in general revenue for operating expenses reflecting a reduction of \$115,000 for the printing of new building code books, which are now revised on a 3-year schedule. This is offset by an increase of \$30,000 reflecting the first year software maintenance costs for the State's E-permitting system.

CENTRAL MANAGEMENT

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

- The Director's Office provides for the overall operation of the department and provides assistance to all Executive branch agencies and to the Office of the Governor.

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

The Budget includes 24.0 FTE positions in FY2017 and 25.0 FTEs in FY2018.

Central Management	General Revenue
FY2017 Enacted	\$2,660,785
<i>Target and Other Adjustments</i>	6,672
Cybersecurity Director Restoration	631,200
Personnel Classification Study Implementation	(250,000)
FY2018 Enacted	\$3,048,657

Cybersecurity Director Restoration **\$631,200**

The Budget restores \$631,200 to the Department of Administration, reversing the Governor's proposal to transfer the Director for Cybersecurity position from the Department of Administration to the Department of Public Safety. The restoration includes funding for salary, operating expenses, and contracted services.

Personnel Classification Study Implementation **(\$250,000)**

The Budget eliminates \$250,000 in general revenue for the implementation services required for the Employee Compensation and Classification Study. The classification study was one of the recommendations received from the personnel study performed by the Segal Company.

DEBT SERVICE PAYMENTS

The Debt Service Payments program funds expenditures for both long- and short-term tax supported debt obligations of the State. This includes debt service on general obligation bonds as well as lease payments securing certificates of participation issued by the State. The program encompasses leases or trust agreements securing revenue bonds issued by the Rhode Island Convention Center Authority, Rhode Island Refunding Bond Authority, Rhode Island Commerce Corporation, or other obligations that are part of the State's net tax supported debt. The Debt Service program has no FTE positions.

Debt Service Payments	General Revenue
FY2017 Enacted	\$130,523,966
<i>Target and Other Adjustments</i>	-
General Obligation Bond Changes	18,414,605
Certificates of Participation (COPs)	(5,391,643)
38 Studios Debt Service Changes	(2,523,261)
Other Debt Service Changes	(2,620,602)
FY2018 Enacted	\$138,403,065

Debt Service Payments	Other Fund Changes
RIPTA Debt Service	\$1,601,590

General Obligation Bond Changes**\$18.4 million**

The Budget includes \$53.4 million in general revenue to fund the costs of the State's general obligation debt service in FY2018, or \$18.4 million more than FY2017.

General Obligation and Other Debt	FY2017 Enacted	FY2018 Enacted	Change
DEM Debt Service - Recreation	\$0.0	\$10.6	\$10.6
DOA - Affordable Housing GO Bonds	-	7.3	7.3
G.O. Bond New Bond Issue Projected Costs	6.6	1.6	(5.0)
All Other G. O. and Other Debt Adjustments	28.4	33.9	5.5
Total	\$35.0	\$53.4	\$18.4

\$ in millions.

The FY2016 Budget as Enacted included \$64.5 million in general revenue savings from the refinancing and restructuring of a portion of the State's general obligation debt service to achieve savings in fiscal years 2016 and 2017. The funding was used for a variety of programs under the Executive Office of Commerce over the next two fiscal years. To account for the impact in FY2016, the savings was stated in one account as a negative, that is adjusted and distributed to each debt account impacted by the savings as part of the FY2016 Revised Budget. A portion of the debt restructuring required the Budget Office to shift previously general revenue funded debt service to other funds because the restructuring savings were partially attributable to Department of Transportation debt. This shift includes the DEM Debt Service Recreation item and the DOA Affordable Housing G.O. Bonds.

The Budget includes the spring 2017 issuance of \$92.0 million for previously authorized but unissued G.O. Bonds. The issuance requires debt service of \$7.0 million in FY2018. However, the Budget also includes a refunding of certain general obligation debt and certificates of participation that generates a new savings of \$3.5 million for FY2018. The Budget assigns this savings to the general obligation debt service category that will later be reallocated to the actual debt service categories. This reduces the FY2018 debt service requirement on the new issuance to \$1.6 million, which is \$5.0 million less than the amount funded in the FY2017 Budget as Enacted.

In addition, the Budget assumed a \$1.5 million savings related to the issuance of general obligation bond debt. However the Budget Office projects a savings estimates closer to \$3.0 million. This will result in additional general revenue savings of \$1.5 million in FY2018. The Budget also shifts payment \$1.6 million in general revenue debt service for the Rhode Island Public Transit Authority from general revenue to other funds. There is a corresponding increase of \$1.6 million in other funds.

Many of the adjustments contained under the All Other General Obligation bond adjustments reflect the debt restructuring occurring in FY2016.

Certificates of Participation (COPs)**(\$5.3 million)**

The Budget includes \$26.8 million in general revenue to cover the debt service on eleven projects financed through certificates of participation (COPs). This reflects a decrease of \$5.3 million from the FY2017 Budget as Enacted. The largest adjustment, related to the Shepherd Building Lease Payment, reflects the ending of the lease payments in FY2017.

Certificates of Participation	FY2017 Enacted	FY2018 Enacted	Change
COPS - BHDDH - Power Plant	\$2.3	\$2.3	\$0.0
COPS - Attorney General - Debt Service	-	-	-
COPS - Center General Bldg. - Tenant	0.2	-	(0.2)
COPS - Center General Building	0.1	-	(0.1)
COPS - DCYF Training School	4.2	4.2	-
COPS - Energy Conservation	6.9	6.5	(0.4)
COPS - Kent County Courthouse	4.6	4.6	-
COPS - School for the Deaf	2.5	2.5	-
COPS - Technology	6.6	5.0	(1.6)
COPS - Traffic Tribunal - Debt Service	1.7	1.7	-
COPS - Shepherd Building Lease Payment	3.0	-	(3.0)
Total	\$32.1	\$26.8	(\$5.3)

\$ in millions.

38 Studios Debt Service**(\$2.5 million)**

The Budget excludes funding for the 38 Studios Debt service, resulting in a decrease of \$2.5 million in general revenue from the FY2017 Budget as Enacted. The FY2017 Budget as Enacted included \$2.5 million for debt service on the 38 Studios Bonds. The amount reflected the State receiving various individual settlements that reduced the appropriation needed to make the scheduled debt service payment. For FY2018, due to the individual settlements received over FY2017, the State has sufficient funds in the debt service reserve to cover the entire \$12.4 million payment in the upcoming year, thus eliminating the need for an appropriation in FY2018.

As of March 6, 2017, the Rhode Island Commerce Corporation lawsuit settled with all of the named defendants resulting in a net collection of \$50.6 million. The net collections are used to offset the annual debt service requirements and at the present the State will only need to appropriate a small sum of funds in FY2020 and one last debt service payment of \$12.3 million in FY2021.

The total debt service cost to the State less settlement collections is projected at \$38.7 million.

Rhode Island Commerce Corporation (formerly RIEDC) Job Creation Guaranty Program

FY	Principal	Interest	Total Debt Service	Capitalized Interest	State Appropriation	Settlements and Other Sources¹	Cummulative Paid Debt Service	Outstanding Debt Service
2011	-	\$2,639,958	2,639,958	\$2,639,958	-	-	2,639,958	109,947,131
2012	-	5,309,412	5,309,412	5,309,412	-	-	7,949,370	104,637,719
2013	-	5,309,412	5,309,412	5,309,412	-	-	13,258,782	99,328,307
2014	7,440,000	5,086,212	12,526,212	10,094,707	2,500,000	-	25,784,994	86,802,095
2015	7,885,000	4,626,462	12,511,462	-	8,635,000	4,091,061	38,296,456	74,290,633
2016	8,360,000	4,139,112	12,499,112	-	12,499,113	9,931,835	50,795,568	61,791,521
2017	8,860,000	3,589,287	12,449,287	-	2,523,261	36,538,448	63,244,855	49,342,234
2018	9,455,000	2,923,881	12,378,881	-	-	-	75,623,736	36,963,353
2019	10,190,000	2,162,639	12,352,639	-	-	-	87,976,375	24,610,714
2020	10,980,000	1,342,301	12,322,301	-	226,469	-	100,298,676	12,288,413
2021	11,830,000	458,413	12,288,413	-	12,288,413	-	112,587,089	-
Total	\$75,000,000	\$37,587,089	\$112,587,089	\$23,353,489	\$38,672,256	\$50,561,344		

Source: State Budget Office

¹ Reflects the State Budget Office projected net settlement amount for FY2017.

Other Debt Service Changes**(\$2.6 million)**

The Budget includes \$58.4 million in general revenue for debt service expenses on five items, reflecting a decrease of \$2.6 million from various adjustments from the FY2017 Budget as Enacted. The adjustments include lower projected debt service for the Rhode Island Convention Center debt, an increase of

\$120,496 for the Historic Structures Tax Credit debt, and an increase of \$150,000 for the I-195 Land Acquisition interest only debt service.

Other Debt Service	FY2017 Enacted	FY2018 Enacted	Change
Convention Center Authority	\$22.5	\$19.6	(\$2.9)
EDC - Fidelity Job Rent Credits	3.4	3.4	-
EDC - Providence Place Mall Sales Tax	3.6	3.6	-
Historic Structures Tax Credit	31.0	31.1	0.1
I-195 Land Acquisition	0.5	0.7	0.2
Total	\$61.0	\$58.4	(\$2.6)

\$ in millions.

RIPTA Debt Service (other funds)

\$1.6 million

The Budget shifts payment \$1.6 million in general revenue debt service for the Rhode Island Public Transit Authority from general revenue to other funds. There is a corresponding increase of \$1.6 million in other funds.

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. The Budget includes 13.0 FTE positions in FY2017 and in FY2018.

Energy Resources	Other Fund Changes
Regional Greenhouse Gas Initiative	(\$1,347,028)
2016 Energy Metrics Grant	295,000
Reconciliation Funding	190,000

Regional Greenhouse Gas Initiative (restricted receipts)

(\$1.3 million)

The Budget includes \$10.2 million in restricted receipts for grant awards as part of the Regional Greenhouse Gas Initiative (RGGI). This reflects a decrease of \$1.3 million from the FY2017 Budget as Enacted. The Regional Greenhouse Gas Initiative (RGGI) is a cooperative effort by Northeastern and Mid-Atlantic states that requires member states to reduce carbon dioxide (CO₂) emissions from large fossil fuel-fired electric power plants to help address climate change. Central to this initiative is the implementation of a multi-state “cap-and-trade” program with a market-based emissions trading system.

2016 Energy Metrics Grant (federal funds)

\$295,000

This item reflects a new appropriation of federal funds received through a Department of Energy (DOE) grant to address two key barriers that are impeding the adoption of residential energy ratings and labels. The project will facilitate collaboration between states, DOE, and Residential Energy Services Network (RESNET) aimed at defining common elements of a market-facing label that can be populated by data flowing from either Home Energy Rating System (HERS) or Home Energy Score (HEScore). It will build on the activities in Missouri and Oregon, as well as the work of the New York State Energy Research and Development Authority (NYSERDA) National Labeling Group, which is seeking to harmonize scores for multifamily and commercial buildings. By coordinating efforts, states can develop common standards that reduce market confusion and streamline information-sharing with the real estate system, while still allowing states to incorporate unique elements that are important in their region. The federal grant started in January 2017, and \$150,000 was included in the FY2017 Supplemental Budget.

Reconciliation Funding (restricted receipts)**\$190,000**

The Budget includes a new account in the Department of Administration used to support specific studies requested by the Distributed Generation Board, per their authority under the Renewable Energy Growth law. The reconciliation funding is approved by the Public Utility Commission under separate docket proceedings.

GENERAL

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

General	General Revenue
FY2017 Enacted	\$15,256,349
<i>Target and Other Adjustments</i>	
Rhode Island Public Transit Authority	(900,000)
Library Construction Aid	(61,592)
City Year	50,000
FY2018 Enacted	\$14,344,757

Rhode Island Public Transit Authority**(\$900,000)**

The Budget eliminates funding to the Rhode Island Public Transit Authority (RIPTA) for operational and fare-subsidy support, resulting in a decrease of \$900,000 in general revenue from the FY2017 Budget as Enacted. This was a one-time grant for operational and fare-subsidy support to the entity.

Analyst Note: Article 4 of the FY2018 Budget as Enacted provides the Rhode Island Public Transit Authority with \$5.0 million in both FY2018 and FY2019 to temporarily fund the free-fare program for low-income senior and disabled persons. This funding is contingent upon the establishment of a coordinating council charged with developing recommendations for the sustainable funding of the program while maximizing the use of federal funds available to support the transportation needs of this population. The recommendations are to be provided to the Governor and General Assembly by November 1, 2018.

Library Construction Aid**(\$61,592)**

The Budget reduces the State Library Construction Aid by \$61,592 in general revenue. The Office of Library and Information Services makes awards to municipalities and free public libraries for construction or capital improvements. Grants are limited to a maximum of 50.0 percent of the total eligible costs as determined by the Office of Library and Information Services and are paid on an installment basis for a period of up to 20 years. For FY2018, the Budget decreases funding from \$2.2 million to \$2.1 million, to reflect actual reimbursement costs.

City Year**\$50,000**

The Budget adds \$50,000 in general revenue to fund to City Year for the Whole School Whole Child Program that provides services to at risk students. The grant item is identified within Article 1 of the Appropriations Act.

HUMAN RESOURCES

The Division of Human Resources is composed of eight subprograms: Administrative Services, Classification and Examinations, Equal Employment Opportunity, Outreach and Diversity, Employee Benefits, Training and Development, Employee Services, and Human Resource Service Centers. Its primary mission is to provide cost-effective human resource services to employees, labor, and

management to assist them in carrying out the functions and responsibilities of state government. The Budget includes 99.8 FTE positions in FY2017 and 95.8 FTE positions in FY2018.

Human Resources	General Revenue
FY2017 Enacted	\$7,783,906
<i>Target and Other Adjustments</i>	
Personnel	(535)
Operating Adjustments	326,257
FY2018 Enacted	(52,440)

Personnel **\$326,257**

The Budget increases personnel costs by \$326,257 in general revenue reflecting salary adjustment and benefit rates consistent with the FY2018 planning values.

Operating Adjustments **(\$52,440)**

The Budget decreases funding by \$52,440 in general revenue for various operating expenses based on the Department's cost projections.

Operating Expenses	FY2017 Enacted	FY2018 Enacted	Change
Software Maintenance Agreements	\$110,898	\$78,163	(\$32,735)
Postage and Postal Services	\$36,000	\$21,000	(\$15,000)
Maintenance/Repairs: Office Equipment	\$8,407	\$1,320	(\$7,087)
Dues and Fees	\$3,000	\$8,348	\$5,348
All Other Adjustments	\$127,451	\$124,485	(\$2,966)
Total	\$285,756	\$233,316	(\$52,440)

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 FY2017 Budget as Enacted established a centralized Division of Enterprise, Technology, Strategy, and Service (DETSS) within the Department of Administration to oversee the Office of Digital Excellence, the Division of Information Technology, and the Office of Library and Information Services. This is an internal reorganization to align technical expertise across executive branch agencies.

The Budget includes 193.0 FTE positions in FY2017 and 194.0 FTE positions in FY2018, reflecting an adjustment of costs allocation for three positions from the Executive Office of Health and Human Services to DoIT, and the transfer of a 1.0 Data Processing Systems Manager position from the Department of Public Safety.

Information Technology	General Revenue
FY2017 Enacted	\$21,840,562
<i>Target and Other Adjustments</i>	
Personnel	759,956
Cybersecurity Elimination	(500,000)
Operating	150,685
Contract Services	(104,559)
FY2018 Enacted	\$22,146,644

Information Technology	Other Fund Changes
Information Technology Investment Fund	\$629,838

Personnel **\$759,956**

The Budget adds \$759,956 in general revenue, which includes \$709,956 to restore unachieved personnel turnover that was included in the FY2017 Budget as Enacted, and \$50,000 reflecting the transfer of 1.0 Data Processing Systems Manager from the Department of Public Safety.

Cybersecurity Transfer **(\$500,000)**

The Budget eliminates \$500,000 in general revenue for personnel, operating, and contracted services for cybersecurity from the Division of Information Technology. The appropriation for cybersecurity was included in the FY2017 Budget as Enacted to enhance cybersecurity within the State. The Governor proposed transferring Cybersecurity to the Department of Public Safety to better align the State's cybersecurity needs with the State Police, National Guard, and various federal entities. However, the establishment of the Cybersecurity office is delayed due to budgetary constraints.

Operating **\$150,685**

The Budget adds \$150,685 in general revenue reflecting net adjustments for operating expenses under the Information Technology program, including an increase of \$171,123 for internet service fees, a reduction of \$271,797 for telephone services, an increase of \$223,186 for software maintenance agreements, and an increase of \$39,344 for computer maintenance expenses. The computer software was originally purchased using Information Technology Investment Fund (ITIF), but the expenses of the software licensing and maintenance renewals will be allocated from operating expenses.

Operating Expenses	FY2017 Enacted	FY2018 Enacted	Change
Telephone and Telegraph	\$601,481	\$329,684	(\$271,797)
Software Maintenance Agreements	1,729,611	1,952,797	223,186
Internet Services	494,769	665,892	171,123
Maintenance/Repairs Computer Equipment	609,810	649,154	39,344
Maintenance/Repairs Other Equipment	57,929	74,910	16,981
Records Storage and Retrieval	40,832	25,440	(15,392)
Out-of-State: Transportation	18,949	6,189	(12,760)
All Other Operating Expenses	321,346	321,346	-
Total	\$3,874,727	\$4,025,412	\$150,685

Contract Services **(\$104,559)**

The Budget includes \$790,117 in general revenue reflecting a net decrease of \$104,559 for contract services. This includes a \$171,267 general revenue decrease for contracted desktop support as part of the Department's plan to centralize state resources and negate the use of contractors. This is offset by an increase of \$66,708 for disaster recovery costs.

Information Technology Investment Fund (restricted receipts)**\$629,838**

The Budget includes \$9.6 million in restricted receipts for the Information Technology Investment Fund (ITIF), reflecting an increase of \$629,838 in restricted receipts from the FY2017 Budget as Enacted. The Fund is a restricted receipt account for the State's technology initiatives and improvement projects.

The ITIF derives funding through the sale of state property as well as from two additional sources. The FY2015 Budget as Enacted authorized the Tobacco Settlement Financing Trust to transfer an estimated \$10.0 million to the ITIF from proceeds of the recent issuance of bonds by the Tobacco Settlement Financing Corporation. 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.

Each year the Department establishes a list of proposed and approved projects. For FY2017, this list consists of \$16.3 million in approved projects and \$6.4 million in proposed but not yet approved projects. All projects listed by the Department are subject to availability of funds in the ITIF. The ITIF available cash balance is \$27.5 million excluding obligations, approved projects, and projected revenues.

The following table illustrates the proposed and approved ITIF projects funding balance and IT project proposed cost. The Department provides this information as a method to demonstrate the entirety of the Department's IT project requests. The information provided by the Department in the capital request signals more work is necessary to find additional revenue sources to fund these initiatives in timely matter.

Information Technology Fund	FY2017	FY2018	FY2019	FY2020	FY2021
Total Approved Projects	(\$16,308,496)	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)
Total Proposed Projects	(6,437,470)	(7,660,000)	(3,305,000)	(2,085,000)	(2,045,000)
Projected FY Beginning Balance	27,477,162	6,256,196	116,196	(1,668,804)	(2,233,804)
Estimated Sale of Property	125,000	125,000	125,000	125,000	125,000
E-911 Fees	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
Projected FY Ending Balance	\$6,256,196	\$116,196	(\$1,668,804)	(\$2,233,804)	(\$2,758,804)

Source: Department of Administration

LEGAL SERVICES

Legal Services is responsible for establishing, managing and maintaining legal resources to support all departments and agencies within the executive branch. Legal Services manages and assists attorneys within the departments and agencies that provide legal services in programmatic areas. The Budget includes 16.6 FTE positions in FY2017 and FY2018, consistent with the enacted level.

Legal Services	General Revenue
FY2017 Enacted	\$2,185,988
<i>Target and Other Adjustments</i>	<i>(15,032)</i>
FY2018 Enacted	\$2,170,956

LIBRARY AND INFORMATION SERVICES

The Office of Library and Information Services (OLIS) coordinates inter-library cooperation, maintains and develops the Rhode Island Library Network, operates the Regional Library for the Blind and Physically Handicapped, and promotes overall library development through various grant-in-aid programs for public and institutional libraries. The Budget includes 13.0 FTE positions in FY2017 and FY2018, consistent with the enacted level.

The FY2017 Budget as Enacted codified in law the Division of Enterprise, Technology, Strategy, and Service (DETSS) within the Department of Administration to oversee the Office of Digital Excellence, the Division of Information Technology, and the Office of Library and Information Services. This is an internal reorganization to align technical expertise across executive branch agencies. There was no fiscal impact.

Library and Information Services	General Revenue
FY2017 Enacted	\$1,342,819
<i>Target and Other Adjustments</i>	57,551
Interlibrary Delivery System	79,105
FY2018 Enacted	\$1,479,475

Interlibrary Delivery System **\$79,105**

The Budget adds \$79,105 in general revenue to reflect a 3.0 percent rate increase in the Interlibrary Delivery System vendor contract price. RIGL 29-6-9 requires that the Office of Library and Information Services fund the Interlibrary Delivery System in its entirety.

PERSONNEL APPEAL BOARD

The Personnel Appeal Board hears appeals by any person with provisional, probationary, or permanent status in a position in the classified service aggrieved by an action of the Administrator of Adjudication for the Department of Administration on matters of personnel administration. The Board administers the Merit System Law governing appeals, maintenance of records, reviews, appeals from decisions rendered, and records of cases adjudicated prior to scheduling a public hearing. The Personnel Appeal Board consists of five members, not more than three of whom are members of the same political party. The Board has no FTE positions specifically assigned to the program, but does have personnel expenses equating to 0.5 FTE position for administrative support.

Personnel Appeal Board	General Revenue
FY2017 Enacted	\$133,419
<i>Target and Other Adjustments</i>	11,711
FY2018 Enacted	\$145,130

PERSONNEL AND OPERATIONAL REFORMS

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

Personnel and Operational Reforms	General Revenue
FY2017 Enacted	(\$1,966,421)
Personnel and Operating Savings	(28,113,703)
FY2018 Enacted	(\$30,080,124)

Personnel and Operating Savings **(\$28.1 million)**

The FY2018 Budget as Enacted includes savings of \$30.1 million in general revenue, reflecting increased statewide savings of \$28.1 million in FY2018, which includes the \$25.0 million savings projection added into the enacted budget. The savings are stated under the Department of Administration to be distributed to State agencies as part of the revised budget.

Personnel and Operating Reforms	FY2018 Projected Savings
Unspecified Salary and Benefit Savings	(\$23,700,000)
Miscellaneous Expense Savings	(3,800,000)
Contracted Management Consultant Savings	(400,000)
Telecom CENTREX to PBX Conversion	(213,703)
Total	(\$28,113,703)

PLANNING

The Division of Planning is responsible for preparing, adopting, and amending strategic plans for the physical, economic, and social development of the state. The Division is comprised of three subprograms: Statewide Planning, Strategic Planning and Economic Development, and the Water Resources Board.

- Statewide Planning staffs the State Planning Council, which is comprised of state and local government officials, public members, and federal officials in an advisory capacity. The State Planning Council serves as the State's Metropolitan Planning Organization, responsible for planning and prioritizing state and federal transportation funding.
- Strategic Planning and Economic Development uses policy analysis and the planning process to prepare issue briefs and draft strategic plans that address current topics of special interest.
- The Water Resources Board (WRB) manages the planning and development of twenty-nine major water supply systems and the Big River Management Area.

The Budget includes 26.0 FTE positions in FY2017 and in FY2018, consistent with the enacted budget.

Planning	General Revenue
FY2017 Enacted	\$1,341,758
<i>Target and Other Adjustments</i>	<i>(6,130)</i>
Personnel and Contract Services Adjustment	(64,145)
FY2018 Enacted	\$1,271,483
<i>Personnel and Contract Services Adjustment</i>	<i>(\$64,145)</i>

The Budget reflects a shift in the allocation percentages received by Statewide Planning for the section's administrative and operating expenses. The allocation percentages are based on the Federal Highway Administration (FHWA) work plan that provides other funds to a state general revenue portion. For FY2017, the FHWA allocation was 36.0 percent general revenue, 13.0 percent FTA, and 51.0 percent FHWA, which changed to 32.0 percent general revenue, 13.0 percent FTA, and 55.0 percent FHWA allocation for FY2018. The result is a decrease of \$64,145 in general revenue from FY2017, comprising \$62,945 for personnel and \$1,200 for contracted surveyor service expenses.

PURCHASING

The Purchasing Division includes procurement, operational support services, standards and specifications development and management, vendor information, and minority business enterprises. The procurement division solicits bids or requests for proposal for services and supplies, negotiates prices with vendors, and carries out affirmative action programs. Operational support services include purchase order production and record keeping, bid preparation and opening, requisition tracking, and vendor files. The standards and specifications staff works with agency representatives to develop statewide standards for goods and services to be solicited. The Rhode Island Vendor Information Program (RIVIP) is an electronic system for registering potential bidders and providing bid and other information to vendors and the general public. The Budget includes 31.0 FTE positions in FY2017 and 30.0 FTE positions in FY2018, reflecting the addition of a 1.0 Implementation Aide and a 1.0 Administrator Officer position.

Purchasing	General Revenue
FY2017 Enacted	\$2,860,722
<i>Target and Other Adjustments</i>	
Personnel and Operating Adjustments	(229,879)
FY2018 Enacted	\$2,630,843

Purchasing	Other Fund Changes
E-procurement On-line System	\$540,000

Personnel and Operating Adjustment **(\$229,879)**

The Budget reflects a net adjustment of \$229,879 in general revenue, reflecting the addition of \$219,402 in personnel costs for a new 1.0 Implementation Aide position, as well as funds unachieved turnover savings that did not materialize in the enacted budget. This increase is offset by several reductions including: a reduction of \$350,000 reflecting a technical correction for E-procurement savings; a reduction of \$91,946 in general revenue to eliminate funding for a 1.0 Administrator Officer position that was originally eliminated in the FY2017 Budget as Enacted but was reinstated as part of the Governor's FY2018 budget recommendation; and a reduction of \$7,335 in fleet loan revolving fund operating expense.

E-procurement On-line System (restricted receipts) **\$540,000**

The Budget authorizes the state Chief Purchasing Officer to establish and collect from contractors listed on the master price agreement (MPA), an administrative fee not to exceed 1.0 percent of the total value of the annual expense against a contract awarded to a state contractor. Based on projected annual MPA contract awards of \$60.0 million in FY2018, the Budget Office conservatively projects restricted receipt revenues from this E-procurement On-line System fee to generate \$540,000 in FY2018. Proceeds of the fee shall be deposited into a restricted receipt account and shall be used to implement and support a new online e-procurement system.

RHODE ISLAND HEALTH BENEFITS EXCHANGE

As part of the national health care reform and the Affordable Care Act (ACA), the Rhode Island Health Benefits Exchange was created by Executive Order in 2011 as a federally-funded program within the Office of the Governor. The FY2014 Budget as Enacted transferred the program to the Department of Administration. Rhode Island's health benefits exchange (HealthSource RI) became operational in October 2013 and is an online marketplace for individuals, families, and small businesses to compare and purchase health insurance coverage and gain access to tax credits, reduced cost sharing and public programs such as Medicaid. The Budget includes 16.0 FTE positions in FY2017 and in FY2018, consistent with the enacted budget.

Rhode Island Health Benefits Exchange (HealthSource RI)	General Revenue
FY2017 Enacted	\$2,625,841
<i>Target and Other Adjustments</i>	
FY2018 Enacted	\$2,625,841

Rhode Island Health Benefits Exchange (HealthSource RI)	Other Fund Changes
Rhode Island Health Benefits Exchange - restricted receipts	(\$1,772,902)
Rhode Island Health Benefits Exchange - federal funds	(1,041,903)

Rhode Island Health Benefits Exchange (restricted receipts) **(\$1.8 million)**

The Budget includes \$6.8 million in restricted receipts from the Health Reform Assessment authorized under the FY2016 Budget as Enacted. This reflects a decrease of \$1.8 million from the FY2017 Budget as

Enacted. The assessment is used to fund the operational costs of HealthSource RI, the state-based health benefits marketplace for individual and small group health insurance and the avenue through which Rhode Islanders access federal health insurance subsidies. The decrease in restricted receipts reflects a lower number of insured enrollees than previously projected. This is partly due to problems with the Unified Health Infrastructure Project (UHIP) as well as from the withdrawal of United Healthcare from the HealthSource RI marketplace.

Rhode Island Health Benefits Exchange (federal funds)

(\$1.0 million)

The Budget includes \$135,136 in federal funds for Rhode Island Health Benefits Exchange for FY2018, reflecting a decrease of \$1.0 million. The use of federal funds for the Exchange declined after FY2015. In FY2016 and FY2017, federal funds were primarily used for contract services and personnel. This reflected the shift from federal funding that was provided for the establishment of an ACA-compliant health benefits exchange, over to a state operated system. The federal funds provided for FY2018 will fund only personnel costs for one FTE position. To date, the design, development, and implementation of HealthSource RI has been funded with \$138.8 million in federal grants.

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	
HealthSource RI	Actual	Actual	Actual	Actual	Enacted	Enacted	Total
Federal Funds	\$21.8	\$47.3	\$48.5	\$17.6	\$1.2	\$0.1	\$136.5
Restricted Receipts	-	-	-	2.8	8.6	6.7	18.1
Total	\$21.8	\$47.3	\$48.5	\$20.4	\$9.8	\$6.8	\$154.6

\$'s in millions

OFFICE OF DIVERSITY, EQUITY, AND OPPORTUNITY

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

Article 4 codifies the Office of Diversity, Equity, and Opportunity within the Department of Administration, which was established by Executive Order 13-05 in 2013.

The Office of Diversity, Equity, and Opportunity, consists of the following: Director of Diversity, the State Equal Opportunity Office, Minority Business Enterprise Compliance Office, the Outreach and Diversity Office, and an Office of Supplier Diversity.

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

The Budget includes 9.0 FTE positions in FY2017 and in FY2018, consistent with the enacted budget.

The Office of Diversity, Equity, and Opportunity	General Revenue
FY2017 Enacted	\$1,294,640
<i>Target and Other Adjustments</i>	<i>(12,390)</i>
FY2018 Enacted	\$1,282,250

CAPITAL PROJECTS

The Budget includes \$41.1 million in RICAP for FY2018, a net decrease of \$5.0 million from the FY2017 Budget as Enacted. Significant projects include:

- \$14.3 million in RICAP funds for various projects at the Pastore Center in Cranston, including \$5.2 million to renovate the Virks building, \$5.2 million in RICAP funds to renovate various structures at the Center, \$2.0 million for electrical upgrades, \$600,000 to continue a master plan, and \$1.3 million for continuing parking improvements.
- \$3.8 million in RICAP funds to renovate the Rhode Island Convention Center and Dunkin Donuts Center for the Renewal and Replacement Fund in accordance with the bond covenants of the 2006 Series A bonds and asset protection at the Rhode Island Convention Center, and Veterans' Memorial Auditorium.
- \$850,000 for the Cranston Street Armory stabilization project.
- \$3.6 million in RICAP funds for the Chapin Health Laboratory. The structure requires renovations and updates to the HVAC and electrical systems, a new boiler, installation of efficiency lighting, new ventilation for the decomposition room, and retrofitting the laboratory exhaust.

Department of Business Regulation

Expenditures by Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Central Management	\$1.4	\$1.3	\$1.2	(\$0.1)	-6.8%	\$1.3	(\$0.0)	-2.2%
Banking Regulation	1.5	1.9	1.6	(0.2)	-12.4%	1.8	(0.1)	-4.0%
Securities Regulation	0.9	1.1	0.9	(0.2)	-15.5%	1.0	(0.1)	-9.6%
Insurance Regulation	4.4	5.8	5.4	(0.4)	-6.1%	5.8	(0.0)	-0.6%
Board of Accountancy	0.0	0.0	0.0	-	0.0%	0.0	-	0.0%
Commercial Licensing and Gaming and Athletics Licensing	1.2	2.9	2.8	(0.2)	-6.0%	2.7	(0.3)	-9.3%
Boards for Design Professionals	0.3	0.3	0.4	0.1	30.5%	0.4	0.1	32.7%
Office of Health Insurance Commissioner	3.6	2.6	3.5	0.9	35.5%	2.7	0.2	6.8%
Total	\$13.2	\$15.9	\$15.8	\$0.0	-0.2%	\$15.6	(\$0.3)	-1.6%

Expenditures by Source	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
General Revenue	\$8.2	\$10.6	\$10.0	(\$0.6)	-5.3%	\$10.8	\$0.2	2.2%
Federal Funds	3.1	1.1	2.0	0.9	82.7%	0.9	(0.2)	-18.9%
Restricted Receipts	2.0	4.2	3.8	(0.4)	-9.1%	3.9	(0.3)	-6.6%
Total	\$13.2	\$15.9	\$15.8	\$0.0	-0.2%	\$15.6	(\$0.3)	-1.6%

Authorized FTE Levels	98.0	97.0	100.0	3.0	3.1%	101.0	4.0	4.1%
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\$ in millions. Totals may vary due to rounding.

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

MAJOR ISSUES AND TRENDS FOR FY2018

DBR is primarily a regulatory agency, with the bulk of funding (93.0 percent) going towards personnel expenses. Of the total budget, 79.0 percent is for salaries and wages, and another 13.9 percent is for contracted professional services.

There is a 2.2 percent increase in general revenue (\$231,641) over the FY2017 Budget as Enacted. This increase is in part to meet additional staffing needs across several of the divisions, including the hiring of an Associate Director and a Pari-Mutual Operations Specialist within the Division of Commercial Licensing, Gaming and Athletics, and an Administrative Support Specialist for the Boards of Design Professionals. The Budget provides for a total of 101.1 in FY2018, 4.0 FTE positions above the FY2017 Enacted Budget.

The Budget provides \$890,657 in restricted receipt funds for the administration of the Medical Marijuana program. This decrease of \$612,737 from the FY2017 Enacted Budget reflects the initial outlays for the medical marijuana database and tracking IT system (\$1.2 million) and ongoing system maintenance costs (\$375,000).

Federal funding for Office of the Health Insurance Commissioner's (OHIC) market rate review efforts receives an overall reduction of \$208,497, reflecting both the expiration of three Rate Review grants and the award of a new \$1.1 million Health Insurance Enforcement and Consumer Protection grant. The Budget transfers funding (\$217,268 restricted receipts) and staff (2.0 Health Economic Specialists) associated with the health insurance utilization review responsibilities, from the Department of Health to OHIC.

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 9.5 FTE positions in FY2017 and FY2018 for the program.

Central Management	General Revenue
FY2017 Enacted	\$1,325,909
<i>Target and Other Adjustments</i>	
Security Services	(56,795)
FY2018 Enacted	27,306

Security Services **\$27,306**

The Budget includes \$27,306 in general revenue to provide for security services at the Department's Pontiac Avenue offices. The entrance to DBR is configured in a manner in which customers are received by staff in a small vestibule removed from the main suites on the building's second floor. The entrance is otherwise unmanned. Department employees have had multiple encounters with irate customers, in which they have feared for their well-being. This funding would pay for the services of contracted security guard.

BANKING REGULATION

Banking Regulation provides regulatory oversight of state-chartered financial institutions, credit unions, Rhode Island bank holdings companies, and licensees through financial examinations and reviews to determine compliance with state banking laws, financial solvency, and safety and soundness operations. The Budget includes 16.0 FTE positions in FY2017 and FY2018 for the program.

Banking Regulation	General Revenue
FY2017 Enacted	\$1,818,673
<i>Target and Other Adjustments</i>	
Personnel	(53,070)
FY2018 Enacted	(22,541)

Personnel **(\$22,541)**

The Budget decreases general revenue by \$22,541 in FY2018, reflecting a 2.0 percent turnover rate. Turnover savings in the final FY2017 Revised Budget is \$69,401.

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 8.8 FTE positions in FY2017 and FY2018, consistent with the FY2017 Budget as Enacted.

Securities Regulation	General Revenue
FY2017 Enacted	\$1,079,028
<i>Target and Other Adjustments</i>	
Personnel	9,727
FY2018 Enacted	(114,391)

FY2018 Enacted **\$974,364**

Personnel**(\$114,391)**

The Budget decreases general revenue by \$114,391 reflecting a change in the way the Department staffs software and database programming services within the Securities Division. These services had been carried out by a long-time DBR Systems Analyst (1.0 FTE) who originally helped design the legacy securities database. This individual left the Department in FY2017. Subsequently, DBR has determined the function is more properly the responsibility of the Department of Administration's (DOA) Division of Information Technology and recommends that the associated funding be transferred to DOA.

INSURANCE REGULATION

Insurance Regulation conducts financial examinations of domestic insurance companies to ensure compliance with state and federal insurance statutes and regulations. The division also issues licenses for insurance companies, producers, adjusters and appraisers, and reviews rate and form filings of the life, accident and health, and property and casualty lines of business for compliance with state statutes and regulations. The division monitors and introduces legislation in order to maintain accreditation by the National Association of Insurance Commissioners. The Budget includes 36.0 FTE positions in FY2017 and FY2018 for the program.

Insurance Regulation	General Revenue
FY2017 Enacted	\$3,993,494
<i>Target and Other Adjustments</i>	<i>(17,960)</i>
Personnel	(50,098)
FY2018 Enacted	\$3,925,436

Personnel**(\$50,098)**

The Budget decreases general revenue by \$50,098 in FY2018, reflecting a 2.0 percent turnover rate. The division indicates that it currently has one vacancy that it is trying to fill and believes that it can do so and meet the turnover savings target.

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
FY2017 Enacted	\$6,000
<i>Target and Other Adjustments</i>	<i>-</i>
FY2018 Enacted	\$6,000

COMMERCIAL LICENSING AND GAMING AND ATHLETICS LICENSING

The Commercial Licensing and Gaming and Athletics Licensing division 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 19.8 FTE positions in FY2017 and in FY2018, consistent with the FY2017 Budget as Enacted.

Commercial Licensing and Gaming and Athletics Licensing	General Revenue
FY2017 Enacted	\$638,207
<i>Target and Other Adjustments</i>	<i>14,475</i>
Personnel	240,356
FY2018 Enacted	\$893,038

Commercial Licensing and Gaming and Athletics Licensing	Other Funds Changes
Medical Marijuana Licensing	(\$612,737)

Personnel **\$240,356**

The Budget provides \$240,356 in additional general revenue to help fully fund the 19.8 FTEs within the Division. Most of the increase is associated with the hiring of 2.0 previously authorized but unfunded FTEs in FY2017. An Associate Director was brought on to assist the Deputy Director of Commercial Licensing; Racing and Athletics with management and program improvement. The Department also hired an additional Pari-Mutual Operations Specialist at a cost of \$70,393 in salaries and benefits.

Medical Marijuana Licensing (restricted receipts) **(\$612,737)**

The Budget reduces medical marijuana licensing restricted receipt funds by \$612,737 in FY2018, reflecting the evolving costs associated with the program. Article 2 of the Budget authorizes the transfer of any surplus funding that exists in the medical marijuana restricted receipt account at the end of each fiscal year to the general fund. The FY2017 Budget as Enacted created a new tagging system for plants grown by patients, caregivers, and holders of a new cultivator license. The tags became available January 1, 2017, and all legally grown medical marijuana plants must be accompanied by a tag as of April 1, 2017. The Budget Office estimates that in FY2018, the Department will collect \$1.2 million from tag purchases and \$15,000 from the state's three compassion centers for their annual license renewals. All tag and license revenue is deposited as restricted receipts designated to fund the operations of the program, including the purchase, installation, and maintenance of a software system necessary to make and track the tags. In the FY2017 Budget as Enacted, the General Assembly provided \$1.2 million of restricted receipt funding to procure, setup, and launch the medical marijuana database and tracking system and train staff to use it. These are considered to be one-time start up expenditures and therefore reduces the Budget by \$1.2 million. The recommendation includes \$375,000 in restricted receipt funds to meet the anticipated ongoing software maintenance fees.

BOARDS FOR DESIGN PROFESSIONALS

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

The Budget includes 3.0 FTE positions in FY2017 and FY2018 for the program, consistent with the FY2017 Budget as Enacted level.

Boards for Design Professionals	General Revenue
FY2017 Enacted	\$273,080
<i>Target and Other Adjustments</i>	5,740
Personnel	83,635
FY2018 Enacted	\$362,455

Personnel **\$83,635**

The Budget includes an increase of \$83,635 in general revenue to fund a previously vacant 1.0 Administrative Support Specialist Assistant FTE position. This position will support the work of the existing staff to reduce workload and wait times for licenses.

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 FY2017 and FY2018 for the Office, consistent with the FY2017 Budget as Enacted.

Office of Health Insurance Commissioner	General Revenue
FY2017 Enacted	\$1,449,061
<i>Target and Other Adjustments</i>	10,000
Personnel	155,257
FY2018 Enacted	\$1,614,318

Office of Health Insurance Commissioner	Other Funds Changes
Transfer of Utilization Review Responsibilities from DOH	\$217,268
Market Reform and Enforcement Grants	(208,497)

Personnel **\$155,257**

The Budget fully funds 13.0 FTE positions within OHIC in FY2018. An additional \$155,257 in general revenue is provided to fund 6.0 existing FTE positions, including: 1.0 Health Insurance Commissioner, 1.0 Administrative Officer, 1.0 Deputy Executive Assistant/Communications, 1.0 Executive Director, and 2.0 Principal Policy Associate. The remaining staff is funded with a combination of federal funds (\$739,749) and restricted receipts (\$217,268).

Transfer of Utilization Review Responsibilities from DOH (restricted receipts) **\$217,268**

The Budget shifts the regulatory and oversight responsibilities for several of the State's key health care insurance related programs from the Department of Health (DOH) to OHIC. Article 5 of the Budget repeals the Health Care Services – Utilization Review Act, the Health Care Accessibility and Quality Assurance Act, and the Health Plan Modification Act and replaces them with new legislation charging OHIC with the oversight responsibilities for health plan reviews, utilization reviews, and other regulatory functions mandated by the federal Affordable Care Act. To assist the Office in meeting these new responsibilities the Budget shifts 2.0 Health Economic Specialist FTE positions from DOH to OHIC, along with the accompanying \$217,268 in restricted receipts.

Market Reform and Enforcement Grants (federal funds)

(\$208,497)

The Budget reduces federal funds for OHIC in FY2018 by \$208,497. This reduction is the result of the expiration of three federal grants that supported conduct market review of health insurance. In November 2016, OHIC was awarded a new \$1.1 million federal Market Reform and Enforcement grant to support its consumer protection and rate review work. Remaining funds from this grant will be used in FY2017 and FY2018 to pay for the 5.0 FTE positions that focus on OHIC's core work of developing and implementing legislation, regulations, and procedures to ensure effective rate review, consumer benefit and access to coverage analysis, consumer protection services, and market conduct.

Department of Labor and Training

Expenditures by Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Revised	Enacted	Enacted	Enacted	Enacted	Enacted
Central Management	\$2.9	\$2.6	\$1.4	(\$1.2)	-47.0%	\$2.5	(\$0.1)	-4.0%
Income Support	375.2	368.3	373.8	5.5	0.0	379.5	11.2	3.0%
Injured Workers Services	7.6	8.6	8.6	-	0.3%	8.7	0.1	1.7%
Labor Relations Board	0.4	0.4	0.4	-	0.5%	0.4	-	-1.3%
Workforce Development Services	36.2	36.9	56.2	19.3	52.4%	36.0	(0.8)	-2.3%
Workforce Regulation and Safety	3.0	2.8	1.8	(1.0)	-35.6%	2.8	-	-0.5%
Total	\$425.3	\$419.5	\$442.1	\$22.6	5.4%	\$429.9	\$10.4	2.5%
Expenditures By Source								
General Revenue	\$8.4	\$8.2	\$7.1	(\$1.2)	-14.1%	\$8.1	(\$0.1)	-1.4%
Federal Funds	39.1	38.5	48.7	10.2	26.6%	36.9	(1.5)	-4.0%
Restricted Receipts	31.6	23.6	30.0	6.5	27.4%	24.3	0.7	3.1%
Other Funds	346.2	349.3	356.4	7.1	2.0%	360.6	11.3	3.2%
Total	\$425.3	\$419.5	\$442.1	\$22.6	5.4%	\$429.9	\$10.4	2.5%
Authorized FTE Levels	409.5	409.5	409.5	-	-	428.7	19.2	4.7%

\$ 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 FY2017 AND FY2018

Under Article 13, the FY2018 Budget as Enacted eliminates annual fees for both apprentice sponsors and for registered apprentices, in order to advance the use of apprenticeship programs for workforce development training. Article 13 also increases various penalties related to labor law violations. The changes proposed in the article are projected to produce a net increase in state revenue of \$305,000 and an increase of \$125,000 in restricted receipt funds.

The Budget includes a net increase of 19.2 FTE positions in FY2018. The increase in FY2018 includes: 14.2 FTE positions within the Income Support Program associated with claims processing services; 6.0 positions within Workforce Development Services, which includes 1.0 FTE position associated with the Real Jobs Rhode Island workload, 1.0 Investigative Auditor and 1.0 Senior Monitoring and Evaluation Specialist to work in the Compliance and Integrity Unit, 1.0 Principal Research Technician to meet the demands of the State Workforce and Education Alignment Project (SWEAP), 1.0 Assistant Coordinator of Employment and Training Programs to work on Linking to Employment Activities Pre-release (LEAP), and 1.0 Assistant Chief of Planning to work for the Governor's Workforce Board; and 1.5 FTE positions within Central Management, which includes 1.0 Administrative Officer and 0.5 Legal Counsel. Additionally, the Budget includes a decrease of 2.5 FTE positions within the Board of Review, which includes the elimination of 2.0 Referees and 0.5 Lawyer.

CENTRAL MANAGEMENT

The Central Management program is responsible for supervising, coordinating, and monitoring all departmental functions. The Central Management program provides leadership, management, strategic planning, and control of departmental activities. The Budget includes 6.1 FTE positions in FY2017 and FY2018, an increase of 1.5 FTE positions.

Central Management	General Revenue
FY2017 Enacted	\$120,134
<i>Target and Other Adjustments</i>	<i>14,181</i>
FY2018 Enacted	\$134,315

Central Management	Other Fund Changes
Personnel	\$128,077
<i>Personnel (restricted receipts)</i>	<i>\$128,077</i>

There is a net increase of \$128,077 in restricted receipts to support personnel within Central Management. The Budget adds 1.5 FTE positions in FY2018, which the Department plans to utilize to staff a new hearing unit. This new unit will provide due process to all parties through Administrative Procedures Act hearings pertaining to workplace fraud violations, including wage and hour cases, employee misclassification cases, and prevailing wage matters. The unit will employ 0.5 Legal Counsel and 1.0 Administrative Officer.

INCOME SUPPORT

The Income Support program encompasses all functions and activities related to Unemployment Insurance, Temporary Disability Insurance (TDI), and the Police and Firefighters' Relief Funds. The Budget includes 232.6 FTE positions in FY2017 and 230.1 FTE positions in FY2018. This change reflects a decrease of 2.0 Referees and 0.5 Legal Counsel at the Board of Review.

Income Support	General Revenue
FY2017 Enacted	\$4,160,083
<i>Target and Other Adjustments</i>	<i>(7,029)</i>
Police and Firefighters' Relief Fund	(106,306)
FY2018 Enacted	\$4,046,748

Income Support	Other Fund Changes
Personnel	\$698,742
Making it Easier to do Business in Rhode Island	Informational
Unemployment Insurance Benefit Statistics	Informational

Police and Firefighters' Relief Fund ***(\$106,306)***

The Budget decreases general revenue by \$106,306 for Police and Firefighters' annuity and tuition benefits, reflecting a decline in the need of services. This reflects a decrease of \$21,386 in tuition benefits paid to the families of deceased or injured police officers and firefighters, and a decrease of \$84,920 in annuity benefit payments.

	FY2017 Enacted	FY2018 Enacted	Change
Police Officers' Relief Fund			
Police Officer Annuities	\$823,833	\$805,980	(\$17,853)
Tuition Benefits	198,347	197,669	(678)
Supplemental Pension	-	-	-
Total	\$1,022,180	\$1,003,649	(\$18,531)
Firefighters' Relief Fund			
Firefighter Annuities	\$2,576,070	\$2,509,003	(\$67,067)
Tuition Benefits	449,344	428,636	(20,708)
Supplemental Pension	-	-	-
Total	\$3,025,414	\$2,937,639	(\$87,775)
Grand Total	\$4,047,594	\$3,941,288	(\$106,306)

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

Personnel (federal funds)

\$698,742

The Budget includes a net increase of \$698,742 in federal funds in FY2018, primarily due to adding 14.2 FTE positions to the Unemployment Insurance program. These positions are added to support the Department's plan to handle their peak season in December. According to the Department, it is difficult to utilize seasonal positions in the UI program; this is due to the time it takes to learn and master the complexities of the program.

The increase in FTE positions includes: adding 4.4 Senior Employment and Training Interviewer FTE positions by making 11.0 current part-time individuals full time; adding 4.8 FTE Senior Employment and Training Interviewer part-time positions by hiring 9.0 part-time individuals; and adding 1.0 Employment and Training Interviewer fluent in Portuguese and 3.0 Employment and Training Interviewers fluent in Spanish. Senior Employment and Training Interviewer positions within the UI program are typically part-time to provide flexibility, for both scheduling and budgetary purposes. Due to the workflow, individuals often work full-time; however, since the positions are designated as part-time positions, the Department has the ability to reduce hours when the workflow indicates that is possible.

Making it Easier to do Business in Rhode Island

Informational

Rhode Island currently has an Unemployment Insurance Tax Rate system consisting of nine tax schedules (A thru I), each of which contains twenty-eight tax rate groups. The tax schedule in effect each year depends on the reserve ratio of the fund as of September 30th of the prior year. The reserve ratio is determined by dividing the UI trust fund balance on September 30th by total wages paid to Rhode Island workers during the year. The State had been on the tax Schedule I (the highest) since 1992, but dropped to tax Schedule H in 2017 due to the changes enacted by the General Assembly. Individual employer tax rates are determined by each employer's own level of reserves which indicates which tax rate in the applicable tax schedule applies to them.

Based on the State's experience over the last 20 years, the U.S. Department of Labor recommends that Rhode Island's UI system's financing goal should be a minimum reserve ratio of 3.0 percent prior to the beginning of the next recession. This represents approximately one year's worth of benefits at the average

benefit payout over the highest three years out of the last 20. However, according to the Department of Labor and Training, because the State enacted significant benefit cuts in 2011 that have reduced benefit costs by approximately 23.0 percent per year, the Department believes it is appropriate to adjust the minimum recommended reserve ratio by this same factor which would result in a new minimum reserve ratio goal of 2.3 percent prior to the beginning of the next recession.

The drop to tax Schedule H for 2017 is expected to save employers \$30.0 million in UI taxes over the year. Under the new reserve ratios, the Department projects that the State will further drop to tax Schedule G in 2018, saving employers an additional \$10.0 million in UI taxes. Additionally, the Department expects a possible drop to tax Schedule F in 2020, saving employers \$20.0 million per year. The State would accumulate significant reserves (a projected \$675.0 million by 2025) with a reserve ratio of 2.74 percent, which is above the minimum 2.3 percent recommended reserve ratio.

Unemployment Insurance Benefit Statistics

Informational

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

12 Months Ending 3rd Quarter 2016 Average UI Benefits Paid			
State	Amount	New England	National
Massachusetts	\$8,230	1	1
Connecticut	5,900	2	12
Rhode Island	4,951	3	22
Vermont	4,006	4	35
Maine	3,896	5	36
New Hampshire	3,813	6	37

Source: US Dept. of Labor/UI Data Summary

12 Months Ending 3rd Quarter 2016 Average Weekly UI Benefits Paid			
State	Amount	New England	National
Massachusetts	\$479.65	1	2
Connecticut	369.34	2	16
Rhode Island	341.04	3	23
Vermont	337.64	4	21
New Hampshire	311.01	5	30
Maine	309.77	6	29

Source: US Dept. of Labor/UI Data Summary

As of January 1, 2017 Maximum Weekly UI Benefit			
State	Amount	New England	National
Massachusetts	\$742	1	1
Connecticut	616	2	5
Rhode Island	566	3	8
Vermont	458	4	18
New Hampshire	427	5	26
Maine	410	6	34

Source: US Dept. of Labor

As of January 1, 2017 Maximum Weekly UI Benefit with Dependents Allowance			
State	Rate	New England	National
Massachusetts	\$1,103	1	1
Rhode Island	707	2	2
Connecticut	691	3	3
Maine	615	4	8
Vermont*	458	5	24
New Hampshire*	427	6	29

* No dependent's benefit provision

Source: US Dept. of Labor

INJURED WORKERS SERVICES

The Injured Workers Services program operates the State's Workers' Compensation System. The Donley Rehabilitation Center provides evaluations, therapy, and counseling for workers injured on the job. A Workers' Compensation Education Unit provides information to workers and employers regarding workers' compensation laws and regulations. This program has no general revenue funding. The Budget includes 44.5 FTE positions in FY2017 and FY2018.

LABOR RELATIONS BOARD

The Labor Relations Board is a semi-autonomous body that makes public sector bargaining unit determinations, oversees collective bargaining elections, and investigates charges of unfair labor practices. The Board is comprised of seven members, one of which is designated as the chairperson. The board members are compensated, but do not participate in the State Retirement System and are not

considered State employees. The Budget includes 2.0 FTE positions in FY2017 and FY2018, consistent with the FY2017 Enacted Budget. The two positions provide staff support to the Board.

Labor Relations Board	General Revenue
FY2017 Enacted	\$402,491
<i>Target and Other Adjustments</i>	<i>(5,156)</i>
FY2018 Enacted	\$397,335

WORKFORCE DEVELOPMENT SERVICES

The Workforce Development Services program consists of employment and training programs designed to assist individuals in gaining and maintaining employment. It also includes the Governor's Workforce Board (formerly the Human Resource Investment Council). Its mission is to establish goals, policies, and guidelines to coordinate employment and training related programs. The Budget includes 116.7 FTE positions in FY2017 and FY2018.

Workforce Development Services	General Revenue
FY2017 Enacted	\$704,517
<i>Target and Other Adjustments</i>	-
FY2018 Enacted	\$704,517

Workforce Development Services	Other Fund Changes
America's Promise Grant	\$1,540,302
Governor's Workforce Board	406,405
Real Jobs Rhode Island	Informational

America's Promise Grant (federal funds) **\$1.5 million**

The Department received an America's Promise grant, increasing the FY2018 Budget by \$1.5 million in federal funds within the Workforce Development Services Program. The purpose of this grant is to accelerate the development and expansion of regional workforce partnerships. These partnerships provide a pipeline of skilled workers to specific in-demand industries.

Governor's Workforce Board (restricted receipts) **\$406,405**

The Budget includes \$12.4 million in restricted receipts to fund the Governor's Workforce Board in FY2018, which is a \$406,405 increase above the FY2017 Enacted Budget. The majority of this additional funding, \$201,653, supports personnel. 1.0 Assistant Chief of Planning is a new position created to meet the demands within the Governor's Workforce Board. Approximately \$200,000 of this additional funding supports assistance and grants including Real Jobs Rhode Island partnerships. The Board administers multiple grant programs for employers to conduct skills training, to make businesses more efficient or competitive, or to assist a company to expand services.

Real Jobs Rhode Island **Informational**

The General Assembly funds the third year of the Real Jobs Rhode Island workforce training initiative. Real Jobs Rhode Island receives funding from multiple sources, which include the state's Jobs Development Fund, federal workforce development funds, and other federal grants. Real Jobs RI partnerships are employer-led industry collaboratives designed to train Rhode Islanders and meet employer workforce demand. This program is based upon a similar program in the State of Maryland and expands sector-based strategies. In the first year, the program used unallocated Job Development Fund resources and federal funding to identify 26 statewide partnerships to position these employer-led groups as the drivers of workforce training.

Although general revenue is not directly appropriated in FY2018 to the Real Jobs RI program, the Budget includes \$250,000 in general revenue to fund the Polaris Manufacturing Technical Assistance Program

(Polaris). This money is a “pass-through” from the Executive Office of Commerce. Polaris is an officially designated Real Jobs Partnership by the Governor’s Workforce Board, a role that allows the organization to leverage multiple funding streams to address the workforce needs of manufacturers. Polaris is charged with convening the sector and leveraging funding to support training. This program supports Rhode Island manufacturers by expanding the technical assistance capacity of Polaris, the State’s official Manufacturing Extension Program. Polaris provides group and individual trainings in manufacturing and promotes manufacturing state-wide.

WORKFORCE REGULATION AND SAFETY

The Workforce Regulation and Safety Program enforces laws relating to professional regulation, labor standards, occupational health and safety, and certification of weights and measures. The Budget includes 31.5 FTE positions in FY2017 and FY2018.

Workforce Regulation and Safety	General Revenue
FY2017 Enacted	\$2,825,411
<i>Target and Other Adjustments</i>	<i>(\$14,263)</i>
Apprenticeship Fees	Informational
Labor Law Violation Penalties	Informational
FY2018 Enacted	\$2,811,148

Apprenticeship Fees

Informational

Article 13 eliminates the annual fees associated with the following apprenticeships: \$20 for electricians, oil burner persons, fire alarm installers, electrical sign installers, lighting protection installers, plumbers, irrigators, and water-filtration/treatment system installers; and \$24 for pipefitters, refrigeration/air conditioning technicians, sprinkler technicians, sheet metal masters, and all other apprentices not specifically mentioned. Additionally, the \$120 apprenticeship sponsor annual fee is eliminated. These changes will decrease revenue to the general fund by an estimated \$45,000.

Labor Law Violation Penalties

Informational

Article 13 changes or adds the following penalties, which increases revenue to the state general fund by an estimated \$350,000 and restricted receipts by an estimated \$125,000:

- Unlicensed electrician first violation penalties increase from \$500 to \$1,500 and subsequent violations increase from \$950 to \$2,000. The Budget Office anticipates that this penalty increase will generate an additional \$100,000 in general revenue.
- Administrative penalties on employers who violate wage payment labor laws are added. The penalty is a percentage of the back wages ordered to be paid. The first violation penalty is 15.0 percent to 25.0 percent within a three-year period. Subsequent violations, within the same three-year period, are 25.0 percent to 50.0 percent. It is estimated that there will be an increase of \$150,000 in general revenue due to this new penalty.
- The minimum civil penalty relating to the misclassification of a worker as an independent contractor, when the worker should be considered a paid employee, increases from \$500 to \$1,500. The maximum penalty remains the same at \$3,000. This penalty increase is estimated to add \$100,000 in general revenue.
- Penalties for employers who fail to file employer tax and withholding record reports are raised, which will increase the employment security tardy account fund \$125,000.

CAPITAL PROJECTS

The Budget includes a total of \$6.9 million in Rhode Island Capital Plan Fund (RICAP) projects between FY2017 and FY2022. The projects include:

- \$156,620 in RICAP funds and \$825,725 in other funds in FY2017 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.
- Approximately \$900,000 in FY2017 and \$1.6 million in FY2018 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 Budget includes a “lump sum” appropriation for each year, allowing DLT in conjunction with the Division of Capital Asset Management and Maintenance (DCAMM) to prioritize the capital expenditures without designating funds to a specific project.

Department of Revenue

Expenditures by Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Revised	Enacted	Enacted	Enacted	Enacted	Enacted
Director of Revenue	\$0.9	\$1.1	\$1.2	\$0.1	6.6%	\$1.2	\$0.1	8.5%
Lottery Division	341.7	362.4	370.2	7.8	2.2%	375.0	12.7	3.5%
Municipal Finance	2.2	3.1	3.0	-	-0.4%	3.1	0.1	1.9%
Office of Revenue Analysis	0.5	0.8	0.8	-	0.1%	0.8	-	-2.3%
Registry of Motor Vehicles	22.8	28.6	25.2	(3.3)	-11.6%	23.5	-5.1	-17.8%
State Aid	67.7	65.8	66.0	0.1	0.2%	95.4	29.6	45.0%
Taxation	23.0	23.7	25.2	1.5	6.1%	26.3	2.5	10.7%
Total	\$458.8	\$485.5	\$491.7	\$6.2	1.3%	\$525.4	\$39.9	8.2%
Expenditures By Source								
General Revenue	\$109.7	\$113.9	\$110.8	(\$3.1)	-2.7%	\$143.6	\$29.7	26.1%
Federal Funds	2.7	2.1	4.4	2.2	103.9%	1.6	-0.6	-26.9%
Restricted Receipts	3.6	5.9	5.0	(0.9)	-15.4%	4.0	-2.0	-33.4%
Other Funds	342.7	363.5	371.5	7.9	2.2%	376.2	12.7	3.5%
Total	\$458.8	\$485.5	\$491.7	\$6.2	1.3%	\$525.4	\$39.9	8.2%
Authorized FTE Levels	514.5	523.5	523.5	-	-	533.5	10.0	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 Division of Motor Vehicles, the Division of Taxation, and the State Aid program.

MAJOR ISSUES AND TRENDS FOR FY2017 AND FY2018

The single largest budget initiative in FY2018 is the phased elimination of the Motor Vehicle Excise Tax. Article 11 uses four "levers" to decrease the motor vehicle excise tax each year from FY2018 through FY2023, fully eliminating the tax in FY2024. Additionally, to ensure taxpayer relief, the Article removes the motor vehicle excise tax from the levy calculation related to the 4.0 percent cap on municipal property tax levy increases. Within Article 11, major changes to current law include: tax rate caps are reduced each year through FY2023; assessment ratios are reduced 5.0 percentage points each year through FY2023; exemption floors are raised each year through FY2023; and exemptions are expanded to all cars more than 15 years old from FY2018 onward.

In 2007, the Department began working on the Rhode Island Modernization System (RIMS), a database designed to provide a real-time and customer-centric computer system to replace the Division of Motor Vehicles' current legacy system. The project has been funded by certificates of participation (COPs), restricted receipts, federal funds, 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 June 1, 2017; however, under Article 4, the surcharge fee is extended until June 30, 2022. The fee continues to be deposited into a DMV restricted receipt account to fund costs related to RIMS. Additionally, Article 4 delays license plate reissuance from April 1, 2017, to January 1, 2019.

Since 2013, the Division of Taxation has been phasing-in 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 project consists of three phases, two of which are complete. The revenue accounting and estate tax functionalities have been finalized and are in the final stages of implementation. The online taxpayer portal completed

development and testing in June 2017; however, implementation of the portal is being held by the State to confirm that the system is secure to ensure protection of the system and taxpayer records. The portal is expected to launch by the end of calendar year 2017.

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 FY2018.

Director of Revenue	General Revenue
FY2017 Enacted	\$1,147,047
<i>Target and Other Adjustments</i>	
Personnel	(500)
	97,719
FY2018 Enacted	\$1,244,266

Personnel **\$97,719**

The Budget includes an increase of \$97,719 related to personnel and benefit expenses for 9.0 FTE positions within the Office. This increase is primarily due to the transfer of funding for 2.0 FTE positions to the Office of the Director: 1.0 position related to Department-wide data analysis and 1.0 position within the Division of Motor Vehicles that is cost allocated to the Office of the Director. These increases are offset by the transfer of 75.0 percent of salary and benefit costs for the Administrator of Legal Support Services to the Lottery Division.

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 FY2017 and FY2018, consistent with the FY2017 Budget as Enacted.

Lottery Division	Other Fund Changes
FY2017 Enacted	\$362,367,224
<i>Target and Other Adjustments</i>	
Commissions and Prize Payments	(219,788)
	12,892,000
FY2018 Enacted	\$375,039,436

Commissions and Prize Payments (other funds) **\$12.9 million**

The net increase of \$12.9 million in Commissions and Prize Payments is based on the May 2017 Revenue Estimating Conference (REC) estimates of video lottery terminal (VLT) net terminal income. Net terminal income from VLT are estimated to total \$484.0 million and net table game revenue (NTGR) is estimated to total \$146.5 million. 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 after the deduction of casino operating expenses. Impact from Massachusetts gaming facilities are incorporated into the estimates beginning in FY2016 as the slot parlor in Plainville began operations in June 2015.

DIVISION OF MUNICIPAL FINANCE

The Division of Municipal Finance assists municipalities by providing data analysis, technical assistance, 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. In FY2016 the Division began overseeing a state-appointed administrative fiscal advisor who splits time between the communities of East Providence and Woonsocket. Under the Fiscal Stability Act, the State is required to reimburse these municipalities 50.0 percent of cost of the advisor. It is expected that this oversight will continue throughout FY2018 for East Providence and throughout FY2020 for Woonsocket. An Administration and Finance Officer is in place in Central Falls throughout FY2018.

The Budget includes 17.0 FTE positions in FY2017 and FY2018, consistent with the enacted level.

Division of Municipal Finance	General Revenue
FY2017 Enacted	\$3,053,887
<i>Target and Other Adjustments</i>	
Central Falls Operating	7,823
Central Falls Support	600,000
FY2018 Enacted	(550,685)
	\$3,111,025

Central Falls Operating **\$600,000**

The Budget is increased by \$600,000 in general revenue to fund undefined “operating” expenses in the City of Central Falls. The City’s FY2018 proposed budget adds a \$2.0 million “rainy-day” fund.

Central Falls Support **(\$550,685)**

The Budget decreases by \$600,000 in general revenue due to a one-time appropriation included in the FY2017 Budget as Enacted that was mistakenly not taken out of the FY2018 base budget. This FY2017 one-time budget initiative funded a grant to assist the City of Central Falls with operating and personnel costs as part of the State’s on-going financial partnership with the city following its emergence from bankruptcy in 2012. The Budget adds an additional \$49,315 in general revenue to supplement the Central Falls pension system, resulting in a net general revenue decrease of \$550,685.

OFFICE OF REVENUE ANALYSIS

The Office of Revenue Analysis (ORA) analyzes the State’s tax systems and revenue streams. The Office prepares the biennial Tax Expenditures Report, cost-benefit analyses of tax proposals, and fiscal notes for revenue-related legislation. The Office houses and is the primary operator of the State’s sales tax and personal income tax models. The Budget includes 6.0 FTE positions in FY2017 and FY2018 for the program, consistent with the enacted level.

Office of Revenue Analysis	General Revenue
FY2017 Enacted	\$806,836
<i>Target and Other Adjustments</i>	
FY2018 Enacted	(18,827)
	\$788,009

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 182.5 in FY2018, adding 8.0 FTE positions, to staff the Rhode Island Modernization System (RIMS) project.

Division of Motor Vehicles	General Revenue
FY2017 Enacted	\$23,668,390
<i>Target and Other Adjustments</i>	<i>(199,902)</i>
License Plate Reissuance	(3,000,000)
Rhode Island Motor Vehicle System (RIMS) Staffing	452,065
Operating Expenses	255,000
FY2018 Enacted	\$21,175,553

License Plate Reissuance

(\$3.0 million)

Article 4 delays the license plate reissuance from April 1, 2017, to January 1, 2019, reducing general revenue spending by \$3.0 million in FY2018. Under current law, individuals are charged \$6.00 above the regular registration fee per license plate; therefore, the reissuance delay results in a loss \$1.8 million in revenue in FY2018.

Under RIGL 31-3-33, the DMV is required to issue new reflective license plates for all registered vehicles every 10 years. The law was revised in 1995 to require plate reissuances every 10 years, and in 2009 the General Assembly required a full reissuance in 2011. This requirement has been delayed four times previously: in the FY2012 Budget as Enacted, the General Assembly changed the first full reissuance requirement from 2011 to 2013; the FY2014 Budget as Enacted changed the reissuance until September 2015; the FY2016 Budget as Enacted delayed the reissuance to July 1, 2016; and the FY2017 Budget as Enacted delayed the reissuance to April 1, 2017.

Rhode Island Modernization System (RIMS) Staffing

\$452,065

The Budget includes \$452,065 for 6.0 new FTE positions to be assigned to the DMV Rhode Island Modernization System (RIMS) project for testing of and training on the new system. In FY2017, there were 7.0 FTE positions assigned to the RIMS project. The system went live in July 2017. The Department expects the testing and training component to last nine months or more. The DMV is required by the vendor contract to establish a RIMS help desk prior to system implementation. The help desk will be staffed by a minimum of 6.0 DMV FTE personnel to triage user issues, continue system development, and assist with roll-out of the system.

RIMS is 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 and went live in July 2017.

The project has been funded by certificates of participation (COPs), restricted receipts, federal funds, 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 June 1, 2017; however, under Article 4, the surcharge fee be extended until June 30, 2022. The fee would continue to be deposited into a DMV restricted receipt account to fund costs related to the Division's computer system. The Budget includes \$2.1 million in restricted receipt expenses for FY2018.

Analyst Note: In October 2016, the State filed a lawsuit against DXC Technology (formerly Hewlett Packard Enterprise), the contractor for the RIMS project. DXC had signed a contract to complete the project by September 28, 2016. The State alleged that despite the contract, DXC requested approximately an additional \$12.0 million to finish the project. In April 2017, the Department settled with DXC Technology. The settlement will be paid out of the IT Investment Fund and these expenses will be replenished via IT surcharges established in Article 4.

Operating Expenses**\$255,000**

In FY2018, there is a net increase of \$255,000 in operating expenses within the Division of Motor Vehicles. The Budget adds \$415,000, including: \$300,000 in computer maintenance, \$170,000 in postage costs, \$90,000 for printing from outside vendors, and \$55,000 for driver license imaging. The increase is offset by a \$160,000 reduction in computer equipment and a \$200,000 decrease for signage costs. These changes are based on historical spending trends within the Department.

STATE AID

The budget for the Department of Revenue funds a number of State Aid payments. State aid is administered by staff in the Division of Municipal Finance.

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

State Aid	General Revenue
FY2017 Enacted	\$64,923,462
<i>Target and Other Adjustments</i>	
Motor Vehicle Excise Tax	26,000,000
PILOT	3,226,503
Property Revaluation Program	377,327
Distressed Communities Aid	Informational
Fiscal Stability Act	Informational
FY2018 Enacted	\$94,527,292

Motor Vehicle Excise Tax**\$26.0 million**

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

In FY2018, municipalities will lose an estimated \$25.2 million in forgone motor vehicle excise tax levy; therefore, the Budget is increased by \$26.0 million in general revenue to reimburse municipalities for the lost tax revenue. By FY2024, the estimated cost of eliminating the motor vehicle tax is \$220.6 million in general revenue.

Fiscal Year	Assessment		Exemption Floor	Drop After Age	Total Levy	Forgone Levy	Cars	
	Ratio	Rate Cap					Taxed Car Count	"Dropped" From Tax Roll
FY2017	100%	N/A	\$500	25	\$220,611,139	\$0	746,965	-
FY2018	95%	\$60	1,000	15	195,441,325	(25,169,814)	594,445	152,520
FY2019	90%	50	2,000	15	170,426,882	(50,184,257)	581,512	165,454
FY2020	85%	35	3,000	15	136,701,951	(83,909,188)	543,391	203,574
FY2021	80%	35	4,000	15	104,600,455	(116,010,684)	483,393	263,573
FY2022	75%	30	5,000	15	75,327,058	(145,284,081)	409,317	337,649
FY2023	70%	20	6,000	15	43,407,790	(177,203,349)	339,844	407,121
FY2024	N/A	N/A	N/A	N/A	-	(220,611,139)	N/A	N/A

Source: Department of Revenue

PILOT**\$3.2 million**

The Payment in Lieu of Taxes (PILOT) program increases \$3.2 million, to \$45.2 million, in FY2018. The PILOT program assists municipalities by offsetting lost revenue on tax-exempt property. The State reimburses local communities 27.0 percent of the value of taxes that otherwise would have been

collected, but allows for a ratable reduction if the appropriation is less than this amount. The Budget represents the full reimbursement rate of 27.0 percent.

Property Revaluation Program

\$377,327

The Budget includes \$937,228 for the Property Revaluation program in FY2018, an increase of \$377,327 from the FY2017 enacted level, based on anticipated reimbursements, which are required by law. The following communities will be reimbursed for statistical updates in FY2018: Barrington, Cranston, East Greenwich, Exeter, Narragansett, Newport, and Tiverton.

Distressed Communities Aid

Informational

The Distressed Community Relief program is level funded in FY2018 as compared to FY2017 Budget as Enacted. Total aid from this program goes to cities and towns that have relatively high property taxes as compared to their citizens' ability to pay. Funding for the program in FY2018 will be \$12.4 million.

Distressed Community Relief Fund Distribution

Municipality	FY2017	FY2018	Change
	Enacted	Enacted	
Central Falls	\$223,894	\$225,398	\$1,504
Cranston	1,341,001	1,341,001	-
Johnston	817,097	601,333	(215,764)
North Providence	1,032,992	1,030,137	(2,855)
Pawtucket	1,523,936	1,539,903	15,967
Providence	5,604,286	5,797,634	193,348
West Warwick	891,916	924,370	32,454
Woonsocket	949,336	924,681	(24,655)
Total	\$12,384,458	\$12,384,457	-

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. RIGL 45-9-10.1 requires the State to reimburse communities 50.0 percent of the costs of ongoing State oversight. Currently, Central Falls has an Administration and Finance Officer in place, and both East Providence and Woonsocket have a Finance Advisor.

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 collections, audits, and liens. The Budget includes 235.0 FTE positions in FY2018.

Division of Taxation	General Revenue
FY2017 Enacted	\$20,294,329
<i>Target and Other Adjustments</i>	
	18,767
State Tax Administration and Revenue System (STAARS) Support	1,000,000
Personnel	962,891
Tax Amnesty Administration	500,000
FY2018 Governor	\$22,775,987

State Tax Administration and Revenue System (STAARS) Support **\$1.0 million**

The Budget adds \$1.0 million in general revenue to fund implementation and maintenance support for the State Tax Administration and Revenue System (STAARS). See additional information on personnel related to STAARS below.

Since 2013, the Division of Taxation has been phasing-in 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 58 different taxes and fees amounting to nearly \$3.0 billion annually. The Division retired its legacy mainframe system in November 2016 when it integrated the last of its major tax types (Corporate, Sales, Withholding) into its new system. The Division of Taxation previously operated a number of software systems, with the most critical of these systems, its legacy mainframe system, being 40 years old. According to the Department, this antiquated system was expensive to maintain and the Division of Information Technology (DoIT) was not able to support staff training on this technology. Also, the old system required staff to 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 was completed in three phases, which includes purchasing hardware, designing software infrastructure, and transferring taxpayer collections data to the new system. The project is primarily funded through COPs, which are authorized up to \$25.0 million, all of which have been issued. Phase I of the project went live in 2014 and Phase II went live in September 2015. The online taxpayer portal completed development and testing in June 2017; however, implementation of the portal is being held by the State to confirm that the system is secure security and other resources are in place to effectively protect the system and taxpayer records. The revenue accounting and estate tax portions of the system have been finalized and are in the final stages of implementation. Once the taxpayer portal, revenue accounting, and estate tax functionalities have all gone live, Phase III will be complete.

Personnel **\$962,891**

The Budget includes a net increase of \$962,891 in general revenue to support personnel needs within the Division of Taxation. The Division adds 4.0 FTE positions related to the implementation of STAARS. The Department plans to use these positions as part of a Division-wide reconfiguration of positions. According to the Department, the goal of this reconfiguration is to optimize and leverage the STAARS system to automate as much of the tax processing and administration as possible and focus resources on revenue enhancement. During the implementation of STAARS, the Division has allocated and shifted resources as necessary.

Tax Amnesty Administration **\$500,000**

The Budget adds \$500,000 in general revenue to support the administration of the tax amnesty initiative. This funding will support adding functionality to the new State Tax Administration and Revenue System (STAARS), advertising and promotion of the initiative, personnel, and printing/mailing costs.

Under the tax amnesty initiative, civil, and criminal penalties for non-compliance with state tax laws will be forgiven, and interest owed will be reduced by 25.0 percent. This initiative will be in place for a 75-

day period, ending February 15, 2018. It is estimated that \$12.5 million in additional one-time revenues will be collected during the amnesty period.

Legislature

Expenditures by Program	FY2016 Actual	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Enacted	Change from Enacted	
General Assembly	\$5.4	\$5.7	\$8.0	\$2.2	39.3%	\$6.1	\$0.4	6.2%
Fiscal Advisory Staff	1.4	1.9	1.9	0.1	2.8%	1.8	(0.1)	-2.6%
Legislative Council	3.7	5.4	5.2	(0.1)	-2.5%	5.4	0.1	1.5%
Joint Comm. on Legislative Services	22.3	24.1	25.1	1.0	4.2%	23.1	(1.0)	-4.1%
Auditor General	4.8	5.6	5.4	(0.3)	-4.9%	5.7	0.1	1.8%
Special Legislative Commissions	0.0	0.0	0.0	-	0.0%	0.0	-	0.0%
Total	\$37.7	\$42.7	\$45.6	\$2.9	6.8%	\$42.3	(\$0.5)	-1.2%

Expenditures by Source	FY2016 Actual	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Enacted	Change from Enacted	
General Revenue	\$36.2	\$41.1	\$44.0	\$3.0	7.3%	\$40.5	(\$0.5)	-1.3%
Restricted Receipts	1.4	1.7	1.6	(0.1)	-5.0%	1.7	0.0	2.0%
Grand Total	\$37.7	\$42.7	\$45.6	\$2.9	6.8%	\$42.3	(\$0.5)	-1.2%

Authorized FTE Levels	298.5	298.5	298.5	0.0	0.0%	298.5	0.0	0.0%
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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 FY2018

The Budget includes \$42.3 million for the Legislature in FY2018, including \$40.5 million in general revenue. This is \$530,223 less than the FY2017 Budget as Enacted. Restricted receipts total \$1.7 million and are dedicated to fund, in part, the Auditor General's office. These funds are derived from a 0.5 percent audit fee that is assessed on all federal grants in state departments for each major federal program and are used to finance personnel costs associated with the Auditor General's Single Audit Report publication.

The Budget increases the general revenue appropriation for FY2017 in the revised budget by \$3.0 million.

The Budget provides for 298.5 FTE positions for FY2017 and FY2018, consistent with the FY2017 Budget as Enacted.

Lieutenant Governor

Expenditures By Program	FY2016 Actual	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Enacted	Change from Enacted	
Lieutenant Governor	\$1.0	\$1.1	\$1.1	(\$0.0)	-2.4%	\$1.1	\$0.0	0.5%
Expenditures By Source								
General Revenue	\$1.0	\$1.1	\$1.1	(\$0.0)	-2.4%	\$1.1	\$0.0	0.5%
Authorized FTE Levels	8.0	8.0	8.0	-	-	8.0	-	-

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

The Office of the Lieutenant Governor is one of the five general offices subject to voter election under the Constitution of Rhode Island. The Lieutenant Governor fulfills the executive responsibilities of the Governor upon his/her death, resignation, impeachment or inability to serve. The Lieutenant Governor also chairs and serves on various commissions and advisory boards, and the Office initiates legislation and assumes advocacy and leadership roles in a number of policy areas. The Budget includes 8.0 FTE positions for FY2017 and FY2018, consistent with the enacted budget.

MAJOR ISSUES AND TRENDS FOR FY2018

The Lieutenant Governor's budget is entirely financed with \$1.1 million in general revenue for FY2018, less than a 1.0 percent increase from the FY2017 enacted level. The Lieutenant Governor serves on the Rhode Island Emergency Management Advisory Council (Chair); the Small Business Advocacy Council (Chair); and the Long-Term Care Coordinating Council (Chair).

The Office's FY2018 Budget is comprised almost entirely of personnel costs. The Budget fully funds the Office's 8.0 FTE positions.

Lieutenant Governor	General Revenue
FY2017 Enacted	\$1,079,576
<i>Target and Other Adjustments</i>	<i>4,641</i>
FY2018 Enacted	\$1,084,217

Office of the Secretary of State

Expenditures By Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Administration	\$2.5	\$3.5	\$3.3	(\$0.2)	-5.7%	\$3.4	(\$0.1)	-2.9%
Corporations	2.1	2.2	2.1	(0.1)	-4.5%	2.2	-	0.0%
State Archives	0.5	0.8	0.7	(0.1)	-12.5%	0.5	(0.3)	-37.5%
Elections and Civics	1.3	3.4	3.3	(0.1)	-2.9%	1.9	(1.5)	-44.1%
State Library	0.6	0.6	0.6	-	0.0%	0.7	0.1	16.7%
Office of Public Information	0.5	0.5	0.5	-	0.0%	0.6	0.1	20.0%
Total	\$7.5	\$11.0	\$10.5	(\$0.5)	-4.4%	\$9.3	(\$1.7)	-15.5%
Expenditures By Source								
General Revenue	\$6.7	\$10.3	\$9.9	(\$0.4)	-3.9%	\$8.9	(\$1.4)	-13.6%
Federal Funds	0.01	-	0.02	0.02	-	-	-	-
Restricted Receipts	0.4	0.6	0.5	(0.1)	-16.5%	0.4	(0.2)	-33.2%
Operating Transfers from Other Funds	0.4	0.1	0.1	-	-	-	(0.1)	-100.0%
Grand Total	\$7.5	\$11.0	\$10.5	(\$0.5)	-4.4%	\$9.3	(\$1.7)	-15.5%
Authorized FTE Levels	57.0	59.0	59.0	-	-	59.0	-	-

\$ 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 FY2017 AND FY2018

The Budget includes 59.0 FTE positions in FY2017 and in FY2018. The Budget shifts 1.0 Administrative Assistant position from State Archives to the Office of Public Information. The Budget decreases general revenue by \$1.4 million for election expenses as compared to the FY2017 Budget as Enacted, because FY2018 is an "off-year" in the general election cycle. These expenses decrease in even-numbered fiscal years when there is no statewide general election; however, there still may be costs incurred for local or special elections. The Budget includes \$25,000 for maintenance and IT support of the electronic poll book (e-Poll book) program.

The Office has been working with the Office of Regulatory Reform (ORR) within the Office of Management and Budget to create an online, indexed, and searchable Code of State Regulations. The State's current system is limited to showing final rules only and cannot illustrate changes made in the rule making process. The Office anticipates a December 2017 implementation date for the project. The Budget includes \$223,713 to fund personnel and IT costs to develop, implement, and maintain an online Code of State Regulations.

The FY2017 Revised Budget adds \$50,000 to the enacted appropriation to provide a total of \$150,000 in Rhode Island Capital Plan (RICAP) funds to complete a feasibility study and subsequent architecture and engineering services to identify a permanent facility for the State Archives to replace the currently leased space in downtown Providence.

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 20.0 FTE positions in FY2017 and FY2018.

Administration	General Revenue
FY2017 Enacted	\$3,539,219
<i>Target and Other Adjustments</i>	<i>85,639</i>
Contracted Services	(151,594)
Operating Expenses	(90,639)
FY2018 Enacted	\$3,382,625
Contracted Services	(\$151,594)

The Budget includes \$173,713 in general revenue for contracted services in the Administration program. This reflects a decrease of \$151,594 from the FY2017 Budget as Enacted and a decrease of \$170,704 from the Agency's budget request.

The appropriation will hire two contract Junior Developer positions to support the redesign of several applications currently in use, including: the Lobby Tracker, a searchable database of registered lobbyists and firms in Rhode Island; the Open Meetings site, which houses agendas, meeting minutes, and calendars for State and local public meetings; and, the Boards and Commissions database, which provides information on public board member appointments. The Office also intends to restructure the internal Business Services database and the Rhode Island Government Owner's Manual. In addition to the contracted services appropriation, the Governor includes \$50,000 in general revenue operating funds for this program to purchase IT software and hardware, providing a total appropriation of \$223,713 for the eGovernment IT upgrades.

Analyst Note: The Governor's Budget lists an appropriation of \$312,080 in general revenue for the eGovernment IT upgrade, reflecting the Agency's request for \$262,080 in contract services and \$50,000 in operating expenses. However, the Governor reduced the Agency's request by \$170,704 for contracted services and appropriated that amount within the Department of Administration to pay for contracted legal services as part of the ongoing regulatory review process.

Operating Expenses **(\$90,639)**

The Budget includes \$524,058 in general revenue for operating expenses reflecting a net decrease of \$90,639 from the FY2017 Budget as Enacted. The decrease in computer equipment maintenance and repair expenses reflect reduced costs associated in administering the 2016 primary and general election, as well as reduced costs associated with the eGovernment initiatives. Offsetting this decrease are increased costs for internet services, reflecting an increased use of cloud storage required to meet the Secretary of State's eGovernment initiatives, and a net increase of \$31,542 in all other operating adjustments.

	FY2017	FY2018	
Operating Expenses	Enacted	Enacted	Change
Computer Equipment Maintenance	\$448,332	\$122,770	(\$325,562)
Internet Services	10,597	213,978	203,381
All Other Operating Adjustments	155,768	187,310	31,542
Total	\$614,697	\$524,058	(\$90,639)

CORPORATIONS

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

system (Quick Start) for small business start-ups. The Budget includes 20.0 FTE positions in both FY2017 and in FY2018.

Corporations	General Revenue
FY2017 Enacted	\$2,192,627
<i>Target and Other Adjustments</i>	<i>(18,500)</i>
Business Records Scanning Project	50,000
FY2018 Enacted	\$2,224,127

Business Records Scanning Project **\$50,000**

The Budget includes \$50,000 to hire a vendor to scan over 38,000 active corporation filings, each containing between 2 to 1,000 pages. The Office is required by law to house all records for business corporations. This project will enable all files to be viewable online.

STATE ARCHIVES

The State Archives Division is the official repository for preserving and maintaining the permanent records of State government. The Division sets regulations for state document retention, and assists state agencies with records management. Since 1992, the Division has also operated the Local Government Records Program, which is now largely funded with the Historical Records Trust restricted receipt account. The Budget includes a staffing level of 4.2 FTE positions in FY2017 and in FY2018, consistent with the enacted budget.

State Archives	General Revenue
FY2017 Enacted	\$133,721
<i>Target and Other Adjustments</i>	<i>2,734</i>
Personnel	(49,305)
FY2018 Enacted	\$87,150

State Archives	Other Fund Changes
Personnel, Operating, and Capital	(\$102,041)
RICAP - State Archive Facility	(100,000)
Historical Records Trust	<i>Informational</i>

Personnel **(\$49,305)**

The Budget includes a \$49,305 general revenue decrease reflecting the shift of 1.0 Administrative Assistant position to the Office of Public Information program as part of an ongoing consolidation of programs within the Office of the Secretary of State.

Personnel, Operating, and Capital (restricted receipts) **(\$102,041)**

The Budget includes a \$102,041 general revenue decrease reflecting the shift of functions from the State Archives program to the Office of Public Information program as part of an ongoing consolidation of programs within the Office of the Secretary of State.

RICAP – State Archives Facility (other funds) **(\$100,000)**

The Budget includes a decrease of \$100,000 in RICAP funds in FY2018. The FY2017 Budget as Enacted included \$100,000 in one-time funding for a feasibility study to identify and recommend options for a permanent facility for the Rhode Island State Archives. The study is complete and no further funding for the study is required at this time.

This project funds a feasibility study to identify and recommend options for a permanent facility for the Rhode Island State Archives. Millions of historically significant documents, images, and past records

dating back to 1638 are currently housed in leased office space that is susceptible to severe flooding. The aim of this study is to provide information (type of structure to be built, location, and costs) to seek voter approval of general obligation bond funds in 2018 to construct a new, permanent facility. Architectural and engineering costs of a new facility are also included in this project. The FY2017 Revised Budget includes Rhode Island Capital Plan (RICAP) funding of \$150,000 in FY2017 for the architectural and engineering (A&E) study, reflecting an increase of \$50,000 from the FY2017 Budget as Enacted. The Budget does not include RICAP funding for FY2018.

Analyst Note: Based upon a study by the Rhode Island Foundation, which included partner organizations (Department of State, the Judiciary, and the City of Providence), the archival facility would require 114,287 in square feet. The Department estimates a \$62.3 million project cost, including \$43.0 million for construction, \$5.0 million for land acquisition, \$3.0 million for site development, and \$11.5 million for additional construction and site development costs. Some cost share may occur with partner organizations but those details have not yet been finalized.

Historical Records Trust

Informational

The Budget uses the Historical Records Trust (restricted receipts) to fund certain personnel and operating costs in the State Archives program. The Historical Records Trust account is funded by collecting a \$4 fee per instrument for recording (for example, contracts for sale of land or letters of attorney) from municipalities to assist local governments with preservation of public records in their custody or care. Revenue generated from the Trust helps to fund operating costs in the State Archives program.

	FY2015	FY2016	FY2017	FY2018
Collections	\$466,886	\$379,423	\$415,273	\$414,478
Expenditures	470,308	378,549	415,273	414,478

Source: Office of the Secretary of State

Collections for FY2017 and FY2018 are agency estimates.

ELECTIONS AND CIVICS

The Elections Division promotes voter registration and turnout; maintains the State's central voter registration system; publishes guides and handbooks; explains how to run for office and how to register and vote; and provides descriptions of state referenda questions. The Division is charged with developing, printing, and distributing ballots, including candidate certification. Increases in operating supplies and expenses, primarily printing, postage and postal services, are expected during a general election year. The Budget includes a staffing level of 3.0 FTE positions in both FY2017 and FY2018, consistent with the enacted level.

Elections and Civics	General Revenue
FY2017 Enacted	\$3,377,103
<i>Target and Other Adjustments</i>	-
Election Costs	(1,470,633)
FY2018 Enacted	\$1,906,470

Election Costs

(\$1.5 million)

The Budget decreases general revenue by \$1.5 million for election expenses as compared to the FY2017 Budget as Enacted, because FY2018 is an "off-year" in the general election cycle. These expenses decrease in even-numbered fiscal years when there is no statewide general election; however, there still may be costs incurred for local or special elections. The Budget includes \$25,000 for maintenance and IT support of the electronic poll book (e-Poll book) program.

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 5.0 FTE positions in both FY2017 and FY2018, consistent with the enacted level.

State Library	General Revenue
FY2017 Enacted	\$554,149
<i>Target and Other Adjustments</i>	<i>(19,195)</i>
Personnel	188,431
FY2018 Enacted	\$723,385
Personnel	\$188,431

The Budget adds \$188,431 in general revenue primarily to fill the vacant 1.0 State Librarian position and hire 1.0 Director of State Archives and Library.

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 FY2017 and 4.0 FTE positions in FY2018, reflecting the shift of 1.0 Administrative Assistant from State Archives to the Office of Public Information.

Office of Public Information	General Revenue
FY2017 Enacted	\$484,232
<i>Target and Other Adjustments</i>	<i>(4,392)</i>
Personnel	114,422
Printing	(16,700)
State House Tour Program	10,000
FY2018 Enacted	\$587,562
Personnel	\$114,422

The Budget adds \$114,422 in general revenue reflecting the shift of a 1.0 Administrative Assistant position from the State Archives program to the Office of Public Information program. This move is part of an ongoing consolidation of programs within the Office of the Secretary of State, as well as other personnel target adjustments.

Printing **(\$16,700)**

The Budget decreases general revenue by \$16,700 for printing expenses as compared to the FY2017 Budget as Enacted, because FY2018 is an “off-year” in the general election cycle.

State House Tour Program **\$10,000**

The Budget includes \$10,000 to expand the State House tour program. Currently, tours are free and offered hourly each week day. The additional funds will expand the program and lower the group ratio per guide from 50 people to 25 people per guide. The Office has a Memorandum of Understanding with the Community College of Rhode Island (CCRI) which provides student professionals to run the tour program. These students maintain the tour schedule for groups, conduct tours, and recruit, educate, and train CCRI student volunteers.

Guided state house tours are offered free to the public, hourly, Monday through Friday, and include visits to the Rhode Island Charter Museum, the State Room, the Senate and House Chambers, and the State Library, where visitors can also view exhibits from the State Archives.

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 4.2 FTE positions in both FY2017 and FY2018.

Office of the General Treasurer

Expenditures By Program	FY2016 Actual	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Enacted	Change from Enacted	
General Treasurer	\$10.9	\$3.4	\$3.4	-	-	\$3.3	(\$0.1)	-2.9%
Employees' Retirement System	9.1	9.8	11.3	1.5	15.3%	10.9	1.1	11.2%
Unclaimed Property	27.6	22.3	26.5	4.2	18.8%	26.3	4.0	17.9%
Crime Victim Compensation Program	1.6	2.0	2.2	0.2	10.0%	2.2	0.2	10.0%
Total	\$49.2	\$37.5	\$43.4	\$5.9	15.7%	\$42.7	\$5.2	13.9%
Expenditures By Source								
General Revenue	\$2.3	\$2.7	\$2.7	-	-	\$2.7	-	-
Federal Funds	0.7	0.9	1.1	0.2	22.2%	1.0	0.1	11.1%
Restricted Receipts	37.7	33.3	39.0	5.7	17.1%	38.4	5.1	15.3%
Other Funds	8.5	0.6	0.6	-	-	0.6	-	-
Grand Total	\$49.2	\$37.5	\$43.4	\$5.9	15.7%	\$42.7	\$5.2	13.9%
Authorized FTE Levels	84.0	88.0	87.0	(1.0)	-1.1%	89.0	1.0	1.1%

\$ 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 FY2017 AND FY2018

The Budget includes \$43.4 million in FY2017, of which \$2.7 million is general revenue. This reflects an all fund increase of \$5.9 million from the FY2017 Budget as Enacted. The increase includes \$5.7 million in restricted receipts and an increase of \$152,927 in federal funds.

The Budget for FY2018 includes \$42.7 million, of which \$2.7 million is general revenue. This reflects an all funds increase of \$5.2 million from the FY2017 Budget as Enacted. The increase includes \$5.1 million in restricted receipts and an increase of \$137,456 in federal funds. The Budget provides 87.0 FTE positions in FY2017, a decrease of 1.0 FTE position reflecting the elimination of the 1.0 Director of Member Services position for the CollegeBoundSaver Program. The Budget includes 89.0 FTE positions in FY2018, reflecting the addition of 2.0 Retirement Counselors.

GENERAL TREASURER

The General Treasurer program provides administrative support to the entire agency to ensure operational efficiency and fiscal integrity. The Budget includes 23.2 FTE positions in FY2017 and in FY2018.

General Treasurer	General Revenue
FY2017 Enacted	\$2,507,779
<i>Target and Other Adjustments</i>	<i>8,238</i>
Operating Adjustments	(50,000)
Legal Services	(10,000)
Eliminate Director of Member Services	Informational
FY2018 Enacted	\$2,456,017

Operating Adjustments **(\$50,000)**

The Budget includes \$492,954 in general revenue for operating expenses, a reduction of \$50,000 from the FY2017 Budget as Enacted. The reduction includes \$30,000 in bank analysis charges reflecting the State's improved cash position and enhanced cash management. In addition, there is a \$20,000 reduction in projected computer supplies, software, and equipment.

Legal Services **(\$10,000)**

The Budget includes \$16,000 in general revenue for legal expenses associated with the transition of the CollegeBoundSaver program to the Division of Higher Education Assistance. This is a reduction of \$10,000 from the FY2017 Budget as Enacted.

Eliminate Director of Member Services **Informational**

The FY2017 Budget as Enacted authorized the hiring of a 1.0 Director of Member Services position for the CollegeBoundSaver program to monitor the investments of the fund and manage the program, but did not include funding in the enacted budget for this position.

EMPLOYEES' RETIREMENT SYSTEM

The Employees' Retirement System of Rhode Island (ERSRI) administers retirement, disability, survivor, and death benefits to eligible state employees and public school teachers. Participating municipal employees are covered under the Municipal Employees' Retirement System (MERS). ERSRI also administers the judicial and state police retirement plans, and the Teachers' Survivor Benefit program for teachers who are not covered under Social Security. Personnel and operating expenses of ERSRI are funded through a restricted receipt account pursuant to RIGL 36-8-10.1 for administrative and operating expenses of the retirement system. The Budget includes 48.0 FTE positions in FY2017 and 50.0 FTE positions in FY2018, reflecting the addition of 2.0 Retirement Counselors.

Employees' Retirement System	Other Fund Changes
New Computer System	\$850,000
Personnel	455,976
Contract Services	(153,900)
Operating and Computer Expenses	(28,200)

New Computer System (restricted receipts) **\$850,000**

The Budget increases \$850,000 for information technology consultant services for planned enhancements to the new computer system developed by Morneau Shepell, Ltd. The project involves data conversion from the old system that could not occur until the new system became operational. Also included is an enhanced web portal to assist retirement system members to better manage their accounts by allowing members to view their defined benefit plan, the defined contribution plan, and other retirement plans on one web portal.

Personnel (restricted receipts) **\$455,976**

The Budget increases personnel expenses by \$455,976 within the State Retirement System. The increase is attributable to salary and benefits related to the filling of 2.0 Retirement Counselors at pay grade 325 and a 1.0 Operations Assistant at pay grade 318. The added funding includes \$277,936 for FY2018 planning value based salaries and benefits, \$11,500 for new computers and workspace items, and reflects other statewide medical adjustments.

Contract Services (restricted receipts) **(\$153,900)**

The Budget includes \$3.2 million in restricted receipt expenditures for various contracted professional services, of which the largest expenditure is \$1.9 million for IT systems support for the new computer system. Other contracted services include actuarial services, auditing services related to municipal payroll or any other audits, legal counsel, stenographic services, grounds maintenance, and security services. This

is a \$153,900 decrease from the FY2017 Budget as Enacted, reflecting lower than anticipated costs for these services.

Contract Services	FY2017 Enacted	FY2018 Enacted	Change
Actuary	\$410,000	\$353,200	(\$56,800)
Financial Services	50,000	-	(50,000)
Other Professional Services	98,600	50,000	(48,600)
Legal Services	325,000	295,000	(30,000)
All Other Contract Services	2,493,200	2,524,700	31,500
Total	\$3,376,800	\$3,222,900	(\$153,900)

Operating and Computer Expenses (restricted receipts) (\$28,200)

The Budget includes \$738,100 million for operating and computer equipment expenses in FY2018, a reduction of \$28,200 from the FY2017 Budget as Enacted, reflecting lower projected costs for professional insurance, computer supplies, and software agreements. The reduction is offset by increased costs for computer equipment including, electronic board books to enhance confidential and medical records, postage, and other various adjustments.

Operating and Computer Expenses	FY2017 Enacted	FY2018 Governor	Change
Insurance: Professional & Occupational	\$153,000	\$93,000	(\$60,000)
Computer Supplies/Software and Equipment	52,000	14,000	(38,000)
Computer Equipment	31,500	61,000	29,500
Postage and Postal Services	203,200	222,000	18,800
Software Maintenance Agreements	16,500	-	(16,500)
All Other Operating Expenses	310,100	348,100	38,000
Total	\$766,300	\$738,100	(\$28,200)

UNCLAIMED PROPERTY

The Unclaimed Property program is responsible for collecting abandoned property and acts as custodian for both tangible and intangible property. The mission of the program is to return the abandoned property to its rightful owners. The Budget includes 11.3 FTE positions in FY2017 and in FY2018.

Unclaimed Property	Other Fund Changes
Revenue Collections and Expenditures	\$3,735,342
Contract Services, and Operating	235,000

Revenue Collections and Expenditures (restricted receipts) \$3.7 million

Based on Treasury's May 2017 Revenue Estimating Conferences testimony adjustments were made to 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 \$1.7 million, claim payouts increase \$800,000, and the change in liability (the amount required by general accounting rules that the fund must carry forward to the next fiscal year for claim payouts) increases \$1,235,342, resulting in a net increase of \$3.7 million. [\$800,000 + \$1,235,342 + \$1,700,000 = \$3,735,342].

Contract Services and Operating (restricted receipts) \$235,000

The Budget includes \$593,000 in restricted receipt expenditures for various contracted professional services, including actuarial services, auditing services related to municipal payroll and other audits, legal counsel, stenographic services, grounds maintenance, and security services. This is a \$225,000 increase from the FY2017 Budget as Enacted, which includes \$125,000 for IT System Support for a new computer

system within the program and \$100,000 for auditing services based on the previous year’s activity. The current IT system is an obsolete system that runs legacy technologies that are difficult to secure and maintain. The current system will continue in use as a redundant/back up system for a year. In addition, the Budget adds Audit services are used to identify accumulated unclaimed property at various businesses and financial institutions. The Budget also adds \$10,000 in restricted receipts for operating costs reflecting additional advertising costs for the Unclaimed Property program.

CRIME VICTIMS COMPENSATION PROGRAM

The Crime Victims Compensation program compensates innocent victims of violent crimes for certain expenses that are attributable to the crime. Compensation may be used to cover funeral, medical, and counseling expenses incurred by victims or their family members. The maximum award for each criminal incident is capped at \$25,000. The Budget provides 4.5 FTE positions in FY2017 and in FY2018, consistent with the enacted budget.

Crime Victims Compensation Program	General Revenue
FY2017 Enacted	\$228,452
<i>Target and Other Adjustments</i>	<i>14,223</i>
FY2018 Enacted	\$242,675

Board of Elections

Expenditures By Program	FY2016 Actual	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Enacted	Change from Enacted	
Board of Elections	\$1.7	\$2.0	\$2.1	\$0.1	4.3%	\$1.5	(\$0.4)	-21.9%
Expenditures By Source								
General Revenue	\$1.7	\$2.0	\$2.1	\$0.1	4.3%	\$1.5	(\$0.4)	-21.9%
Authorized FTE Levels	11.0	12.0	12.0	-	-	12.0	-	-

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

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

MAJOR ISSUES AND TRENDS FOR FY2017 AND FY2018

The Budget includes \$2.1 million in FY2017, which is \$85,000 more than appropriated in the FY2017 Budget as Enacted. The Budget adds \$125,050 in operating costs reflecting additional supplies, telecommunication items, and software associated with the new voting equipment purchased by the Secretary of State. Major personnel adjustments include increased turnover savings (\$93,855), medical, and retirement reductions (\$96,026), and increased costs for temporary employees \$65,000.

For FY2018, the Budget includes \$1.5 million for FY2018, which is \$433,972 less than the FY2017 Budget as Enacted. The increase is almost entirely attributable to temporary employees, voting equipment transportation, printing, and postage expenses not required in a non-general election year. The Budget includes 12.0 FTE positions in FY2017 and in FY2018.

Central Management	General Revenue
FY2017 Enacted	\$1,982,707
<i>Target and Other Adjustments</i>	<i>(11,745)</i>
General Election Adjustments	(445,000)
Personnel Adjustments	22,773
FY2018 Enacted	\$1,548,735

General Election Adjustments **(\$445,000)**

The Budget decreases general revenue expenditures by \$445,000 to reflect personnel, purchased services, and operating expenditures for voter operating supplies and expenses not required in a non-General Election year. The decrease includes \$210,000 for seasonal employees who performed election work. The General Election adjustment also includes decreases of \$135,000 to transport the election equipment to and from polling stations, \$70,000 to print election and voter registration-related material, and \$30,000 for postage.

Personnel Adjustments **\$22,773**

The Budget increases general revenue expenditures by \$22,773 to fill all vacant positions in FY2018. Currently, the Board has three full-time positions vacant, 1.0 Executive Director, 1.0 Administrative Assistant, and 1.0 Planning and Program Development Specialist, offset by the elimination of overtime pay in FY2018. Historically, the Board does not incur overtime in non-statewide election years.

Ethics Commission

Expenditures By Program	FY2016 Actual	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Enacted	Change from Enacted	
RI Ethics Commission	\$1.5	\$1.7	\$1.6	(\$0.0)	-1.3%	\$1.7	\$0.0	0.7%
Expenditures By Source								
General Revenue	\$1.5	\$1.7	\$1.6	(\$0.0)	-1.3%	\$1.7	\$0.0	0.7%
Authorized FTE Levels	12.0	12.0	12.0	-	-	12.0	-	-

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

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

MAJOR ISSUES AND TRENDS FOR FY2018

The Budget includes \$1.7 million for FY2018, which provides an increase of \$12,490 (0.7 percent) over the FY2017 Budget as Enacted. This includes a net increase of \$4,363 for personnel costs reflecting various salary and statewide benefit adjustments. The Budget also includes an increase of \$4,726 (\$15,000 to \$19,726) for contracted legal services, and an increase of \$3,126 in operating costs, of which \$1,026 reflects an increase in rent cost.

The Budget includes 12.0 FTE positions in FY2017 and FY2018, 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 \$102,500.

RI Ethics Commission	General Revenue
FY2017 Enacted	\$1,653,383
<i>Target and Other Adjustments</i>	<i>12,490</i>
FY2018 Enacted	\$1,665,873

Office of the Governor

Expenditures By Program	FY2016 Actual	FY2017 Enacted	FY2017 Revised	Change from Enacted	FY2018 Enacted	Change from Enacted
Governor	\$4.8	\$5.1	\$5.1	(\$0.0) -0.3%	\$5.4	\$0.3 6.0%
Expenditures By Source						
General Revenue	\$4.8	\$5.1	\$5.1	(\$0.0) -0.3%	\$5.4	\$0.3 6.0%
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 FY2018

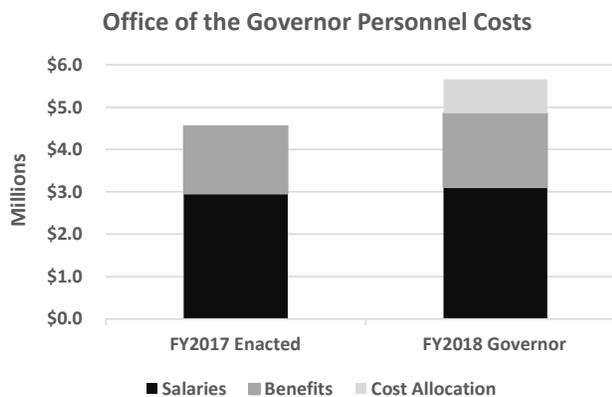
In FY2018, the budget for the Office of the Governor is \$5.4 million in general revenue. The majority of this funding (90.1 percent) supports personnel costs. The Budget includes 45.0 FTE positions in both FY2017 and FY2018, consistent with the enacted budget.

Governor	General Revenue
FY2017 Enacted	\$5,091,069
<i>Target and Other Adjustments</i>	<i>(4,202)</i>
Personnel	1,105,252
Interdepartmental Cost Allocations	(794,565)
FY2018 Enacted	\$5,397,554

Personnel

\$1.1 million

The Budget adds \$1.1 million in general revenue to cover personnel expenses for 45.0 FTE positions within the Office of the Governor. This reflects the addition of \$310,688 to cover the salary and benefit costs for 3.0 FTE positions transferred into the Office of the Governor from other State agencies, and to replace a \$4,203 net reduction incurred through various statewide benefit adjustments. The positions are: 1.0 Health Program Administrator from the Executive Office of Health and Human Services; 1.0 Interdepartmental Project Manager from the Department of Children, Youth, and Families; and, 1.0 Executive Counsel transferred from the Executive Office of Commerce. The three positions are filling existing vacancies. As of June 29, 2017, the Office of the Governor has 1.0 FTE position vacant.



Salaries for the 45.0 FTE positions in Governor's Office for FY2018 totals \$3.9 million, but the Budget only includes an appropriation of \$3.1 million. The difference will be covered by cost allocating a portion of costs for 11.0 FTE positions to other state agencies in FY2018.

Interdepartmental Cost Allocation**(\$794,565)**

The Budget allocates \$794,564 of personnel costs to be charged against nine state agencies. These cost allocations reflect Governor's Office staff support to assist the state agencies on various policy and program initiatives such as Real Jobs RI, RhodeWorks, Reinventing Medicaid, Justice Reinvestment Initiative, etc., effectively reducing the need to appropriate funds within the Governor's Office to cover these salary expenses. By including the \$794,564 cost allocation, the Budget maintains a year-over-year budget increase of 6.0 percent. However, if the Budget were to add the \$794,564 as a direct appropriation to the Governor's Office budget, the year-over-year increase would be 21.8 percent.

The following table illustrates the FTE cost allocation to the affected state agencies.

Position	Cost Allocation	Agency	FY2018 Cost
Policy Analyst	100%	Transportation	\$91,923
Policy Analyst	50%	Public Safety	46,508
Policy Analyst	100%	Labor and Training	-
Deputy Chief of Staff	50%	Administration	118,083
Deputy Chief of Staff	50%	EOHHS	118,176
Deputy Chief of Staff	50%	Education	110,613
Education Policy Analyst	50%	Post Secondary Education	55,003
Special Assistant	50%	Administration	36,502
Policy Director	50%	EOHHS	69,831
Special Counsel	50%	Commerce	98,617
Special Counsel	25%	Public Safety	49,309
Total			\$794,565

Rhode Island Commission for Human Rights

Expenditures By Program	FY2016 Actual	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Enacted	Change from Enacted	
Commission for Human Rights	\$1,521,437	\$1,581,423	\$1,646,008	\$64,585	4.1%	\$1,690,102	\$108,679	6.9%
Expenditures By Source								
General Revenue	\$1,242,374	\$1,258,128	\$1,247,603	(\$10,525)	-0.8%	\$1,258,074	(\$54)	0.0%
Federal Funds	279,063	323,295	398,405	75,110	23.2%	432,028	108,733	33.6%
Total	\$1,521,437	\$1,581,423	\$1,646,008	\$64,585	4.1%	\$1,690,102	\$108,679	6.9%
Authorized FTE Levels	14.5	14.5	14.5	-	-	14.5	-	-

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

The Commission is reimbursed \$700 for each co-filed employment case processed pursuant to its work-sharing agreement with the federal Equal Employment Opportunities Commission (EEOC), and between \$1,400 and \$3,100 for each co-filed housing case processed pursuant to its contract with the federal Department of Housing and Urban Development (HUD). Annual federal receipts are used to estimate the following federal fiscal year appropriation to the Commission. When the Commission processes fewer EEOC or HUD cases, the Commission receives a lower federal reimbursement, resulting in the need to appropriate additional general revenues to cover the annual operation of the Commission.

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

MAJOR ISSUES AND TRENDS FOR FY2018

The Budget includes 14.5 FTE positions in FY2017 and in FY2018, consistent with the enacted level. In addition, general revenue personnel costs includes a net increase of \$7,855, reflecting unanticipated personnel costs related to agency-wide pay grade increases awarded in June 2016, offset by projected turnover of \$22,986.

During FY2016, it took the Commission an average of 331 days to process a case to final disposition, 31 days longer than those processed during FY2015 and 23 days longer than those processed during FY2014.

Commission for Human Rights	General Revenue
FY2017 Enacted	\$1,258,128
<i>Target and Other Adjustments</i>	<i>(54)</i>
FY2018 Enacted	\$1,258,074

Public Utilities Commission

Expenditures By Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Public Utilities Commission	\$7.3	\$8.9	\$9.0	\$0.1	1.1%	\$9.1	\$0.2	2.2%
Expenditures By Source								
Federal Funds	\$0.1	\$0.1	\$0.1	-	-	\$0.1	-	-
Restricted Receipts	7.2	8.8	8.9	0.1	1.1%	9.0	0.2	9.0%
Grand Total	\$7.3	\$8.9	\$9.0	\$0.1	1.1%	\$9.1	\$0.2	2.2%
Authorized FTE Levels	50.0	51.0	51.0	-	-	51.0	-	-

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

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

MAJOR ISSUES AND TRENDS FOR FY2017 AND FY2018

The FY2017 Revised Budget provides a total operating budget of \$9.0 million, including \$8.9 million in restricted receipts, and \$128,000 in federal funds. The appropriation represents an increase of \$123,818 (1.1 percent) over the FY2017 Budget as Enacted. The single largest increase is \$209,000 in restricted receipts reflecting increased financial service expenses related to two Energy Facilities Siting Board activities (the Ivenergy project in Burrillville and the Aquidneck Island Reliability project). The agency does not receive any general revenue funding, the costs are a pass-through expenditure and are paid by the applicants (utility developers) of the proposed utility pursuant to RIGL 42-98-17.

The FY2018 Budget provides a total operating budget of \$9.1 million, including \$9.0 million in restricted receipts and \$129,225 in federal funds. The appropriation represents an all fund increase of \$209,370 (2.2 percent) over the FY2017 Budget as Enacted, and reflects an increase of \$181,814 in restricted receipts and \$24,556 in federal funds. The Budget provides a staffing level of 51.0 FTE positions in FY2017 and in FY2018, consistent with the FY2017 Budget as Enacted.

Article 1, Section 21 requires the Public Utilities Commission to pay an annual rent of \$333,420 for the office building at 89 Jefferson Boulevard in the City of Warwick, reflecting an increase of \$160,380 to the annual rent. The Commission will cover the increased rent via the annual utility assessments. The Commission has paid an annual rent of \$173,040 since moving into the structure.

CAPITAL PROJECTS

The 5-year capital plan includes ongoing asset protection projects of the state-owned facility at 89 Jefferson Boulevard in the City of Warwick that include replacing the elevator, windows, roof membrane, installing handicap railings and ramp, and resurfacing the parking lot. The Budget includes \$80,000 in FY2017 and \$70,000 in FY2018.

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	FY2016 Actual	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Enacted	Change from Enacted	
Central Management	\$0.7	\$1.2	\$1.0	(\$0.2)	-20.4%	\$1.1	(\$0.1)	-5.1%
Commerce Programs	-	5.0	3.5	(1.5)	-30.0%	1.3	(3.7)	-74.0%
Economic Development Initiatives Fund	43.0	36.9	37.7	0.8	2.2%	17.8	(19.1)	-51.8%
Housing and Community Development	13.3	23.2	23.6	0.5	2.0%	23.3	0.1	0.5%
Quasi-Public Appropriations	16.4	13.2	12.8	(0.4)	-3.1%	15.1	1.9	14.6%
Total	\$73.4	\$79.4	\$78.5	(\$0.9)	-1.1%	\$58.6	(\$20.8)	-26.2%

Expenditures by Source	FY2016 Actual	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Enacted	Change from Enacted	
General Revenue	\$60.5	\$55.6	\$54.7	(\$0.8)	-1.5%	\$33.1	(\$22.5)	-40.5%
Federal Funds	10.0	17.8	18.3	0.5	2.7%	17.9	0.1	0.6%
Restricted Receipts	2.7	4.8	4.8	-	0.0%	4.7	(0.0)	0.0%
Other Funds	0.3	1.3	0.8	(0.5)	-39.6%	2.9	1.6	123.1%
Total	\$73.4	\$79.4	\$78.5	(\$0.9)	-1.1%	\$58.6	(\$20.8)	-26.2%

Authorized FTE Levels 16.0 16.0 16.0 0.0 0.0% 17.0 1.0 6.3%
 \$ in millions. Totals may vary due to rounding.

The Executive Office of Commerce was established pursuant to RIGL 42-64.19 to be the principal agency of the executive branch of State government for managing the promotion of commerce and the economy in the State. The Secretary of Commerce oversees the Executive Office of Commerce. The Secretary is charged with coordinating a cohesive direction of the State's economic development activities and be the State's lead agency for economic development throughout Rhode Island.

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

Analyst Note: The enabling statute requires the Executive Office of Commerce to assume the operating functions of the Department of Business Regulation. However, the Governor has interpreted this to only mean that the Director of the Department of Business Regulation reports to the Secretary of Commerce, and not that the Executive Office of Commerce is to administer the budget and operations of the Department.

MAJOR ISSUES AND TRENDS FOR FY2018

The Budget appropriates \$58.6 million to fund the economic development initiatives and operations of Executive Office of Commerce and the Rhode Island Commerce Corporation. Just over half of this, or \$33.1 million, comes from general revenue, a 40.5 percent decrease (\$22.5 million) from FY2017 enacted levels. The Budget includes 16.0 FTE positions in FY2017 and in 17.0 in FY2018

Article 19 of the FY2016 Budget as Enacted established numerous new economic development incentives for spurring investment in new capital, improving the workforce, critical industry sectors, and innovation research. FY2016 appropriations supporting these incentives totaled \$47.2 million. Total general revenue appropriations through FY2018 inclusive of FY2016 enacted levels totals \$104.0 million, an increase of 144.0 percent. The following table shows the total appropriations, awards, and remaining balances for each of the incentives:

Incentive	FY2016	FY2017	FY2017	FY2018	Total		Balance
	Enacted	Enacted	Revised	Enacted	Appropriations	Awarded ¹	
Rebuild RI	\$1.0	\$25.0	\$25.0	\$12.5	\$38.5	\$68.8	(\$30.3)
I-195 Redevelopment fund	25.0	-	-	2.0	27.0	19.5	7.5
First Wave Closing Fund	5.0	7.0	8.5	1.8	15.3	1.9	13.4
Small Business Assistance Fund	5.5	-	-	-	5.5	5.4	0.0
Wavemaker Fellowship	1.7	3.5	2.0	0.8	4.5	0.8	3.7
Innovation Vouchers	1.0	1.5	1.5	1.0	3.5	1.8	1.7
Innovation Matching Grants	1.0	1.0	1.0	0.0	2.0	0.4	1.6
P-TECH	-	1.2	1.2	0.0	1.2	1.3	(0.1)
Main Street RI Streetscape Improvement Fund	1.0	1.0	1.0	0.5	2.5	1.0	1.5
Air Service Development Fund	-	1.5	1.5	0.5	2.0	-	2.0
Anchor institution Tax Credit	0.8	0.7	-	-	0.8	-	0.8
Industry Cluster Fund/Competitive Cluster Fund	0.8	0.5	0.5	-	1.3	1.0	0.3
Qualified Jobs Tax Incentive	-	-	-	-	-	30.7	-
Sales and Use Tax Exemption Incentive	-	-	-	-	-	3.4	-
Tax Increment Financing	-	-	-	-	-	11.4	-
Tax Stabilization Incentive	-	-	-	-	-	0.2	-
Total	\$42.7	\$42.9	\$42.2	\$19.1	\$104.0	\$147.6	\$2.1

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

¹ Total Awards through June, 2017. Fiscal Impact of certain tax credit awards extend out to 2022.

Article 2 authorizes a \$250,000 “pass-through” appropriation to the Polaris Manufacturing Technical Assistance Program to help upgrade the skills of the manufacturing workforce.

Lastly, the Executive Office of Commerce has occupied a suite of offices in the State House since its establishment in 2015. As the work of the EOC has increased, the space has become too small to accommodate the demands of the office. The State approved a lease agreement request made by the EOC for rental office space in the ALCO Building in Providence. The EOC relocated to the new space in June 2017, and is now collocated with the Commerce Corporation.

CENTRAL MANAGEMENT

The Central Management program is responsible for supervising, coordinating, and monitoring all departmental functions. The Central Management program provides leadership, management, and strategic planning activities. The Budget includes 5.3 FTE positions in FY2017 and in FY2018.

Central Management	General Revenue
FY2017 Enacted	\$1,200,198
<i>Target and Other Adjustments</i>	<i>(14,434)</i>
Personnel	(116,906)
Lease of Office Space for Executive Office	69,316
FY2018 Enacted	\$1,138,174

Personnel **(\$116,906)**

The Budget reduces salaries and benefits within the Executive Office of Commerce by \$116,906 in FY2018. The reduction reflects the defunding of the EOC’s Deputy Secretary position, partially offset by other adjustments. The position has not been filled since December 2016. The authorized FTE remains.

Lease of Office Space for Executive Office **\$69,316**

The Budget includes \$69,316 in general revenue to pay to lease new office space for the Executive Office of Commerce. Since its establishment in FY2015, the EOC has occupied a suite of offices in the State House. As the programming, responsibilities, and staff of the EOC have increased, the space became too small to accommodate the demands of the office.

In December 2016, the State Properties Committee approved a lease agreement request made by the EOC for rental office space in the ALCO Building #58 in Providence. EOC now occupies Suite 203 which consists of 2,983 square feet of space. The Commerce Corporation is currently located next door at 315

Iron Horse Way. This co-location with the Commerce Corporation will better align their activities and gain operational efficiencies. EOC completed its relocation to the new space in June 2017.

COMMERCE PROGRAMS

The Budget provides \$1.3 million of general revenue in FY2018 to support an array of Commerce Programs primarily focused on developing and retaining workforce talent with skills in the areas of science, technology, engineering, and math. Funds within Commerce Programs continue to be used to attract new airline routes. The funding recommendation is \$3.7 million less than what was appropriated in the FY2017 Budget as Enacted.

Commerce Programs	General Revenue
FY2017 Enacted	\$5,000,000
<i>Target and Other Adjustments</i>	
Wavemaker Fellowship	(2,700,000)
Air Service Development	(1,000,000)
FY2018 Enacted	\$1,300,000

Wavemaker Fellowship

(\$2.7 million)

The Budget includes \$800,000 in general revenue in FY2018 and \$2.0 million in FY2017 to fund the Wavemaker Fellowship Program. These appropriations are \$2.7 million and \$1.5 million less, respectively, than the FY2017 enacted level of \$3.5 million. The reductions are meant to better align the amount of available funds each year to the demand for fellowships. There have been 208 fellowships awarded to date. Commerce is interested in awarding the same number of fellowships in each of the next two fiscal years (645 total through FY2019).

Budget	Appropriation	Awarded	Balance	Percent Awarded	Obligated	Percent Obligated	Expended	Percent Expended
2016 Enacted	\$1,700,000	\$788,051	\$911,949	46.4%	\$788,051	46.4%	\$0.0	0.0%
2017 Enacted	3,500,000	-	-	-	-	-	-	-
2017 Revised	2,000,000	-	2,911,949	21.3%	\$788,051	21.3%	-	-
2018 Enacted	800,000	-	3,711,949	17.5%	\$788,051	17.5%	-	-
Total	\$4,500,000	\$788,051	\$3,711,949	17.5%	\$788,051	17.5%	\$0.0	0.0%

The Wavemaker Fellowship is a competitive student loan reimbursement for college and university graduates who take employment in science, technology, engineering, and mathematics (STEM) fields in Rhode Island. The program provides Wavemaker Fellows with refundable personal income tax credits that can be used to offset their annual student loan payments for up to 4 years. The amount of the tax credit depends upon the degree earned by the taxpayer, i.e. \$1,000 for an associate degree up to \$6,000 for a graduate or post-graduate degree.

Wavemaker Fellows by Degree Sought

Associate's	Bachelor's	or Ph.D.	Total
4	110	94	208

The following table shows the planned expenditures through FY2019 based on the Governor's recommended funding levels. For planning purposes the EOC expects a cohort of 215 new fellows in both FY2018 and FY2019. Each cohort has an associated annual cost of \$800,000. Note that \$115,000 in administrative overhead (\$105,000 for salaries/benefits, \$10,000 other admin. costs) is assessed against the program by the Department.

Revenues	FY2016	FY2017 ²	FY2018	FY2019 ¹	Total
Balance Forward	-	\$1,585,000	\$3,470,000	\$2,555,000	\$7,610,000
Budget	1,700,000	2,000,000	800,000	1,600,000	6,100,000
Total Available	\$1,700,000	\$3,585,000	\$4,270,000	\$4,155,000	13,710,000
Expenditures					
Cohort 1 ³	-	-	800,000	800,000	1,600,000
Cohort 2	-	-	800,000	800,000	1,600,000
Cohort 3	-	-	-	800,000	800,000
Overhead	115,000	115,000	115,000	115,000	460,000
Total Expenditures	\$115,000	\$115,000	\$1,715,000	\$2,515,000	\$4,460,000
Balance	\$1,585,000	\$3,470,000	\$2,555,000	\$1,640,000	\$9,250,000

¹ FY2019 figures are planning amounts. Source: EOC.

² The Revised FY2017 Budget is \$1.5 million less than the FY2017 Budget as Enacted. The FY2018 Enacted Budget is \$800,000.

³ Each Cohort is estimated to be comprised of 215 fellows, resulting in 645 in total. As of June 30, 2017, Cohort 1 had 208 fellows.

Air Service Development

(\$1.0 million)

The Budget includes a \$1.0 million reduction in the Air Service Development Fund as compared to the FY2017 Budget as Enacted. According to the Executive Office of Commerce, it has become common practice in the industry to provide a revenue backstop to an airline that is implementing a new route, providing a limited amount of money to compensate the airline for losses incurred if the new route is not profitable. The Executive Office of Commerce believes T.F. Green Airport is well-positioned to capitalize on the airline industry trend to add new air routes.

Air Services Development Fund								
Budget	Appropriation	Awarded	Balance	Percent Awarded	Obligated	Percent Obligated	Expended	Percent Expended
2016 Enacted	\$0.0	\$0.0	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%
2017 Enacted	1,500,000	-	-	-	-	-	-	-
2017 Revised	1,500,000	-	1,500,000	-	-	-	-	-
2018 Enacted	500,000	-	2,000,000	-	-	-	-	-
Total	\$2,000,000	\$0.0	\$2,000,000	0.0%	\$0.0	0.0%	\$0.0	0.0%

The Air Service Development Fund will provide loss protection to an airline for new, high-priority routes, minimizing downside risk for the airline and giving Rhode Island a competitive edge against other airports. If a route is profitable, no money from the Fund will be paid to the airline. FAA regulations prohibit the Rhode Island Airport Corporation (and all airports) from providing these incentives, but there is no restriction on the State from providing this incentive.

Each decision to backstop a route will be made after a confidential cost/benefit analysis. The introduction of each new high priority route to T.F. Green Airport is designed to lead to a greater influx of both business and leisure travelers, and the creation of dozens of direct, indirect, and induced jobs for Rhode Island. The Executive Office of Commerce estimates the program would have an economic impact of \$5.0 to \$6.0 million in Rhode Island. Similar programs have gained traction across the country, and airlines are now receiving similar community and state support in Pittsburgh, Hartford, Baltimore, and Bozeman, Montana.

ECONOMIC DEVELOPMENT INITIATIVES

The Budget provides \$17.8 million in general revenue in FY2018 to support various incentives, business assistance, and development programs designed to create and expand businesses. The funding is \$19.1

million less than what was appropriated in the FY2017 Budget as Enacted and \$16.1 million less than the Governor originally recommended.

Economic Development Initiatives Fund	General Revenue
FY2017 Enacted	\$36,900,000
<i>Target and Other Adjustments</i>	
Rebuild RI	(12,500,000)
First Wave Closing Fund	(5,200,000)
I-195 Redevelopment Fund	2,000,000
P-TECH	(1,200,000)
Anchor Institution Tax Credit	(700,000)
Innovation Vouchers	(500,000)
Competitive Cluster Grants	(500,000)
Main Street RI Streetscape	(500,000)
FY2018 Enacted	\$17,800,000

Rebuild RI **(\$12.5 million)**

The Budget includes \$12.5 million in general revenue for the Rebuild Rhode Island Tax Credit (Rebuild RI) program, a decrease of \$12.5 million from the FY2017 Budget as Enacted. The Rebuild Rhode Island Tax Credit is a tax credit administered by the Commerce Corporation and is intended to promote investment in real estate development for commercial and/or residential use. The Rebuild RI program allows the Secretary of Commerce to issue a tax credit up to \$15.0 million based on the lesser of 30.0 percent of the project cost or the amount needed to close demonstrated financing gaps. Tax credits are issued once a certificate of occupancy has been obtained. If the amount of credit exceeds the taxpayers' liability in each year, the credit may be carried forward up to four years or until the full credit is used (whichever occurs first). Credits may be used against the following taxes: business corporations, financial institutions, insurance companies, public service corporations, and personal income taxes. Any use against sales and use taxes may be permitted at the discretion of the Secretary of Commerce. Prior to assignment of the credit, the State will have the right to redeem (purchase) the credits at 90.0 percent of the credit value.

Budget	Appropriation	Awarded	Balance	Percent Awarded	Obligated	Percent Obligated	Expended	Percent Expended
2016 Enacted	\$1,000,000	\$48,018,655	(\$47,018,655)	4801.9%	\$48,018,655	4801.9%	\$0.0	0.0%
2017 Enacted	25,000,000	-	-	-	-	-	-	-
2017 Revised	25,000,000	20,788,790	(42,807,445)	264.6%	20,788,790	264.6%	-	-
2018 Enacted	12,500,000	-	(30,307,445)	178.7%	-	178.7%	-	-
Total	\$38,500,000	\$68,807,445	(\$30,307,445)	178.7%	\$68,807,445	178.7%	\$0.0	0.0%

A restricted receipt account was established (the Rebuild RI Fund) that is funded by general revenue appropriations. On an annual basis, the Commerce Corporation works with the Executive Office of Commerce, the Department of Administration, and the Division of Taxation to determine the availability of funds for the award of new tax credits. Each year, the Director of Revenue requests the amounts necessary to pay for the redemption of tax credits.

The FY2017 Budget as Enacted added several provisions to the Rebuild RI fund that provide fiscal stability in preparing future State Budgets, enhance transparency, authorize additional land areas and finance options to provide more flexibility to developers, and authorizes the use of these funds to reimburse municipalities. These provisions include:

- Establishing a cap not to exceed \$150.0 million as the aggregate sum for the Rebuild RI tax credits to provide stability in planning future State Budgets for the redeemed tax credits. The sunset provision is maintained for December 31, 2018. No credits will be authorized after this date.

- Allowing the use of the Rebuild RI tax credits no more than once per year for a project undertaken by a tenant or commercial condominium owner for the development of land and building within I-195 Redevelopment District. In addition, a qualified development project by a tenant or commercial condominium owner on I-195 Redevelopment District land may be exempt from the provision that the maximum Rebuild RI credit be the lesser of 30.0 percent of the total project cost or the amount needed to close a project gap financing.
- Requiring the Director of the Office of Management and Budget to provide written confirmation in notifying the Rhode Island Commerce Corporation Board on the impact that each proposed project will have on the aggregated authorized program tax credit limit.
- Allowing the Commerce Corporation to use the Rebuild RI funds to make loans or equity investments as an alternative incentive in lieu of the tax credits, as long as the applicant otherwise qualifies for the Rebuild RI tax credits.

During the original round of Rebuild RI applications, CommerceRI indicated that the corporation has received an overwhelming response, including 30 proposals for over \$100 million in credits. The proposals spanned commercial, mixed, and residential uses and included projects of high priority to the State's economy. RebuildRI was originally-contemplated to receive \$30.0 million per year for 5 years. This was estimated to provide \$150.0 million in State capital to match approximately \$600.0 million in private capital and spur approximately \$750.0 million in construction activity. As of the June 30, 2017, the Commerce Corporation has approved twenty-three projects for \$68.8 million in maximum Rebuild RI tax credits. The developers, credit amounts, and total project costs are illustrated in the following table:

Recipient	Year Approved	Maximum Credit
93 Cranston, LLC	2016	\$2.7
John M. Corcoran & Co., Inc.	2016	5.6
Case Mead Association	2016	1.6
WinnDevelopment & Omni Development	2016	3.7
Providence Capital III, LLC	2016	3.0
78 Fountain JV Owner, LLC Nordblom Develop. & Cornish Assoc.	2016	6.1
AT Cross Company	2016	0.4
Union Mills, LLC	2016	3.6
D'Ambra Warwick Hotel, LLC	2016	1.4
Ocean State Jobbers, Inc.	2016	3.1
Finlay Extracts & Ingredients USA	2016	0.3
Lippit Mill	2016	2.1
45 Pike Street	2016	2.5
Hope Artiste	2016	3.6
City of Newport	2016	2.1
Chestnut Commons	2016	3.0
Virgin Pulse	2016	3.2
Downcity	2017	7.3
Bristol Belvedere	2017	1.0
Agoda	2017	1.0
Residence Inn	2017	0.1
River House	2017	8.4
The Edge	2017	3.0
Total		\$68.8

\$ in millions

First Wave Closing Fund**(\$5.2 million)**

The Budget includes \$1.8 million in new financing for the First Wave Closing Fund in FY2018, representing a \$5.2 million decrease from the FY2017 Budget as Enacted. The Budget provides \$1.5 million in additional general revenue in the FY2017 Revised Budget.

Budget	Appropriation	Awarded	Balance	Percent Awarded	Obligated	Percent Obligated	Expended	Percent Expended
2016 Enacted	\$5,000,000	\$850,000	\$4,150,000	17.0%	\$850,000.0	17.0%	\$0.0	0.0%
2017 Enacted	7,000,000	-	-	-	-	-	-	-
2017 Revised	8,500,000	1,047,500	\$11,602,500	14.1%	\$1,897,500	14.1%	-	-
2018 Enacted	1,800,000	-	\$13,402,500	12.4%	\$1,897,500	12.4%	-	-
Total	\$15,300,000	\$1,897,500	\$13,402,500	12.4%	\$1,897,500	12.4%	\$0.0	0.0%

This Fund is intended to support economic development by providing “gap financing” for certain types of projects. Gap financing is that portion of a project’s cost that remains to be financed after all other sources of capital have been considered or the amount that the State may invest in a project to gain a competitive advantage over another state. The table to the right shows the recipients to date of First Wave Closing Fund financing.

Recipient	Date Awarded	Award
AT Cross Company	2016	\$200,000
GE Digital	2016	650,000
Johnson & Johnson	2017	250,000
Emoney	2017	97,500
One Ship Street	2017	700,000
Total		\$1,897,500

I-195 Redevelopment Fund**\$2.0 million**

The Budget includes \$2.0 million of general revenue funding for the I-195 Redevelopment Fund in FY2018, \$23.0 million less than the Executive Office of Commerce originally requested and \$8.1 million less than the Governor proposed.

Budget	Appropriation	Awarded	Balance	Percent Awarded	Obligated	Percent Obligated	Expended	Percent Expended
2016 Enacted	\$25,000,000	\$0.0	\$25,000,000	0.0%	\$0.0	0.0%	\$0.0	0.0%
2017 Enacted	-	-	-	-	-	-	-	-
2017 Revised	-	19,500,000	5,500,000	78.0%	19,500,000	78.0%	-	-
2018 Enacted	2,000,000	-	7,500,000	72.2%	-	72.2%	-	-
Total	\$27,000,000	\$19,500,000	\$7,500,000	72.2%	\$19,500,000	72.2%	\$0.0	0.0%

The I-195 Redevelopment Fund received a \$25.0 million appropriation in FY2016 that was intended to be a one-time capitalization of the fund to serve as a catalyst for real estate development on the former highway land to be used to:

- Provide gap financing on real estate projects within the district.
- Acquire adjacent (abutting parcels) or land nearby the I-195 District owned land but not an abutting parcel. This includes areas around the Garrahy Courthouse Garage and the South Street Landing project, or further away from the District. The I-195 Redevelopment Commission oversees 20 acres of developable space.
- Finance public infrastructure and facilities that will enhance the District.

Through the second quarter of FY2017, the fund balance was \$25.0 million and no land sales have closed, although there are several deals in the pipeline being negotiated. Through July, 2017, the I-195 Redevelopment Commission has committed \$19.5 million from the fund to support the Wexford Science and Technology and CV Properties partnership development of a life sciences and research and development complex. Including the recommended funding, the I-195 Redevelopment Fund will have \$15.6 million of unencumbered funds in FY2018.

P-TECH**(\$1.2 million)**

The Budget does not provide additional funding for the State's P-TECH program in FY2018 and amounts to a reduction of \$1.2 million as compared to the FY2017 Budget as Enacted. P-TECH received general revenue funds for the first time in the FY2017 Budget as Enacted, which the Revised FY2017 Budget preserves.

Budget	Appropriation	Awarded	Balance	Percent Awarded	Obligated	Percent Obligated	Expended	Percent Expended
2016 Enacted	-	\$1,000,000	(\$1,000,000)	-	\$900,000	-	\$100,000	-
2017 Enacted	1,200,000	-	-	-	-	-	-	-
2017 Revised	1,200,000	250,000	(50,000)	104.2%	25,000	-	225,000	-
2018 Enacted	-	-	(50,000)	104.2%	-	-	-	-
Total	1,200,000	\$1,250,000	(\$50,000)	104.2%	\$925,000	77.1%	\$325,000	27.1%

The P-TECH initiative enlists a major employer to work with a local high school and community college to create a pipeline of talent. The employer helps craft a curriculum that gives students internships and, at the end of five or six years, a high school diploma, associate's degree, and potentially a job. The funding is used to hire staff and to manage the program at select Rhode Island high schools.

P-TECH is a nationally recognized program active in over 30 high schools based on partnerships among local high schools, community colleges, and companies. Students enroll in 9th grade and as they progress, take college-level courses, work in company-sponsored internships, and benefit from the mentorship of company employees. They graduate with a high school diploma, associate's degree, and opportunity for a career at partner companies. P-TECH creates opportunity for students and a steady stream of talented, trained workers for businesses.

Existing funding supports the initial three P-TECH partnerships that began in January 2016, two more recent awards that will formally begin in the Fall of 2017, and one new partnership to be determined and awarded in FY2018. The current P-TECH partnerships are:

Recipient	Date Approved	Amount Approved
Newport Public Schools	2016	\$200,000
Providence Public Schools	2016	200,000
Westerly Public Schools	2016	200,000
North Providence Public Schools	2016	200,000
Woonsocket Public Schools	2016	200,000
Davies High School	2017	200,000
Community College of RI	2017	50,000
Total		\$1,250,000

As part of the P-TECH program, the Commerce Corporation intends to hire at least 1.0 FTE position at the vice principal level in each high school and work in each school to support the P-TECH program

Anchor Institution Tax Credit**(\$700,000)**

The Budget eliminates funding for the Anchor Institution Tax Credit in FY2018 and in FY2017.

Budget	Appropriation	Awarded	Balance	Percent Awarded	Obligated	Percent Obligated	Expended	Percent Expended
2016 Enacted	\$750,000	\$0.0	\$750,000	0.0%	\$0.0	0.0%	\$0.0	0.0%
2017 Enacted	700,000	-	700,000	-	-	-	-	-
2017 Revised	-	-	-	-	-	-	-	-
2018 Enacted	-	-	-	-	-	-	-	-
Total	750,000	\$0.0	\$750,000	0.0%	\$0.0	0.0%	\$0.0	0.0%

The Anchor Institution Tax Credit program was designed to entice businesses that supply component goods or services to 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 amount available, 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.

Innovation Vouchers**(\$500,000)**

The Budget provides \$1.0 million in general revenue funding for the Innovation Voucher initiative in FY2018, representing \$500,000 less than the FY2017 Budget as Enacted level. The program provides financial assistance to small businesses (under 500 employees) for research and development technical assistance. Awards can range from \$5,000 to \$50,000. Vouchers may be used to pay for: research and technological development; product development; commercialization; market development; technology exploration; and improved business practices/strategies that grow business and create operational efficiencies.

Budget	Appropriation	Awarded	Balance	Percent Awarded	Obligated	Percent Obligated	Expended	Percent Expended
2016 Enacted	\$1,000,000	\$825,133	\$174,867	82.5%	\$518,968	51.9%	\$306,165	30.6%
2017 Enacted	1,500,000	-	-	-	-	-	-	-
2017 Revised	1,500,000	1,022,300	652,567	68.2%	1,506,795	60.3%	340,638	13.6%
2018 Enacted	1,000,000	-	1,652,567	52.8%	1,506,795	43.1%	340,638	9.7%
Total	3,500,000	\$1,847,433	\$1,652,567	52.8%	\$1,506,795	43.1%	340,638	9.7%

Article 2 of the Budget expands and refines the incentive program by creating a distinct category of small business manufacturer (as defined for property tax exemption purposes under RIGL 44-3-3) to which the Commerce Corp. may issue vouchers. The \$1.0 million in additional funding is recommended to be used for vouchers issued to manufacturers.

A total of 38 companies have received approval from the Commerce Corporation for Innovation Vouchers totaling \$1.8 million. The approved companies and voucher amounts include the following:

Recipient	Year Approved	Amount	Recipient	Year Approved	Amount
Agcore Technologies, LLC	2016	\$50,000	FS Maritime	2017	50,000
Applied Radar, Inc.	2016	10,000	Siren Marine	2017	50,000
CBC, LLC	2016	50,000	X-Mark Labs	2017	46,302
EpiVax, Inc.	2016	100,000	Phoenix Medical Technologies	2017	50,000
Full Measure, LLC	2016	92,682	Prisere	2017	50,000
HMSolution, Inc.	2016	20,000	T-Time Productions	2017	30,000
Materials Science Associates, LLC	2016	50,000	Medley Genomics	2017	50,000
Pilgrim Screw Corporation	2016	49,921	NanoDe	2017	50,000
S2S Surgical, LLC	2016	37,613	Vacuum Processing Systems	2017	50,000
Vitae Industries, Inc.	2016	40,000	Pet Tech	2017	50,000
Yushin America, Inc.	2016	45,549	BluSource Energy	2017	50,000
Aquanis LLC	2016	50,000	Sproutel	2017	50,000
MindImmune Therapeutics, Inc.	2016	50,000	Prometheus	2017	50,000
Nanosoft, LLC	2016	49,814	Desmark	2017	49,896
PowerDocks, LLC	2016	29,554	Core Mechanics	2017	50,000
Pro Thera Biologics, Inc.	2016	50,000	Navatek	2017	50,000
Videology Imaging Solutions, Inc.	2016	50,000	Cooley Group	2017	50,000
Ocean State Research Institute	2017	46,302	Rite Solutions	2017	50,000
Rhode Island School of Design	2017	50,000	Tech Against Assault	2017	49,800
Total					\$1,847,433

Competitive Cluster Grants**(\$500,000)**

The Budget does not include any additional funding for the Competitive Cluster Grant Program in FY2018, representing a decrease of \$500,000 compared to the enacted level.

Budget	Appropriation	Awarded	Balance	Percent Awarded	Obligated	Percent Obligated	Expended	Percent Expended
2016 Enacted	\$750,000	\$993,640	(\$243,640)	132.5%	\$729,382	97.3%	\$264,258	35.2%
2017 Enacted	500,000	-	-	-	-	-	-	-
2017 Revised	500,000	-	\$256,360	79.5%	483,356	38.7%	766,644	61.3%
2018 Enacted	-	-	\$256,360	79.5%	483,356	38.7%	766,644	61.3%
Total	1,250,000	\$993,640	\$256,360	79.5%	\$483,356	38.7%	766,644	61.3%

The program provides matching grants to start or improve industry sector partnerships or “clusters” to exchange technology and share personnel resources. Industry clusters are created by pooling labor forces, for collaborative problem solving, and sharing technology. The Commerce Corporation has approved the following awards to date:

Recipient	Date Approved	Amount Approved
DesignxRI	May-16	\$100,000
Highlander Institute	May-16	149,750
International Yacht Restoration School, Inc.	May-16	235,290
Partnership for a Greater Future Prov./Southside Comm. Land Trust.	May-16	115,000
PolarisMEP/RI Composite Alliance	May-16	99,600
Rhode Island Manufacturers Association	May-16	100,000
SENEDIA	May-16	109,000
Farm Fresh	Sep-16	85,000
Total		\$993,640

Main Street RI Streetscape Program**(\$500,000)**

The Budget includes \$500,000 million for the Main Street RI Streetscape Program (Main Street RI), a \$500,000 decrease below the FY2017 Budget as Enacted.

Budget	Appropriation	Awarded	Balance	Percent Awarded	Obligated	Percent Obligated	Expended	Percent Expended
2016 Enacted	\$1,000,000	\$999,400	\$600	99.9%	\$999,400	99.9%	\$0.0	0.0%
2017 Enacted	1,000,000	-	-	-	-	-	-	-
2017 Revised	1,000,000	-	\$1,000,600	50.0%	\$915,400	91.5%	84,000	4.2%
2018 Enacted	500,000	-	\$1,500,600	40.0%	\$915,400	36.6%	84,000	3.4%
Total	2,500,000	\$999,400	\$1,500,600	40.0%	\$915,400	36.6%	84,000	3.4%

The Main Street RI Streetscape Program was created to provide loans, matching grants, and other forms of financing, with recipients providing 30.0 percent match, to upgrade streetscapes in local business districts. Seven awards totaling \$999,400 have been made to date and are listing in the following table:

Recipient	Project	Award
Central Falls	Building façade improvements Dexter St.	\$300,000
Pawtucket	Municipal garage improvements	245,000
One Neighborhood Builders (Providence)	Bus stop and pedestrian safety issues in Olneyville	196,000
Bristol	Wayfinder signage	80,000
The Providence Foundation (Providence)	Wayfinder signage downtown	76,000
Woonsocket	Lanscaping and handicap accessibility upgrades	70,000
East Greenwich	Main Street sidewalk repairs	32,400
Total		\$999,400

HOUSING AND COMMUNITY DEVELOPMENT

The Housing and Community Development program provides opportunities for healthy and affordable housing through production, lead hazard mitigation, and the coordination of the homeless system and

implementation of the State's plan to end homelessness. The Community Development Block Grant program provides funding to 33 municipalities to address housing and community development needs. Previously, the program was administered by the Division of Planning under the Department of Administration. The Budget includes 10.8 FTE positions in FY2017 and 11.8 FY2018.

Housing and Community Development	General Revenue
FY2017 Enacted	\$617,205
<i>Target and Other Adjustments</i>	<i>25,186</i>
FY2018 Enacted	\$642,391

Housing and Community Development	Other Funds Changes
Community Development Block Grant	\$99,715

Community Development Block Grant (federal funds) **\$99,715**

The Budget includes a net increase of \$99,715 in federal fund receipts involving numerous Community Development Block Grant (CDBG) awards. Under federal guidelines, the State manages the program for 33 Rhode Island municipalities which do not receive an allocation directly from the United States Housing and Urban Development. 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. \$159,918 of new federal funds are budgeted in FY2018, the majority of which comes from a recently awarded CDBG received by the State. These funds will go to support 1.0 Chief of Housing and Community Development.

The additional resources are offset by a decrease of \$60,203 related to the two Disaster Recovery Grants related to Hurricane Sandy that have supported local (municipal) disaster recovery activities. CDBG–Disaster Recovery funded projects are nearly completed and this reduction reflects the ending of these grants.

QUASI-PUBLIC APPROPRIATIONS

The Budget provides \$12.1 million in general revenues to support the Rhode Island Commerce Corporation, several pass-through appropriations to fund specific economic programs, and for the I-195 Redevelopment Commission. There are no FTE positions funded for this program.

Quasi-Public Appropriations	General Revenue
FY2017 Enacted	\$11,856,714
<i>Target and Other Adjustments</i>	<i>0</i>
Pass-Through Appropriations	320,000
Rhode Island Commerce Corporations Budget	Informational
FY2018 Enacted	\$12,176,714

Quasi-Public Appropriations	Other Funds Changes
Quonset Piers	\$1,600,000

Pass-Through Appropriations **\$320,000**

The Budget includes a net increase of \$320,000 over the FY2017 Enacted Budget for “pass-through” general revenue appropriations in the Executive Office of Commerce. The increase is related to the following changes:

- **Polaris Manufacturing Technical Assistance Program (Polaris):** The Budget includes \$250,000 to fund Polaris, the State's official Manufacturing Extension Partnership. This program supports Rhode

Island manufacturers by expanding the technical assistance capacity of Polaris, the State's. Polaris provides group and individual trainings in manufacturing and promotes manufacturing state-wide. Polaris is also an officially designated Real Jobs Partnership by the Governor's Workforce Board, a role that allows the organization to leverage multiple funding streams to address the workforce needs of manufacturers.

- **Urban Ventures:** The Budget provides \$140,000 in general revenue funding for Urban Ventures. Urban Ventures is a statutorily-established organization charged with supporting and advancing micro-business economic development, particularly within the State's urban communities, through training, management development and other services. Funding for Urban Ventures in past fiscal years had been provided through General Assembly Community Service Grants. Urban Ventures will submit program audit results to the General Assembly.
- **University Research Collaborative:** The Budget eliminates the additional \$150,000 in general revenue spending for The Collaborative. The Collaborative is a consortium of the local colleges and universities through which the schools provide support to the state in various ways such as increasing the use of non-partisan academic research in policymaking and providing evidence-based foundation for government decision making. The Collaborative has developed a Resource Network of experts from Rhode Island's 11 colleges and universities, creating a public/private partnership.
- **Commerce Corporation Base Appropriation:** The Budget provides an additional \$80,000 to the \$7.5 million base appropriation that funds the operations and administration of the Commerce Corporation. The increase is to assist the Commerce Corporation in meeting the expanded responsibilities associated with administering the growing portfolio of economic incentives and contracts.

The Budget level funds the other pass-through appropriations which include:

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

FY2016 Actual	1.0 Million Passengers	Distribution on Landings	All Airports and Communities to \$25,000	Total
Warwick T.F. Green	\$600,000	\$162,513	\$0	\$762,513
Block Island	-	38,261	-	38,261
Middletown-Newport Airport ¹	-	59,063	-	59,063
North Central	-	45,825	-	45,825
Smithfield	-	-	2,087	2,087
Lincoln	-	-	2,087	2,087
North Kingstown-Quonset	-	49,120	-	49,120
Westerly	-	45,217	-	45,217
Total	\$600,000	\$400,000	\$4,174	\$1,004,173

¹ Located in Middletown

- **Rhode Island Science and Technology Advisory Council (STAC):** The Budget provides \$1.0 million in general revenue to support the innovative technology and bioscience and engineering internship program, administered by the STAC. The funds are used to assist eligible businesses to offset costs associated with applying for Small Business Technology research grants and to provide matching funds to assist businesses in applying for federal research funds.

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

Rhode Island Commerce Corporation Budget***Informational***

The Rhode Island Commerce Corporation (Commerce RI) formerly known as the Rhode Island Economic Development Corporation (RIEDC), is a quasi-public entity charged with enhancing the delivery, performance, and accountability of the State's economic development activities.

The State provides general revenue appropriations to the Corporation. However, the General Assembly does not directly approve the Commerce Corporation's budget. The Commerce RI Board has the sole responsibility in authorizing the Corporation's annual budget.

Prior to FY2016, funding for Commerce RI (formerly the Rhode Island Economic Development Corporation) and other economic designated items were made under the General Program section of the Department of Administration budget.

The following table shows the revenues and expenditures that compose the annual Commerce RI budget with facts available as of July 1, 2017:

Expenditures	FY2016 Actual	FY2017 Revised	FY2018 Enacted	Change from FY2017
Personnel and Operating	\$10,399,571	\$11,652,349	\$12,519,119	\$866,770
EOC Commerce Programs	-	-	-	-
Tourism and Business Marketing Campaigns	-	-	-	-
Grants or Partnerships	1,173,043	1,461,658	1,396,766	(64,892)
Chafee Center at Bryant	376,200	376,200	376,200	-
Airport Impact Aid	1,004,174	1,025,000	1,025,000	-
STAC Research Alliance (EPScore)	1,003,302	1,150,000	1,150,000	-
RI College and University Collaborative	-	150,000	150,000	-
Innovative Matching Grants	849,104	1,000,000	1,000,000	-
AICU	61,807	150,000	150,000	-
Slater Centers of Excellence	3,000,000	-	3,000,000	3,000,000
National Security Infrastructure Fund	-	-	200,000	200,000
Polaris Manufacturing Technical Assistance	-	-	550,000	550,000
Community Service Grants	789,492	-	-	-
Federal Pass-thru Grants	3,720,838	6,108,262	2,772,350	(3,335,912)
Renewable Energy Fund	3,442,977	3,211,000	3,211,000	-
Volvo Ocean Race	48,001	-	-	-
Total	\$25,868,509	\$26,284,469	\$27,500,435	\$1,215,966

Revenue				
Opening Balance Revenues	\$1,574,863	\$903,599	\$753,599	(\$150,000)
RI Commerce Corporation Base Appropriation	7,394,514	7,434,514	7,474,514	40,000
EOC Commerce Programs	-	-	-	-
Community Service Objectives	789,492	-	-	-
Airport Impact Aid	1,004,174	1,025,000	1,025,000	-
STAC Research Alliance (EPScore)	1,003,302	1,150,000	1,150,000	-
RI College and University Collaborative	-	150,000	150,000	-
Chafee Center at Bryant	376,200	376,200	376,200	-
Innovative Matching Grants	849,104	1,000,000	1,000,000	-
Renewable Energy Fund	3,442,977	3,211,000	3,211,000	-
Volvo Ocean Race	48,001	-	-	-
Federal Grants	3,720,838	6,108,262	2,772,350	(3,335,912)
Hotel Tax Revenue	3,761,343	4,238,122	5,000,000	761,878
Finance Program Allocation ¹	1,109,898	348,797	348,797	-
Grant Reimbursements	1,053,944	940,604	940,604	-
Other	643,458	151,970	151,970	-
Total	\$26,772,108	\$27,038,068	\$24,354,034	(\$2,684,034)
Net Gain/(Loss)	\$903,599	\$753,599	(\$3,146,401)	(\$3,900,000)

FTE Levels 56.0 62.0 67.0 5.0

¹Includes Small Business Loan Fund, Industrial-Recreational Building Authority and Industrial Facilities Corp.

Source: Rhode Island Commerce Corporation and Budget Office

CAPITAL PROJECTS

Quonset Piers (other funds)

\$1.6 million

The Budget adds \$1.6 million in Rhode Island Capital Plan (RICAP) funds for architectural and engineering work for pier and port improvements to Pier 2 at the Quonset Davisville Port in the Town of North Kingstown. The FY2017 Budget as Enacted authorized \$90.0 million in funding for Quonset from various sources. These included a \$50.0 million bond referendum for infrastructure modernization and repairs at the Port that voters approved in November 2016; special obligation bonds of up to \$25.0 million to be issued by the Commerce Corp; and \$15.0 million from the RICAP fund.

Executive Office of Health and Human Services

Expenditures By Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Central Management	\$175.1	\$146.4	\$144.8	(\$1.6)	-1.1%	\$132.9	(\$13.5)	-9.0%
Medical Assistance (Including Medicaid)	2,185.2	2,251.8	2,357.1	105.3	4.7%	2,409.0	157.2	2.2%
Total	\$2,360.3	\$2,398.2	\$2,501.9	\$103.7	4.3%	\$2,541.8	\$143.6	1.6%
Expenditure By Source								
General Revenue	\$911.5	\$937.0	\$950.0	\$13.0	1.4%	\$964.3	\$27.3	2.8%
Federal Funds	143.3	1,447.7	1,536.1	88.4	6.1%	1,558.3	110.6	7.1%
Restricted Receipts	15.4	13.5	15.8	2.3	16.8%	19.2	5.7	29.5%
Total	\$2,360.3	\$2,398.2	\$2,501.9	\$103.7	4.3%	\$2,541.8	\$143.6	5.6%
Authorized FTE levels	187.0	179.0	178.0	(1.0)	-0.6%	285.0	106.0	59.2%

\$ in millions. Totals may vary due to rounding

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

MAJOR ISSUES AND TRENDS FOR FY2018

The Budget focuses on cost containment, saving \$27.3 million in general revenues FY2018 for the Medical Assistance program. General revenue savings are achieved through contractor and provider-related rate cuts, saving \$9.3 million; program integrity initiatives, saving \$7.4 million; reductions to managed care organizations (MCOs), saving \$7.3 million; and increased assessments for the Children's Health Account, saving \$3.8 million in FY2018.

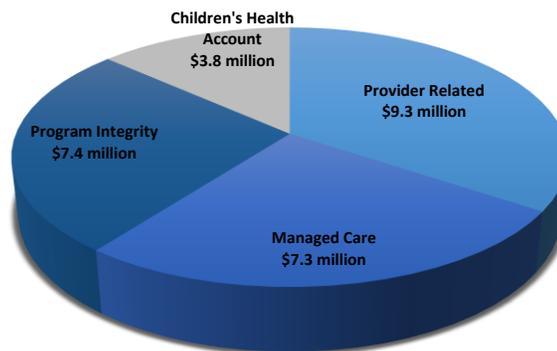
Provider-related savings are directed primarily toward nursing facilities and Federally Qualified Health Centers (FQHCs). Additionally, the Budget includes an increase in restricted receipt collections of \$3.8 million related to the Children's Health Account (CHA).

In addition to the savings proposals, the Budget adds \$54.8 million for the May adopted Caseload Estimating Conference (CEC) forecast of underlying caseload and price increases and \$1.9 million for home health care agency rate increases. The investment in home health care is intended to support EOHHS efforts to promote community-based living for elders and individuals with disabilities.

General revenue savings include:

- **Nursing Facilities:** The Budget freezes the scheduled inflation-based payments to nursing facilities saving \$5.6 million in general revenue (\$10.9 million all funds). Additionally, the Budget saves \$2.5 million in general revenue (\$5.1 million all funds) related to reduced nursing facility utilization.

FY2018 Budget Savings Initiatives



- **Hospitals:** The Budget restores \$12.3 million in hospital savings proposed in the Governor’s FY2018 budget and increases general revenue by \$2.0 million for the Graduate Medical Education (GME) program in FY2018.
- **MCOs:** The Budget includes savings related to Managed Care Organizations (MCOs) by reforming the MCO performance goal program, saving \$2.3 million in general revenue (\$1.6 million all funds); reducing administrative rates paid to MCOs, saving \$3.5 in general revenue (\$9.3 million all funds); and eliminating the provider incentive program, saving \$1.5 million in general revenue (\$3.0 million all funds), for a total savings of \$7.3 in general revenue (\$13.9 million all funds) in FY2018.
- **Enhanced CHIP Claiming:** The Budget includes a general revenue reduction of \$3.6 million in FY2018 related to improved Children’s Health Insurance Program (CHIP) claiming.
- **FQHCs:** The Budget includes savings related to modifying the alternative payment methodology for FQHCs saving \$1.2 million in general revenue (\$3.0 million all funds) in FY2018.
- **Contract Savings:** The Budget reduces general revenue for contracted services by \$1.9 million (\$3.9 million all funds) in FY2018.
- **Children’s Health Account (CHA):** The Budget increases the assessment to private and self-funded insurers which funds the CHA, generating an additional \$3.8 million in restricted receipts in FY2018.
- **Program Integrity:** The Budget includes savings related to improved program integrity through recovered beneficiary collections, Medicare premium collections, eligibility integrity, and estate recoveries, saving \$3.8 million in general revenue in FY2018.

The Executive Office of Health and Human Services has been under continuous reform for the last two fiscal years. Budget proposals continue to be focused on objectives outlined in the recommendations provided by the Reinventing Medicaid Workgroup and the Working Group on Healthcare Innovation which aim to contain costs within the Medicaid program, while continuing to encourage efficiencies and improve the quality of care to achieve better outcomes. The State aims to move the healthcare system from a fragmented, siloed system of care that relies heavily on acute and institutional care, toward a coordinated community-based system that incentivizes improved health outcomes.

Accountable Entities: A primary ongoing initiative designed to accomplish many of EOHHS reform initiatives is the formation of Accountable Entities (AEs). AEs aim to reform the current payment system toward one where MCOs pay provider networks based upon the health *outcomes* of members rather than upon the *quantity* of services provided. This approach to delivery reform is intended to create a reimbursement system where *value* rather than *volume* is incentivized.

Under a reformed delivery system, payments are made to a network of providers, known as AEs, rather than individual providers. This is expected to provide coordinated care among delivery systems and reduce unnecessary, and ineffective utilization of services. Currently, the State has approved the operation of six certified Accountable Entities: Blackstone Valley Community Health Center’s Health Key, Coastal Medical Inc., Community Health Center, Integra Community Care Network, Providence Community Health Centers Inc., and Prospect Health Services of Rhode Island.

Health System Transformation Project (HSTP): The FY2018 Budget includes \$23.5 million in federal funds to support the Health System Transformation Project, of which \$13.5 million will be awarded to hospitals for performance-based contracts and \$10.0 million will be invested in the ongoing development of AEs.

In order to advance the development of the AEs, the State submitted a proposal to Centers for Medicaid and Medicare Services (CMS) for the establishment of the HSTP. The State was awarded up to \$129.7 million in federal funds toward this project. The HSTP is intended to advance the ongoing Medicaid healthcare delivery reforms underway in Rhode Island and invest in the advancement of AEs.

The HSTP program will be funded by leveraging existing general revenue contributions for health delivery system programs for a federal funds match. Higher Education programs, which support the healthcare workforce and industry, will provide approximately 90.0 percent of the state general revenue match. The

programs CMS has approved for federal matching funds include the Wavemaker Fellowship Program, Tuberculosis Clinic, Rhode Island Child Audiology Center, Center for Acute Infectious Disease Epidemiology, Consumer Assistance Programs, and Health Workforce Development.

The State is in the process of developing a claiming protocol for the above programs that CMS will match with federal funds, thereby, creating a fund for the development of AEs. Each program will create a specific claiming protocol to comply with the special terms and conditions of this agreement with CMS.

Unified Health Infrastructure Project (UHIP): The Budgets reduces general revenue expenditures by \$3.6 million (\$32.9 million all funds) expenditures in EOHHS in FY2018 for UHIP.

In September of 2016, the State launched Phase II of UHIP, the largest scale IT project the State has undertaken. The initial project cost was estimated to be approximately \$150.5 million. The cost has continuously escalated and the most recent cost projections through FY2018 are anticipated to be \$391.5 million from all fund sources. These costs are shared across the EOHHS, the Department of Human Services (DHS), and HealthSource RI (HSRI). EOHHS is projected to expend \$282.8 million (all funds) through FY2018.

Phase II of the UHIP project has been plagued with technical failures resulting in delays in eligibility determinations and payments to providers for services delivered to Medicaid beneficiaries. The result of this launch has proved unsuccessful sparking massive challenges to ensuring integrity of the Medicaid system. These challenges precipitated the Governor's decision to seek the resignation of the Director of DHS, the Director of Information Technology, and the Secretary of Health and Human Services. The Governor has replaced these key positions with new administrative leaders, contracted with expert Information Technology consultants to assist in management of the vendors, and established short-term and long-term solutions to improve the performance of the system.

In addition to the costs associated with UHIP technical failures, the May Caseload Estimating Conference (CEC) included additional expenditures related to unachieved UHIP related efficiency savings. The delays in system operations has resulted in inefficient eligibility determinations and terminations. The inadequacy of the systems operations has consistently delayed persons who are eligible from entering the system and maintained an estimated 21,000 individuals who are no longer eligible for Medicaid, resulting in increased costs.

In May, 2017, Deloitte Consulting, the primary software developer, agreed to credit the State \$27.0 million for delayed functionality, which was applied to budgeted UHIP costs in FY2017. The State continues to pursue the recoupment of costs associated with the design and development of the system.

CENTRAL MANAGEMENT

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

The Budget includes 285.0 FTE positions in FY2018, an increase of 106.0 FTE position over the FY2017 Budget as Enacted. This includes the centralization of 91.0 FTE positions to Central Management at the EOHHS and 16.0 FTEs to support the work related to UHIP.

The additional 91.0 positions are transfers of financial staff from the State's health and human service Departments in order to centralize financial management across the Departments. The transfers include: 39.0 FTEs from the Department of Human Services, 33.0 FTEs from Department of Behavioral Healthcare, Developmental Disabilities and Hospital, 12.0 FTEs from the Department of Children, Youth and Families, and 7.0 FTEs from the Department of Health. These agencies see a corresponding decrease in their FTE authorizations. The 16.0 additional FTEs are new positions that will support the UHIP project improvement plan also known as the "UHIP wellness plan". These position will provide support in the following areas; data reconciliation, system implementation, appeals, and benefits resolution. The new positions are 90.0 percent federally funded.

Central Management	General Revenue
FY2017 Enacted	\$32,544,387
<i>Targets and Adjustments</i>	
	557,481
<i>Unified Health Infrastructure Project (UHIP)</i>	(3,566,218)
Contracted Services Savings	(2,193,500)
Turnover Savings	(600,000)
Enhanced Medicaid Claiming Technical Assistance	250,000
FY2018 Enacted	\$26,992,150

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

The Budget decreases general revenue by \$3.6 million in FY2018 related to delays in design and development expenditures for the project in FY2018. Technical failures and delayed functionality have continued to escalate the overall cost for the project and it remains unclear if the ongoing challenges with UHIP will result in unbudgeted additional expenditures in FY2018.

The Unified Health Infrastructure Project (UHIP) is the largest information technology (IT) project undertaken by the State and is intended to fully integrate health and human service programs and establish a State- based health insurance exchange, HealthSource RI. The project was developed in two phases. Phase I, launched in 2013, created an online portal for purchasing commercial health insurance and income-based Medicaid eligibility. Phase II of UHIP launched in September of 2016 was intended to expand the system to serve as a portal through which residents apply for and enroll in other health and human service programs such as Child Care, SNAP, GPA, and SSI programs. Phase II of the UHIP project has been plagued with technical failures resulting in delays in eligibility and payments to providers for services provided to Medicaid beneficiaries.

Contracted Services Savings**(\$2.2 million)**

The Budget reduces general revenue for contracted services by \$2.2 million (\$3.9 million all funds) in FY2018. EOHHS contracts project management and financial services to support with strategic planning, design, development and implementation, and financial management of projects. Examples of contracted support include the development and contracting with Accountable Entities (AEs), data and analytics support, electronic visit verification implementation, and Medicaid claims processing. Savings related to this initiative will need to be balanced with the critical functions provided by contracted services to minimize the negative impact to operations.

Analyst Note: The EOHHS has assumed greater operational responsibilities in recent years related to payment and delivery reform activities. These efforts have required technical expertise which has largely been assumed by contracted services. Reductions in spending for services in this area may risk successful implementation of the policy objectives to reform the payment and delivery system.

Turnover Savings**(\$600,000)**

The Budget increases general revenue savings related to turnover by \$600,000 in FY2018. The average FTE cost at EOHHS is \$132,118. This savings assumes approximately 4.0 FTE positions will not be filled in FY2018. The total general revenue turnover savings is \$1.3 million when combined with the Governor's budgeted turnover savings.

Enhanced Medicaid Claiming Technical Assistance**\$250,000**

The Budget includes \$250,000 in general revenue (\$500,000 all funds) for contracted services to implement enhanced Children's Health Insurance Program (CHIP) claiming in FY2018. This investment is intended to support EOHHS's efforts to reduced general revenue expenditures by maximizing the ability to back claim enhanced Federal Matching Assistance Percentage (FMAP) for children and pregnant women who were not identified appropriately through the claiming process.

The Children's Health Insurance Program (CHIP) is Medicaid coverage for children and pregnant women up to 250.0 percent of the Federal Poverty Limit (FPL). The Centers for Medicaid and Medicare Services (CMS) provide an enhanced federal fund match, 89.0 percent as compared to 51.3 percent for standard federal fund match. Improving the integrity of CHIP claiming for individuals who fall within the defined criteria for coverage, will reduce the State's general revenue contribution toward this population.

MEDICAL ASSISTANCE

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

Medical Assistance	General Revenue
FY2017 Enacted	\$904,442,625
<i>Targets and Adjustments</i>	
May Caseload Estimating Conference	2,261,495
Nursing Facility Related Initiatives	54,751,991
Managed Care Organizations (MCO) Related Initiatives	(8,069,735)
Children's Health Account	(7,273,625)
Children's Health Insurance Program (CHIP) Claiming	(3,750,000)
Hospital Related Initiatives	(3,616,650)
Wage Increase for Home Health Workers	2,000,000
Medicare Part B Premium Increase	1,879,539
Beneficiary Liability Collection	(1,543,495)
Federally Qualified Health Center (FQHC) Payment Reform	(1,209,091)
Program Integrity	(1,201,784)
Non-Emergency Medical Transportation	(492,100)
Estate Recoveries	(371,364)
Medicare and Veterans Administration Coordination	(250,000)
FY2018 Enacted	\$937,307,806
Medical Assistance	Other Funds Changes
Health System Transformation Project (<i>federal funds</i>)	\$23,500,000

May Caseload Estimating Conference

\$54.8 million

The Caseload Estimating Conference (CEC) estimates human services medical entitlement current and out year expenditures each November and May. These adopted expenditure levels determine the appropriation for entitlement programs. Projections are based on current enrollment trends as well as Medicaid Inflation Adjustments that are used to determine projected expenditures.

May Caseload Estimating Conference

May 2017 Caseload Estimating Conference	FY2017	FY2018		
	Enacted	Adopted	Change from Enacted	
General Revenue	\$904.4	\$959.2	\$54.8	6.1%
Federal Funds	\$1,300.0	\$1,435.6	\$135.6	10.4%
Restricted Receipts	\$9.6	\$8.2	(\$1.4)	-14.6%
Total	\$2,214.0	\$2,403.0	\$189.0	8.5%

\$ in millions

The FY2018 projected medical assistance general revenue expenditures are \$959.2 million, \$54.8 million more than the FY2017 enacted amount. The CEC increases general revenue expenditures for costs associated with increased enrollment and increased costs for nursing facilities.

Analyst Note: The May CEC expenditure projections related to enrollment are contingent on improvements with the Unified Health Infrastructure Project (UHIP) system. Department testimony included estimated improvements to the operation of the system to begin in June 2017. As of July 1, 2017, improvements to the efficiencies in the system remain largely unsuccessful and raise concern that delayed savings linked to UHIP performance will result in higher than projected expenditures in FY2018.

Nursing Facility Related Initiatives**(\$8.1 million)**

The Budget freezes inflation-based rate increases to nursing facilities and reduces nursing facility utilization, saving a total of \$8.1 million in general revenues (\$16.0 million all funds) in the FY2018 Budget.

Nursing Facility Related Initiatives

Nursing Facility Reductions	General Revenue	All Funds
Nursing Facility Rate Freeze	(\$5.6)	(\$10.9)
Nursing Facility Reduced Utilization	(2.5)	(5.1)
Total	(\$8.1)	(\$16.0)

\$ in millions

Nursing Facility Rate Freeze: The Budget freezes the inflation-based rate increase to nursing facilities, saving \$5.6 million in general revenue (\$10.9 million all funds) in FY2018. The inflation-based rate is adjusted annually, based on the national nursing home inflation index (approximately a 3.0 percent increase), was scheduled to go into effect on October 1, 2017.

In the FY2017 Budget as Enacted, nursing facilities received an inflation-based rate increase, totaling \$3.9 million in general revenue (\$7.9 million all funds), with the condition that 85.0 percent of rate increase was used to increase wages and employee-related benefits to certified nursing assistance (CNAs) and other direct care workers at nursing facilities. As of July 1, 2017, no data has been provided by the Executive Office of Health and Human Services or nursing facilities to verify the increase to employee wages was achieved.

Nursing Facility Reduced Utilization: The Office indicates that eligibly determinations procedures for long-term services and supports (LTSS) will be modified to promote a streamlined process that will increase options for home and community-based services. This change is aimed at diverting individuals from long-term nursing facilities placements toward home and community-based placements. The Office projects \$2.5 million in general revenue (\$5.1 million all funds) savings in FY2018 by lowering nursing facility utilization, representing a reduction of 80 individuals to the average daily nursing home census.

Analyst Note: The Executive Office of Health and Human Services (EOHHS) received approval from the Centers for Medicare and Medicaid Services (CMS) to create a Health System Transformation Project (HSTP) for up to \$130.0 million in federal matching funds over a five year period for the project. The HSTP is designed to advance the formation and success of Accountable Entities (AE); an integrated provider organization responsible for improving quality of care and outcomes for patients while also managing costs. Funding in year one (\$20.5 million) is designated exclusively to hospitals and nursing facilities. The FY2017 Supplemental Budget includes \$7.0 million for nursing facilities for performance based contracts.

Managed Care Organization (MCO) Related Initiatives **(\$7.3 million)**

The Budget reduces expenditures to Managed Care Organizations (MCOs) by \$7.3 million in general revenue (\$13.9 million all funds) in FY2018. The proposed savings are related to administrative rate cuts and performance incentive programs.

MCO Related Initiatives		
MCO Reductions	General Revenue	All Funds
MCO Reduced Administrative Fees	(\$3.5)	(\$9.3)
MCO Performance Goal Program	(2.3)	(1.6)
MCO Provider Incentive Program	(1.5)	(3.0)
Total	(\$7.3)	(\$13.9)

\$ in millions

MCO Reduced Administrative Fees: Article 9 seeks authority to reduce administrative rates paid to MCOs saving \$3.5 million in general revenue (\$2.2 million all funds) in FY2018. The May 2016 CEC forecasts that MCOs would receive a 1.5 percent increase on administrative components of the premium rates. This increase will be eliminated and further reductions to meet savings targets will be included in the upcoming rate setting process in FY2018.

MCO Performance Goal Program: The Budget saves \$2.3 million in general revenue by altering the MCO performance goal program. This program provides incentives to MCOs for performance measures related to clinical process, operations, and beneficiary satisfaction.

The program allows additional payments ranging from to \$1.75 per-member, per-month (monthly payment for each insured life) up to \$3.00 per member per month if the MCO hits performance measures. Currently the State allows incentive payments to all MCOs member categories. The Office intends to shift incentive payments to focus on the most costly and complex beneficiaries such as children with special health care needs and Medicaid expansion members. Additionally, by targeting the incentive program toward children and the Medicaid expansion population, the State will maximize enhanced federal matching opportunities and incent MCOs to focus management strategies toward costly complex members.

The overall pool of funding for this program will not be impacted; however, the primary source of funding will be available through federal Medicaid matching funds, lowering the general revenue contribution toward the program.

MCO Provider Incentive Program: The Budget eliminates the MCO provider incentive program, saving \$1.5 million in general revenue (\$3.0 million all funds) in FY2018. The provider incentive program allows supplemental payments from MCOs to Federally Qualified Health Centers (FQHCs) for meeting specific performance measures defined by the MCO. The program was created prior to the current payment reforms and development of Accountable Entities (AEs). The Department indicates the incentive program is duplicative of current payment reform activities.

Children's Health Account **(\$3.8 million)**

The Budget includes an increase on the assessment of private and self-funded insurers to fund the Children's Health Account (CHA). The increased assessment will generate an additional \$3.8 million in restricted receipts in FY2018, reducing general revenue costs. The distribution of the projected increase to the

insurance companies, Blue Cross Blue Shield (BCBS), United Health Care (UHC) and all other insurers is depicted in the table below.

Children's Health Account (CHA) Collections

Fiscal Year	Blue Cross Blue Shield (BCBS)	United Health Care (UHC)	All Other Insurers	Total CHA Assessment ¹
FY2013	\$7.1	\$1.6	\$1.8	\$10.5
FY2014	6.9	1.4	1.9	10.2
FY2015	7.2	1.5	2.1	10.8
FY2016	7.2	1.6	3.6	10.5
FY2017	3.9	2.7	4.0	10.6
FY2018**	\$6.0	\$3.7	\$3.5	\$11.9

\$ in millions. Totals vary due to rounding

Source: Executive Office of Health and Human Services

¹ Total assessment includes administrative expense collections

**Projected collection in FY2018 Enacted Budget

The CHA fund provides commercially insured children with special health care needs access to Medicaid benefits and habilitative services, not otherwise covered by commercial plans. During the 2015 legislative session, legislation was passed to expand the assessment collection to self-insured products, broadening the base of assessment. Though the Medicaid program funds an array of services provided to disabled children, it requires commercial insurers to pay for the first \$7,500 per child, per service, per year for commercially-insured children receiving Medicaid services. The Budget increases the threshold at which Medicaid begins to cover services to \$12,500 per child, per service, per year.

The increase in assessment will allow EOHHS to offset the cost of benefits that commercial insurers are not required to provide for children with special healthcare needs that are provided by Medicaid through programs like Katie Beckett. Currently, the CHA offsets approximately 46.0 percent of the expenses incurred by commercially insured children, saving insurers approximately \$10.9 million in benefit costs in FY2015. The increase in assessment will reduce commercial insurer savings and increase general revenue collections to offset Medicaid covered services for the commercially insured. The table below includes the breakdown by insurer and the collection of services covered by the CHA.

Children's Health Account Billable Cost by Insurer and Total Collection FY2013-FY2015

Fiscal Year	BCBS	UHC	All Other Insurers	Total Insurer	Total CHA Collection	Diff	Total FFS
				Billable Costs*			Medicaid Program Cost*
FY2013	\$12.7	\$4.5	\$4.7	\$22.0	\$10.5	\$11.5	\$46.8
FY2014	10.9	5.0	6.2	22.1	10.2	\$11.9	47.2
FY2015	9.4	5.4	5.8	20.5	10.8	\$9.7	44.3

\$ in millions

Source: Executive Office of Health and Human Services

*Total billable costs is the annual total cost of all insurers billable services that are provided by Medicaid.

*Total Medicaid fee-for-service (FFS) program costs for children with special healthcare needs commercially and non-commercially insured

Blue Cross Blue Shield of Rhode Island and Massachusetts has the highest utilization of services by their insured lives receiving services that are covered under the CHA, approximately 44.0 percent of total billable

services in FY2015. The statutory changes that occurred in FY2015 broadened the base of insurers that are being assessed as well as redistributed the payment requirements by insurers. These adjustments have led to a year-over-year reduction in assessed cost for BCBS from FY2016 to FY2017. The Budget increases assessments across all insurers in FY2018. BCBS will still pay less than the pre-FY2017 levels.

Children’s Health Insurance Program (CHIP) Claiming ***(\$3.6 million)***

The Executive Office of Health and Human Services (EOHHS) estimates a general revenue reduction of \$3.6 million in FY2018 related improved Children’s Health Insurance Program (CHIP) claiming. The reduced general revenue expenditures are related to the ability to back claim an enhanced Federal Matching Assistance Percentage (FMAP), (*federal funds*), for children and pregnant women who were not identified appropriately through the claiming process.

CHIP provides Medicaid coverage for children and pregnant women up to 250.0 percent of the Federal Poverty Limit (FPL). The Centers for Medicare and Medicaid Services (CMS) provide an enhanced federal fund match, 89.0 percent as compared to 51.3 percent for standard federal fund match. Improving the integrity of CHIP claiming for individuals who fall within the defined criteria for coverage will reduce the State’s general revenue contribution toward this population.

Hospital Related Initiatives ***\$2.0 million***

The Budget includes a \$4.0 million general revenue expenditure for the Graduate Medical Education program in FY2018, an increase of \$2.0 million over the FY2017 Enacted Budget. Additionally, the Budget restores \$12.1 million (\$25.6 million all funds) in savings that were proposed in the Governor’s FY2018 Budget proposal. The Budget increased the hospitals license fee from 5.652 to 5.856 percent, generating \$13.0 million in general revenue over the Governor’s Budget.

Graduate Medical Education (GME) Program: Article 9 includes new language increasing the appropriations for the Graduate Medical Education Program from \$2.0 million to \$4.0 million. This program is entirely funded through general revenues and only available to Rhode Island’s academic Level I trauma center hospitals that have a minimum of 25,000 discharges per year and employ at least 250 interns and residents per year. Currently, Rhode Island Hospital is the only hospital that meets these criteria and qualifies for this funding.

Wage Increase for Home Health Workers ***\$1.9 million***

The Budget includes an increase to base-payment rates paid to home and community-based providers with the intent of increasing wages to home health workers providing care to long-term care beneficiaries living in the community. This proposal increases general revenue expenditures by \$1.9 million (\$3.9 million all funds) in FY2018.

The wage increase to home health workers is intended to strengthen the home healthcare workforce to support community living for individuals receiving long-term services and supports (LTSS). The General Assembly included \$2.0 million (\$4.1 million all funds) for a wage increase for home health workers in the FY2017 Budget as Enacted.

The implementation of the wage increase occurred through an increase in base payments to home healthcare providers. An increase to providers occurred in October of 2016, increasing provider rates by approximately 7.0 percent or a \$1.64 increase per hour. Providers were responsible to “pass” a wage increase to home health workers less any employer related expenses. It is unclear what the average wage increase home health workers have received related to this increase in payment to providers in FY2017. According to the Department, the increase will raise the reimbursement rate approximately 7.0 to 7.5 percent in FY2018, for a two year combined increase to base rates by approximately 14.0 percent.

Medicare Part B Premium Increase**(\$1.5 million)**

Medicaid offers a program for qualifying individuals for Medicare Premium assistance. The adopted estimates in November CEC for Medicare Part B Premiums included expenditures related to the “hold harmless” provisions required by Center for Medicare and Medicaid Services (CMS). This provision has since been waived by CMS, saving \$1.5 million in general revenue (\$3.2 million all funds) in FY2018.

Beneficiary Liability Collection**(\$1.2 million)**

The Budget includes \$1.2 million in general revenue savings in FY2018 by improving collection of beneficiary liability cost shares. The FY2017 Budget as Enacted included authority to implement improved methods for collection of cost share liabilities in the Medicaid Fee-For-Service (FFS) system and the Rhode Health Options (RHO) programs.

Rhode Island, along with most other states, permits elders and individuals with disabilities with higher-than-allowable incomes and high medical bills to spend down their income through co-pays (their “cost share”) to a level that qualifies them for Medicaid eligibility. Per existing rules and regulations, home and community-based service providers are required to collect this patient liability at the point of service from those eligible for Medicaid through this avenue.

For MCO beneficiaries, the collection of the cost share is the responsibility of the provider. EOHHS calculates and provides the MCOs with a monthly beneficiary cost share allocation for each member, as this is a condition of eligibility. The MCO deducts the cost share allocation from the monthly reimbursement to the provider. If the beneficiary does not pay the cost share to the provider, the provider is not fully reimbursed for the care and services provided to the beneficiary.

For fee-for-service beneficiaries, however, the Medicaid program’s claiming system does not include the programming necessary to ensure that providers are subtracting the patient liability from the claim amount before billing Medicaid. Therefore, Medicaid is unable to ensure proper billing or to track providers’ collection of the patient spend down.

To correct this, OHHS proposed to replace the manual tasks with an automated process to ensure that Medicaid pays for services net of any patient liability. Due to delays and technical malfunctions of the UHIP project, these savings were not achieved in FY2017. The proposed savings are contingent on the functionality of the UHIP system and are in addition to the unachieved FY2017 savings. The funds collected are used for the sole purpose of offsetting the EOHHS financial contribution toward LTSS expenditures provided to beneficiaries.

Analyst Note: Nursing facilities, home health community-based providers, and MCOs report significant challenges with the current collection and reporting process. CMS requires the State to collect the patient’s cost share as a condition of eligibility; therefore, the State must find a solution to ensure compliance with federal regulations.

Federally-Qualified Health Center (FQHC) Payment Reform**(\$1.2 million)**

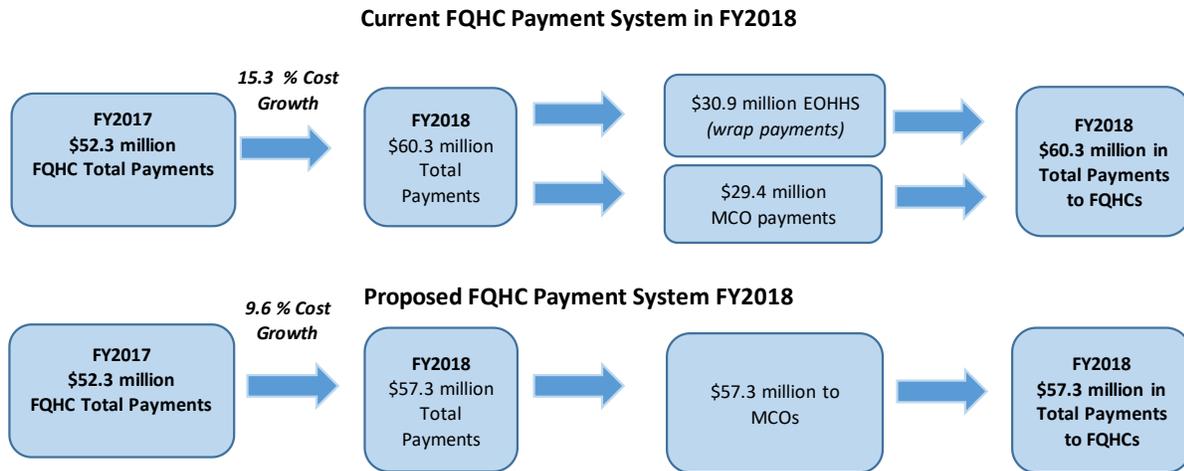
The Budget proposes an alternative payment methodology for FQHCs by requiring reimbursement rates to FQHCs be included in Managed Care Organizations (MCOs) capitated rates, saving \$1.2 million in general revenue (\$3.0 million all funds) in FY2018.

The federal Prospective Payment System (PPS) rate methodology is how FQHCs seek reimbursement for services. This PPS rate methodology arrangement allows FQHCs to take their total operating cost and divide it by their encounters (patient visits) resulting in an encounter rate. All FQHCs have different rates. MCOs pay FQHCs a negotiated encounter rate that is often lower than the FQHC encounter rate. EOHHS then makes a “wrap” payment to make up the difference between the MCO rate and the FQHC encounter rate.

The Department sees a trend of significantly higher encounters in Medicaid member usage at FQHCs and increasing operational and infrastructure costs at FQHCs. This has resulted in an increase in the average

encounter rate at FQHCs and higher wrap payments by EOHHS. MCOs set rates with FQHCs and have no incentive to increase payment to the FQHCs, and the FQHCs have little incentive to control costs if EOHHS continues to provide wrap payment to FQHCs.

The Budget eliminates the wrap payments made by EOHHS and includes the total cost of current encounter rates in the MCO capitated rate. This initiative is intended to incentivize MCOs to work with the FQHCs to manage costs and strengthen procedure on billable encounters, which are the basis for the reimbursement rate. MCOs will be given the resources that EOHHS previously provided in “wrap” payments to include in their capitated rates.



The savings assumed for this proposal are not derived by a cut to FQHCs, rather by slowing the rate of growth of the FQHC encounter rate and overall annual payments. The November 2016 caseload estimating conference assumed a 15.3 percent growth in average FQHC encounter rates, \$8.0 million all funds in FY2018 over FY2017 Budget as Enacted. The Budget increases spending to FQHCs by \$5.0 million in FY2018; however, this reduces the spending by \$1.2 million general revenue (\$3.0 million all funds) from projected FY2018 levels without changes.

Federally Qualified Health Center (FQHC) Payments FY2013 through FY2017

Fiscal Year	EOHHS Wrap Payment	MCO Payment	Annual Payments to FQHC	% EOHHS	
				Wrap Payment Total	% MCO Payment of Total
FY2013	\$13.7	\$15.8	\$29.5	46%	54%
FY2014	16.0	19.4	35.4	45%	55%
FY2015	23.2	24.0	47.2	49%	51%
FY2016	25.8	24.7	50.5	51%	49%
FY2017*	26.8	25.5	52.3	51%	49%
FY2018**	30.9	29.4	60.3	51%	49%
FY2018***	-	57.3	57.3	0%	100%

\$ in millions

*Projection based on November 2016 CEC estimates

**Projection based on November 2016 CEC estimates

***Projections included in the Enacted Budget

Program Integrity**(\$492,100)**

The Budget includes \$492,100 (\$1.1 million all funds) in savings by enhancing program integrity in FY2018. The Department indicates it has contracted with Lexis Nexis to match Medicaid members against national mailing databases to ensure Rhode Island residency.

Rite Care eligible members are largely attributed to the Medicaid MCO providers (Neighborhood Health Plan of Rhode Island and United Health Care) that provide coverage to Medicaid beneficiaries. The State pays the MCOs a per-member-per-month fee, on average \$231.00 per month. Individuals who move out of state lose Rhode Island Medicaid coverage. The Department estimates the contract with Lexis Nexis will identify approximately 400 Medicaid beneficiaries who are no longer eligible due to residency, for a full year savings of \$1.1 million all funds in FY2018.

Non-Emergency Medical Transportation**(\$371,364)**

The Budget includes a \$371,364 general revenue (\$899,730 all funds) savings in FY2018. EOHHS renegotiated a contract with Logisticare resulting in a contract amendment, beginning July 1, 2018, reducing monthly costs and extending the contract by 18 months. The total contract covering both Medicaid and non-Medicaid transportation is budgeted at \$34.6 million, of which \$1.5 million is budgeted in the Department of Human Services (DHS) in FY2018.

In May of 2014, the Medicaid program entered into a three year risk-based contract with Logisticare, a centralized transportation broker. The State intended to improve transportation services through this contract with the expectation of decreasing the number of missed trips and ensuring a higher degree of program accountability. As a result, the funding of the transportation benefit changed to a 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 serving the elderly; 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).

Estate Recoveries**(\$250,000)**

The Budget includes \$250,000 (\$513,769 all funds) in savings for increased estate recovery collections in FY2018. The Office projects a 10.0 percent increase in estate recovery collections by improving the living lien collections on real estate of Medicaid members. The Office has not indicated how it will improve the collection rate or what process changes justify this as a budget savings initiative.

Medicare and Veterans Administration Coordination**(\$250,000)**

The Budget includes \$250,000 (\$513,769 all funds) in savings for reduced Medicaid payments for Veterans who have Medicare coverage in FY2018. The Department intends to maximize alternative coverage provided to Veterans ensuring Medicaid is the payer of last resort.

The Office proposes to issue a Request for Proposals for a contractor to focus activities on re-couplement of Medicare Co-Payments, shift Medicaid payments for prescription drugs and Durable Medical Equipment (DME) to Medicare covered benefits, and ensure Veterans who are eligible for Medicare are enrolled in Medicare coverage options.

Health System Transformation Project (federal funds)**\$23.5 million**

The FY2018 Budget includes \$23.5 million in federal funds to support the Health System Transformation Project, of which \$13.5 million will be awarded to hospitals for performance-based contracts and \$10.0 million will be invested in the ongoing development of AEs.

Analyst Note: The FY2017 Supplemental Budget included \$7.0 million in federal funds for performance payments to nursing facilities.

The Executive Office of Health and Human Service (EOHHS) received approval from the Centers for Medicaid and Medicare (CMS) to create a Health System Transformation Project (HSTP), for up to \$130.0 million in federal matching funds over a five year period for the project. The HSTP is designed to advance the formation and success of Accountable Entities (AE), integrated provider organizations responsible for improving quality of care and outcomes for patients while also managing costs. Federal funds will be contingent on matching state general revenue expenditures for various state funded programs. Currently, the State has been approved to receive up to \$80.0 million in federal matching funds during the remaining three years of the currently-approved 1115 Demonstration Medicaid Waiver. The State will seek renewal of the State's Medicaid waiver in 2018 and has been approved to receive up to \$50.0 million in federal matching funds, conditional on CMS approval of the State Medicaid Waiver, for demonstration years four and five of the HSTP.

Approved Funding for the Health System Transformation Project through Approved 1115 Waiver

1115 Demonstration Year	Time Period	Annual Limit
Demonstration Year 7	Oct 2016-Dec 2016	\$20.5
Demonstration Year 8	Jan 2017-Dec 2017	31.1
Demonstration Year 9	Jan 2018-Dec 2018	28.4
Total Approved		\$28.4

\$ in millions

** \$50.0 million is contingent on approval of 1115 Medicaid Waiver renewal*

Year 1-Demonstration Year 8 (federal funds)

EOHHS will be working on an ongoing basis with CMS throughout the five-year approval to meet certain program development targets and reporting criteria, as required by the agreement. Year one of the project begins October 14, 2016, and ends on December 31, 2016. Specific to year one of the agreement, the expenditures for this program are targeted exclusively to incentive payments to hospitals and nursing homes. The first year of the agreement includes:

- Development of a CMS approved claiming protocol in advance of receiving any federal funds to be distributed to hospitals or nursing homes. The blue print has been submitted to CMS and is awaiting approval.
- Managed Care rate certification submissions to CMS are required were required by December 1, 2016. The Department is awaiting CMS approval.

Analyst Note: Due to the requirements of the CMS approval for the HSTP, a claiming protocol was required to be completed and approved by CMS prior to distribution of funds to nursing homes and hospitals in year one of the project. Therefore, payments to nursing homes were delayed until May of 2017, which is year two (demonstration year nine) of the project. Hospitals are expected to receive payments in the fall of FY2017. CMS approves the delayed payment timeline while concurrent year two project development occurs. Additionally, hospitals and nursing homes will not receive payments exclusive to them in the following years of the HSTP; however, they will be providers within the established AEs as the project evolves.

Years 2 and 3- Demonstration years 9 and 10 (federal funds)

In year two EOHHS will submit an AE Roadmap document detailing program guidelines, AE certification guidelines, attribution guidance, performance measurements and other program specific details. According to the CMS approval document, the Roadmap will outline what the State and its stakeholders consider the payment reforms required for a high quality and a financially sustainable Medicaid delivery system. Once this is approved and performance measures are incorporated within AE contracts, the State may begin making payments to MCOs for AE activities. Year three will be the first year of full implementation and the calculation of the performance-based incentive payments for AEs will be based on the current year's performance.

Department of Children, Youth, and Families

Expenditures by Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Central Management	\$8.4	\$9.9	\$9.0	(\$0.8)	-8.4%	\$10.0	\$0.1	1.1%
Child Welfare	171.4	171.1	172.1	1.0	0.6%	164.2	(7.0)	-4.1%
Children's Behavioral Health Services	10.6	10.1	12.2	2.1	21.0%	11.1	1.0	10.1%
Higher Education Incentive Grants	0.2	0.2	0.2	-	0.0%	0.2	-	0.0%
Juvenile Correctional Services	24.3	25.2	22.9	(2.3)	-9.0%	23.6	(1.6)	-6.4%
Grand Total	\$215.0	\$216.5	\$216.5	(\$0.0)	0.0%	\$209.0	(\$7.4)	-3.4%
Expenditures by Source								
General Revenue	\$154.7	\$151.8	\$156.3	\$4.5	3.0%	\$145.9	(\$5.9)	-3.9%
Federal Funds	57.4	60.4	56.8	(3.6)	-6.0%	59.0	(1.4)	-2.3%
Restricted Receipts	2.2	3.5	3.2	(0.2)	-7.0%	3.1	(0.3)	-9.7%
Other Funds	0.6	0.8	0.1	(0.7)	-84.1%	1.1	0.2	25.0%
Grand Total	\$215.0	\$216.5	\$216.5	(\$0.0)	0.0%	\$209.0	(\$7.4)	-3.4%
Authorized FTE Levels	672.5	629.5	628.5	(1.0)	-0.2%	616.5	(13.0)	-2.1%

\$ 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 supports an average of 3,500 children and their families, and indirectly services thousands more through community-based, support programs.

MAJOR ISSUES AND TRENDS FOR FY2018

The Department of Children, Youth, and Families (DCYF) has been transforming following a lengthy review of the agency by a Senate task force in 2015. The task force was convened due to persistent budget and programmatic challenges. The task force issued recommendations and required the Department to report to the Senate on the status of reform efforts. The agency has committed to meeting strategic objectives aimed at shifting DCYF programming toward a continuum of care that strengthens the family's ability to safely raise children in their own homes; promotes kinship and non-kinship foster family placements for children who are removed from their families; minimizes congregate care placement; and prioritizes safe reunification, guardianship, and adoption.

Achieving these strategic objectives required the Department to reestablish their administrative authority to determine placement for a child when they are removed from their homes. 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 System of Care (SOC) networks. This shifted the majority of placement, case management, and financial responsibility associated with most youth in community-based placements and residential treatment from DCYF to the SOC.

To reestablish administrative authority the Department terminated the SOC contracts in April 2016 and began the rigorous process of re-procuring services that had previously been provided by the SOC network. The re-procurement process required reissuance of all contracted services, taking the Department over a year to assess service needs, issue requests-for-proposals, and negotiate contracts with providers. As of March 13, 2017, DCYF has entered into 115 new provider contracts, including 57 home

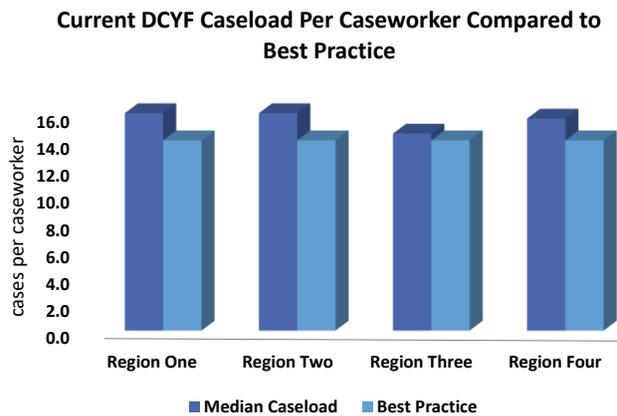
and community-based services contracts and 58 congregate care contracts, as well as increased capacity of nearly 150 slots in private agency foster homes. The re-procurement process aimed to expand home and community-based services, foster care capacity, and reduce reliance on congregate care (group home residential settings) placements, which are considered the least desirable and cost prohibitive setting for children in care.

The Budget includes \$5.9 million in general revenue savings by reducing congregate care and increasing federal Medicaid matching funds to offset general revenue expenditures in FY2018. Reducing congregate care usage and shifting service usage toward family-based placements, such as foster care and home-based services estimated to generate \$1.9 million in general revenue savings. The Budget also includes a \$1.2 million general revenue investment toward building family-based service capacity. The General Assembly included a general revenue savings of \$4.0 million by maximizing the collection of federal funds for Medicaid eligible services.

The FY2018 Budget reduces general revenue expenditures of the Division of Child Welfare by \$4.0 million as compared to the FY2017 Enacted budget. Meeting the budget targets for FY2018 will require the Department to significantly cut costs in congregate care by shifting to more community-based placements and improve collection of federal Medicaid matching funds. This has proven difficult in the past and failure to do so would increase expenditures in FY2018.

The Budget includes 210 Social Case Worker II positions in the FY2018 budget, including 170 positions within the Family Services Unit (FSU), who directly serve and support DCYF-involved families and children. The remaining Social Case Worker IIs support the Department’s investigatory function in Child

Protective Services (25), foster care licensing (10), and other community resources/support services within the department (5).



The Division has not been able to meet the national best practices for number of cases per caseworker due to vacancies in this Division. The national best practice is to achieve a median caseload not to exceed 14 families/cases per caseworker. The Department intends to fill vacant positions in FY2018 and has begun actively hiring positions, and as of August 1, 2017, 32 staff have been hired to address this operational challenge.

The Budget reduces the Department’s FTE allocation from the FY2017 Enacted level, 629.5 FTEs to 616.5 FTEs in FY2018, a reduction of 13.0 FTE positions in FY2018 and 1.0 FTE in FY2017. The FY2017 Budget as Enacted reduced the FTE cap from 672.5 FTEs to 629.5 a reduction of 43.0 FTE positions. According to the most recent personnel report in July, 2017, the Department has 559.0 positions filled and 98.8 vacant positions.

CENTRAL MANAGEMENT

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

The Budget includes 51.0 FTE positions in FY2018, representing a decrease of 10.0 FTE positions from the FY2017 Budget as Enacted. The Budget shifts 12.0 FTE positions to the Executive Office of Human Services to consolidate financial staff and 1.0 FTE position is being transferred to the Governor’s office; however, the funding for these positions will remain with the agency.

Central Management	General Revenue
FY2017 Enacted	\$7,074,378
<i>Targets and Adjustments</i>	83,102
FY2018 Enacted	\$7,157,480

CHILD WELFARE

The Child Welfare division has two major sub-programs:

- **Child Protective Services (CPS):** CPS reviews, screens, and responds to reports of abuse and maltreatment of children. 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.
- **Family Services:** Staff within Family Services provides ongoing social services and case management to children and families who become involved with DCYF due to abuse or neglect, substance abuse, or behavioral health issues.

The Budget includes 380.0 FTE positions for the program in FY2018, consistent with FY2017 Budget as Enacted.

Child Welfare	General Revenue
FY2017 Enacted	\$114,567,488
<i>Targets and Adjustments</i>	7,267
Federal Medicaid Matching	(4,000,000)
Residential Transitions	<i>Informational</i>
FY2018 Enacted	\$110,574,755

Federal Medicaid Matching **(\$4.0 million)**

The Budget includes \$4.0 million in general revenue savings in FY2018 related to improved Medicaid claiming for services provided by the Department. The initiative assumes that improving Medicaid claiming processes at the Department will increase the collection of federal matching funds, offsetting general revenue expenditures.

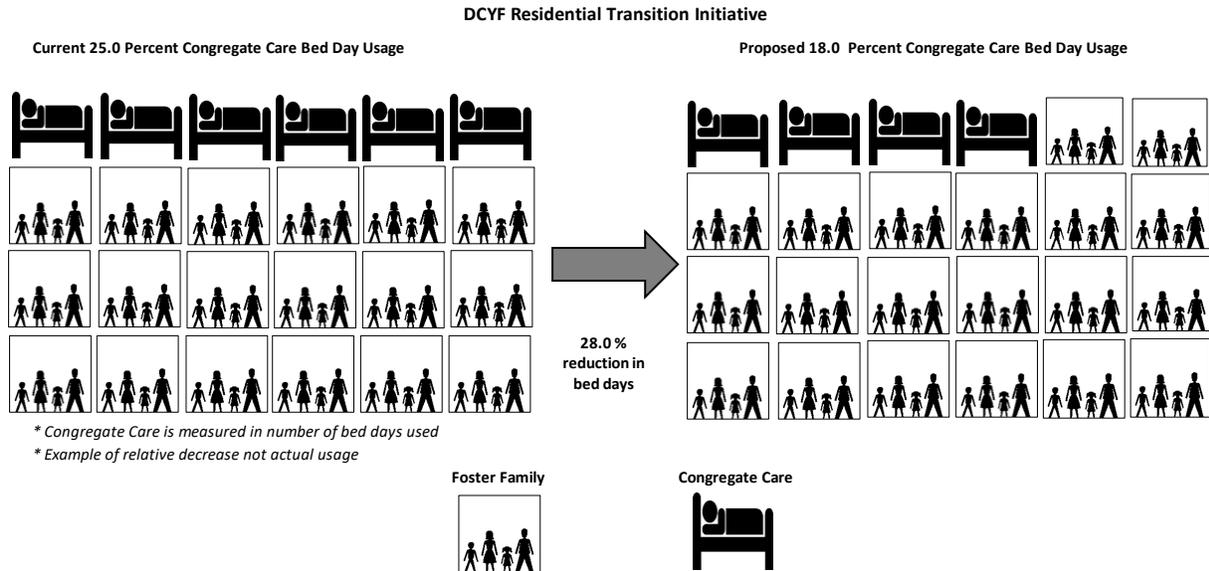
This initiative intends to improve Medicaid claiming occurring in FY2018, saving \$2.0 million, and improve claiming collections for the two previous fiscal years, generating an additional \$2.0 million in general revenue savings. The Center for Medicare and Medicaid Services (CMS) allows states to back claim for Medicaid covered services for up to two years. The Executive Office of Health and Human Services budget includes \$500,000 in all funds for contracted services to assist in the effort to improve claiming at DCYF and other health and human service agencies.

Residential Transitions **Informational**

The Department is attempting to transform the agency to meet strategic objectives by shifting programming toward a continuum of care that strengthens a family's ability to safely raise children in their own homes. Priorities include, promoting of kinship and non-kinship foster family placements for children who are removed from their families, minimizing congregate care placements such as group home and long-term residential placements, and prioritizing safe reunification, guardianship, and adoption.

An internal assessment concluded the Department is over-reliant on congregate care (group home residential settings) for children in their care and custody. Congregate care is considered the least

desirable setting for children in state care unless the placement is clinically necessary. To reduce congregate placements, the Department re-procured contracted services to incentivize providers to build



capacity in Foster Family Recruitment Development, and Support and Community-Based Programming.

Additionally, the Department’s Permanency Unit, has implemented a Level of Need (LoN) tool to ensure that children are assessed upon their entry into state care. This assessment will inform the DCYF worker of the unique needs of the child and family and guide the placement toward the most appropriate setting for the child and family.

The Department intends to shift the number of children who are cared for in high cost, congregate care placements, where appropriate, to lower-cost foster family care placements, resulting in a 28.0 percent decrease in congregate care utilization. Consequently, the proposed initiative will result in the Department’s overall congregate care bed day usage from approximately 25.0 percent to 18.0 percent, saving \$1.7 million in general revenue. The national average is approximately 15.0 percent and the national best practices indicate that congregate care should comprise no more than 10.0 to 12.0 percent of the Department’s overall caseload.

According to the Department, the FY2018 projected average cost for congregate care placements is \$368.16 per-day per-child, compared to \$125.22 per diem for specialized foster care and \$51.00 per diem for DCYF and kinship foster placements. In March 2016, there were 447 youth in congregate care placements and 1272 youth in foster care placements. This shift away from congregate care placement includes a \$1.2 million general revenue investment in FY2018 to build capacity in foster family placements.

Successful cost avoidance of congregate care is required to meet budget targets. The FY2017 Supplemental Budget includes \$6.3 million in additional funding for services provided in the CW Division. The FY2018 Budget for the Child Welfare Division is well below expenditures in the Division over the last four years, and below the FY2017 Supplemental budget request. Any delays in achieving cost avoidance in congregate care placement could result in the need for a supplemental budget appropriation.

CHILDREN’S BEHAVIORAL HEALTH

The Division of Children’s Behavioral Health designs, implements, and monitors a statewide system of care for children and youth requiring mental health services, including those children who are involved

with the Department due to child abuse, neglect, or delinquency. The Department seeks to support all children and youth with serious emotional disturbances in the least restrictive, clinically-appropriate setting.

The Budget includes 16.0 FTE positions for the program in FY2018 and FY2017, a reduction of 3.0 FTEs from the FY2017 Budget as Enacted.

Children's Behavioral Health Services	General Revenue
FY2017 Enacted	\$5,004,800
<i>Targets and Adjustments</i>	
Personnel	(185,060)
Contracted Services	94,341
FY2018 Enacted	\$5,099,171

Personnel **\$185,090**

The Budget includes an increase of \$185,090 in general revenue for salaries and benefits in FY2018 to fund current positions in the Division. The Budget reflects actual, filled positions and staffing in the Division in FY2018.

Contracted Services **\$94,341**

The Budget includes an increase of \$94,341 in general revenue for contracted services in FY2018. The Department will eliminate a contract with the Welfare Institute, decreasing general revenue expenditures by \$344,229, and increase general revenue expenditures by \$438,600 for children's behavioral health services for a net increase of \$94,341. Increases in children's behavioral health services are related to the re-procurement of services that concluded in January 2017.

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. This program 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.

Higher Education Incentive Grants	General Revenue
FY2017 Enacted	\$200,000
<i>Targets and Adjustments</i>	
	-
FY2018 Enacted	\$200,000

During the 2016-2017 academic year, a total of 96 students have been identified as eligible for the program. 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.

In 2015-2016 a total of 46 students in DCYF care received the federally-funded higher education grants. Of the awarded students, 13 attended the University of Rhode Island, 17 attended Rhode Island College, five attended the Community College of Rhode Island, and 11 attended other private schools.

JUVENILE CORRECTIONS

Juvenile Corrections includes two major programs for youth:

- The Rhode Island Training School for Youth (RITS) is a secure, residential facility for adjudicated juvenile offenders as well as those awaiting trial. The RITS includes 148 beds for male residents and

12 for female residents. The School is a 24-hour, 365-day operation providing housing, food, clothing, medical care, and education.

- Juvenile Probation and Parole supervises adolescents placed on probation by the Family Court.

The Budget includes 169.0 FTE positions for the program in FY2018 and FY2017, consistent with the FY2017 Budget as Enacted.

Juvenile Correction Services	General Revenue
FY2017 Enacted	\$24,927,098
<i>Targets and Adjustments</i>	
Personnel	(2,102,642)
FY2018 Enacted	\$22,824,456

Personnel **(\$2.1 million)**

The Budget decreases personnel funding within Juvenile Corrections, primarily personnel at the Rhode Island Training School (RITS), by \$2.1 million in general revenue. This includes a reduction in the number of RITS and education staff. According to the Department the reduction in personnel is attributed to the declining census at the RITS, therefore requiring fewer FTE positions to support the educational programs.

The population at the RITS has continually declined over the last decade. In 2015 the average daily census was 98, reducing to 86 in 2016. In May of 2017 the average census was 77 adolescents. The RITS was designed with a maximum bed capacity for 148 youth, including 124 designated for male detainees. The facility has closed two “pods” or “wings” within the training school due to the low census.

Personnel savings are primarily related to the elimination of 10.0 FTE positions including: 2.0 Academic Teachers, 6.0 Special Education Teachers, 1.0 Industrial Arts Teacher; and 1.0 Physical Education Teacher. The RITS maintains a 220-day education program, which is supported by 19.0 positions providing service to 74 youths detained at the RITS.

Department of Health

Expenditures by Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Revised	Enacted	Enacted	Enacted	Enacted	Enacted
Central Management	\$11.0	\$4.9	\$5.1	\$0.3	6.0%	\$9.4	\$4.6	94.0%
Community and Family Health and Equity	79.3	-	-	-	-	-	-	-
Community Health and Equity	-	106.0	108.1	2.1	2.0%	104.7	(1.3)	-1.2%
Customer Services	-	11.0	11.8	0.8	7.7%	11.6	0.6	5.5%
Environmental and Health Services Regulation	17.6	-	-	-	-	-	-	-
Environmental Health	-	11.7	12.6	0.9	7.8%	12.7	1.0	8.2%
Health Laboratories and Medical Examiner	8.9	12.2	12.1	(0.0)	-0.1%	11.6	(0.6)	-4.9%
Infectious Disease and Epidemiology	5.6	-	-	-	-	-	-	-
Policy, Information and Communications	-	3.1	3.3	0.2	6.3%	4.1	0.9	29.1%
Preparedness, Resp, Infectious Dis, & Emergency	-	14.0	16.8	2.7	19.3%	15.6	1.6	11.4%
Public Health Information	3.7	-	-	-	-	-	-	-
State Medical Examiner	2.9	-	-	-	-	-	-	-
Total	\$128.9	\$162.9	\$169.9	\$7.0	4.3%	\$169.6	\$6.8	4.2%
Expenditures By Source								
General Revenue	\$25.5	\$25.9	\$25.5	(\$0.4)	-1.7%	\$24.9	(\$1.0)	-4.0%
Federal Funds	69.2	100.4	103.6	3.2	3.2%	105.4	5.0	5.0%
Restricted Receipts	34.3	36.6	40.8	4.3	11.6%	39.4	2.8	7.6%
Total	\$128.9	\$162.9	\$169.9	\$7.0	4.3%	\$169.6	\$6.8	4.2%
Authorized FTE Levels	490.6	503.6	503.6	-	-	493.6	(10.0)	-2.0%

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

The mission of the Department of Health (DOH) is to prevent disease and to protect and promote the health and safety of the people of Rhode Island. Since Rhode Island has no local health departments, the Department coordinates public health activities across the State. The Department's responsibilities include licensing and regulation, collection and analysis of health data, disease surveillance, prevention, and control, vital records, and state laboratories. The Department also houses the Office of the Medical Examiner, the agency responsible for investigating and certifying suspicious or unexplained deaths.

MAJOR ISSUES AND TRENDS FOR FY2017 AND FY2018

The FY2017 Enacted Budget authorized the reorganization of the Department of Health. The Department's programs and subprograms were reconfigured for efficiency and to maximize service delivery based upon the Department's strategic objectives. The reorganization created some new divisions as well as eliminated functions that were determined to be inconsistent with its current mission and goals. In FY2017 and FY2018, the Department's divisions include: Central Management; Community Health and Equity; Customer Service; Environmental Health; State Health Laboratories and Medical Examiner; Policy Information and Communication; and Preparedness, Response Infectious Disease, and Emergency Medical Services.

In April 2016, the Department created the Health Equity Institute subprogram to support the agency's strategic plan, which includes "achieving health equity". The Institute's mission is "to promote access to comprehensive, high quality services so that all Rhode Islanders may achieve their optimal state of health". The Institute will focus on providing staff support and resources to cross-departmental equity initiatives, addressing populations that experience health disparities across Rhode Island, and supporting the implementation of the "equity framework" across sister agencies and with community partners. The subprogram is within the Central Management program.

There is a reduction of 10.0 FTE positions in FY2018. The FTE reductions include 1.0 FTE to reflect the consolidation of the heads of the Center for Professional Boards and Commissioner and the Center for Professional Licensing into one position; 2.0 FTE positions are transferred to the Office of the Health Insurance Commissioner as part of the consolidation of the utilization review process; additionally, there is a shift of 7.0 FTE positions to reflect the centralization of finance and human services functions. This

consolidation will allow for coordination among finance departments by centralizing staff at Executive Office of Health and Human Services (EOHHS) office space; however, the financing for the FTE positions will remain in the Department of Health to maximize federal financing participation.

CENTRAL MANAGEMENT

Central Management provides overall leadership, management, and administrative functions for the Department. The Division includes four subprograms: Executive Functions, Management Services, Academic Center, and Health Equity Institute.

The Budget funds 30.7 FTE positions in FY2017 and 36.7 FTE positions in FY2018, increasing by 6.0 FTE positions. This change reflects the common practice within the Department to shift positions among programs given available federal grants and other funds.

Central Management	General Revenue
FY2017 Enacted	\$0
<i>Target and Other Adjustments</i>	
Transfer for Health Equity Institute	789,523
FY2018 Enacted	\$789,523

Transfer for Health Equity Institute **\$789,523**

The Budget transfers \$658,510 from the Community Health and Equity Program to the Central Management Program in FY2018 to create the Health Equity Institute subprogram. An additional increase of \$131,103 within the subprogram (totaling \$789,523) is primarily due to the Department shifting personnel costs from the Family Health State Medicaid Match account to the Maternal and Child Health State Medicaid Match account to better align with the positions under the Health Equity Institute.

The Department created the Health Equity Institute in April 2016 to support the agency's strategic plan, which includes "achieving health equity". The Institute's mission is "to promote access to comprehensive, high quality services so that all Rhode Islanders may achieve their optimal state of health". The Institute will focus on providing staff support and resources to cross-departmental equity initiatives, addressing populations that experience health disparities across Rhode Island, and supporting the implementation of the "equity framework" across sister agencies and with community partners.

COMMUNITY HEALTH AND EQUITY

A new division of Community Health and Equity was created in FY2017, shifting functions from the previous division of Community and Family Health and Equity.

The Division of Community Health and Equity aims to eliminate health disparities, assure healthy child development, control disease, and strive for healthy communities. The division includes four centers: chronic care and disease management, health promotion and wellness, perinatal and early childhood health, and preventive services.

The Budget funds 132.0 FTE positions in FY2017 and 118.1 positions in FY2018, reducing by 13.9 FTE positions. This change reflects the common practice within the Department to shift positions among programs given available federal grants and other funds.

Community Health and Equity	General Revenue
FY2017 Enacted	\$1,530,102
<i>Target and Other Adjustments</i>	
Transfer to Central Management	(658,510)
FY2018 Enacted	\$691,032

Transfer to Central Management **(\$658,510)**

The Budget transfers \$658,510 from the Community Health and Equity Program to the Central Management program to support the creation of the Health Equity Institute. The Department created the Health Equity Institute subprogram in April 2016 to support the agency’s strategic plan, which includes “achieving health equity”. The Institute will focus on providing staff support and resources to cross-departmental initiatives related to equity, addressing populations that experience health disparities across Rhode Island, providing policy oversight to maternal and child health and the Health Equity Zone (HEZ) initiatives, and supporting the implementation of the equity framework across sister agencies and with community partners.

CUSTOMER SERVICES

Created in the FY2017 Enacted Budget, the Division of Customer Services has licensure and regulatory responsibilities of health care professionals and facilities, and is comprised of four centers: Professional Licensing, Professional Boards and Commissions, Vital Records, and Health Facilities Regulation. The division encompasses portions of the former Environmental and Health Services Regulation division, and the Public Health Information division.

The Budget funds 90.4 FTE positions in FY2017 and 89.4 FTE positions in FY2018, decreasing by 1.0 FTE position.

Customer Services	General Revenue
FY2017 Enacted	\$6,363,621
<i>Target and Other Adjustments</i>	<i>(1,517)</i>
Consolidate Chief Positions	(138,675)
PDMP Software Maintenance	100,946
FY2018 Enacted	\$6,324,375

Consolidate Chief Positions **(\$138,675)**

The Budget decreases general revenue by \$138,675 by consolidating two Chief positions into one position within the Division of Customer Services. The Center of Professional Boards and Commissions and the Center for Professional Licensing each have been managed by a Chief. Through the Lean process, the Department determined that the Centers have enough streamlined efficiencies and goals to justify joining them and to be managed by a single Chief position, the Chief of Health Professions Regulation. Both Centers work to guarantee that Rhode Islanders have access to quality health care by investigating consumer complaints and ensuring that health professionals are licensed and adhere to professional and ethical standards.

PDMP Software Maintenance **\$100,946**

The Budget includes \$100,946 in general revenue to support the annual software maintenance agreement for the Prescription Drug Monitoring Program (PDMP). The PDMP, mandated under RIGL 21-28-3.18, identifies the over-prescription of, and fraud related to, prescription controlled substances across the State. The PDMP’s database is a central repository for all Schedule II and III prescription drugs filled at Rhode Island pharmacies and includes patient, prescriber, and pharmacy information. This database is one of the primary evaluation tools used to target interventions to reduce prescription drug overdoses and to evaluate the efforts of the Governor’s Overdose Prevention and Intervention Task Force. This database enables the Department to meet requirements for three federal grants, which generate approximately \$1.5 million in federal funding. Previously, this database had been state funded; in FY2017 a one-time federal funding carry-forward was approved to support software maintenance costs. This federal funding is no longer available in FY2018.

ENVIRONMENTAL HEALTH

The Environmental Health division was created in FY2017, combining parts of the former Environmental and Health Services Regulation and the Healthy Homes divisions. The division is responsible for licensing and regulating activities related to the provision of clean and safe food and drinking water, as well as environmental hazards like lead, radon, and asbestos in homes and businesses.

The Budget authorizes 89.2 FTE positions in FY2017 and 92.3 FTE positions in FY2018, increasing by 3.1 positions.

Environmental Health	General Revenue
FY2017 Enacted	\$5,169,143
<i>Target and Other Adjustments</i>	
Supervising Sanitary Engineer Hiring Delay	(10,518)
Lead Inspections	(117,416)
	59,000
FY2018 Enacted	\$5,100,209

Supervising Sanitary Engineer Hiring Delay ***(\$117,416)***

The Budget decreases general revenue by delaying the hire of a Supervising Sanitary Engineer. The position is funded with general revenue and restricted receipts. The restricted receipt funding will be redirected to cover the general revenue portion of another FTE position in the Department. This equates to a general revenue savings of \$117,416.

Lead Inspections ***\$59,000***

In FY2017 the Center for Medicare and Medicaid Services (CMS) lowered the threshold standard of blood lead levels for children under age six (from 15 micrograms per deciliter to 10 micrograms per deciliter). Due to this change, the Department anticipates that there will be approximately 95 lead inspections in FY2018; each inspection costs \$675. The FY2018 Budget includes an additional \$59,000 in general revenue to cover the State's portion of the cost due to the anticipated increase in inspections.

According to the Department, the following is the current protocol regarding lead mitigation efforts:

- DOH currently refers children with blood lead levels above 5 micrograms per deciliter to one of four lead centers for non-medical case management, which includes lead and nutritional education, a visual assessment of the property, and any interim safety measures to limit exposure to lead hazards.
- DOH refers children with blood lead levels above 10 micrograms per deciliter to private lead inspectors to perform a comprehensive environmental lead inspection.
- After the inspection, DOH follows up with the property owner on abating lead hazards, enforcing lead regulations, and referring the property owner to the Attorney General's office or another agency for prosecution if the property is not abated.
- DOH performs quality assurance checks on lead safe work practices and provides site consultations with property owners.
- The Department also provides the final clearance tests on a property and issues the appropriate lead certificate.

Analyst Note: As of 2013, a child is considered to have lead poisoning at or exceeding 5 micrograms per deciliter, based upon guidelines issued by the Centers for Disease Control (CDC). In 2013, the CDC revised downward the blood lead thresholds for intervention (from 10 micrograms per deciliter to 5 micrograms per deciliter), increasing the number of children from ages 1 to 5 that met blood lead-level thresholds considered to be at risk for lead poisoning.

STATE HEALTH LABORATORIES AND MEDICAL EXAMINER

In FY2017, the State Health Laboratories and Medical Examiner divisions merged. The new division provides laboratory services to state and municipal agencies, health care providers, and the general public, for the purposes of public health, environmental protection, and forensic science. The laboratory performs approximately 250,000 analyses each year, largely on a fee-for-service basis, and collects approximately \$1.8 million in fees, which are deposited into the State's general fund.

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

The Budget authorizes 80.9 FTE positions in FY2017 and 78.9 FTE positions in FY2018, reducing by 2.0 FTE position. This change reflects the common practice within the Department to shift positions among programs given available federal grants and other funds.

State Health Laboratories and Medical Examiner	General Revenue
FY2017 Enacted	\$10,028,498
<i>Target and Other Adjustments</i>	<i>2,565</i>
Shift to Indirect Cost Recoveries	(500,000)
FY2018 Enacted	\$9,531,063

Shift to Indirect Cost Recoveries **(\$500,000)**

The Budget shifts \$500,000 in general revenue costs to restricted receipts under the assumption that the State Health Laboratories and Medical Examiner Division will be able to reallocate some administrative costs associated with federal grant administration to restricted receipts. According to federal law, the State is permitted to assess the federal government for direct and indirect costs of administering federal grant programs. Costs of grant administration are regularly recovered by DOH.

POLICY INFORMATION AND COMMUNICATION

A new Policy Information and Communication division was created, in FY2017. The Division is responsible for public health communications; data collection, analysis, and dissemination; coordination of the Department's legislative and regulatory functions; and ensuring standards of care are maintained in new and existing healthcare facilities.

The division includes four centers: Public Health Communications, Health Data and Analysis and Public Informatics, Health Systems Policy and Regulation, and Legislative and Regulatory Affairs. The Budget includes 16.9 FTE positions in FY2017 and 16.7 FTE positions in FY2018. This change reflects the common practice within the Department to shift positions among programs given available federal grants and other funds.

Policy, Information and Communication	General Revenue
FY2017 Enacted	\$937,935
<i>Target and Other Adjustments</i>	<i>(100,145)</i>
Center for Legislative and Regulatory Affairs	Informational
FY2018 Enacted	\$837,790

Center for Legislative and Regulatory Affairs **Informational**

The Department requested 3.0 FTE positions in the Center for Legislative and Regulatory Affairs (CLRA) subprogram for FY2018. This subprogram promotes public health through a "health in all policies" approach. DOH is responsible for approximately 20.0 percent of all state regulations, the most of any Department. CLRA is responsible for approximately 130 regulations, many of which need updating.

Currently, CLRA has one 0.6 FTE position dedicated to developing and implementing regulation and, due to lack of staff, is not meeting statutory requirements for regulations. According to the Department, DOH is unable to meet the mandates required by the Governor's 2016 Administrative Procedures Act (APA) review, which requires all state agencies to reformat, streamline, and refile all of their existing regulations by January 2019. Additionally, some of CLRA's work involves regulations based on federal mandates, which are therefore tied to federal funding. If the Department does not meet the new APA mandate, many regulations will expire, and therefore become unenforceable, after the APA deadline date. The Governor's Budget added 1.0 Health Program Administrator, which was not included in the FY2018 Budget as Enacted.

PREPAREDNESS, RESPONSE, INFECTIOUS DISEASE, AND EMERGENCY MEDICAL SERVICES

The Preparedness, Response, Infectious Disease, and Emergency Medical Services division was created in FY2017. The division includes four centers that previously existed within two divisions of the department: Emergency Preparedness and Response; Infectious Disease and Epidemiology; HIV, Hepatitis, STD, and TB Epidemiology; and, Emergency Medical Services.

The division prepares for and responds to catastrophic events, disasters, and emergencies. It also monitors and works to prevent the spread of infectious diseases, and licenses and regulates emergency medical services in the state. The Budget includes 63.5 FTE positions in FY2017 and 63.6 FTE positions in FY2018.

Preparedness, Response, Infections Disease, and Emergency Medical Services	General Revenue
FY2017 Enacted	\$1,902,523
<i>Target and Other Adjustments</i>	<i>(35,492)</i>
Medicaid Health Systems Transformation	(247,900)
FY2018 Enacted	\$1,619,131

Medicaid Health Systems Transformation (\$247,900)

The Division of Preparedness, Response, Infectious Disease, and Emergency Medical Services (PRIDEMS) is participating in Executive Office of Health and Human Services (EOHHS) Health Systems Transformation (HST) project. The Center for Medicare and Medicaid Services (CMS) has approved EOHHS' general HST proposal, which includes DOH; however, the project's claiming manual has yet to be approved by CMS. According to the Department, subject to the claiming manual approval, HST could match up to \$247,900 with federal funds. The Department would transfer the salary cost of the Division Director/Medical Director/State Epidemiologist (0.7 FTE position) and a Directly Observed Therapy Worker (0.5 FTE position) from general revenue to the new HST funding. If the claiming manual is not approved, the Department plans to continue to fund these salaries via general revenue as they are critical to the function of the Division and Department.

Department of Human Services

Expenditures by Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Revised	Enacted	Enacted	Enacted	Enacted	Enacted
Central Management	\$10.0	\$9.5	\$8.8	(\$0.8)	-8.0%	\$7.9	(\$1.6)	-17.2%
Child Support Enforcement	9.2	9.5	9.5	(0.1)	-0.7%	11.0	1.4	15.0%
Elderly Affairs	18.7	18.7	19.2	0.5	2.8%	19.6	0.9	4.7%
Health Care Eligibility	21.1	19.2	16.4	(2.8)	-14.7%	14.0	-5.1	-26.8%
Individual and Family Support	144.6	109.4	134.5	25.1	23.0%	124.7	15.3	14.0%
Rhode Island Works	86.9	93.0	92.4	(0.5)	-0.6%	93.3	0.3	0.3%
State Funded Programs	277.1	283.7	283.6	(0.0)	0.0%	283.6	0.0	0.0%
Supplemental Security Income Program	18.5	18.5	18.9	0.4	2.3%	18.5	0.1	0.3%
Veterans Affairs	29.2	40.6	79.7	39.1	96.1%	42.1	1.4	3.5%
Total	\$615.3	\$602.1	\$663.0	\$60.9	10.1%	\$614.7	\$12.6	2.1%
Expenditures By Source								
General Revenue	\$96.1	\$97.6	\$91.7	(\$5.9)	-6.1%	\$91.1	(\$6.5)	-6.7%
Federal Funds	511.6	497.6	562.8	65.2	13.1%	515.6	17.9	3.6%
Restricted Receipts	2.7	1.7	3.4	1.7	101.2%	3.4	1.7	98.0%
Other Funds	4.9	5.1	5.0	(0.1)	-1.8%	4.6	-0.5	-9.8%
Total	\$615.3	\$602.1	\$663.0	\$60.9	10.1%	\$614.7	\$12.6	2.1%
Authorized FTE Levels	959.1	937.1	937.1	-	0.0%	981.1	44.0	4.7%

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

The Department of Human Services (DHS) administers programs and services that support the needs of children and families, adults and children with disabilities, veterans, and the elderly. These services include health care, child care, cash assistance, and other supportive services for working parents and families.

MAJOR ISSUES AND TRENDS FOR FY2017 AND FY2018

The Unified Health Infrastructure Project (UHIP) is the largest Information Technology (IT) project undertaken by the State and is intended to fully integrate health and human service programs and establish a State-based health insurance exchange, HealthSource RI. The project was developed in two phases. Phase I, launched in 2013, created an online portal for purchasing commercial health insurance and income-based Medicaid eligibility. Phase II of UHIP, launched in September of 2016, was intended to expand the system to serve as a portal through which residents apply for and enroll in other health and human service programs such as Child Care, SNAP, GPA, and SSI programs.

Phase II of the UHIP project has been plagued with technical failures resulting in delays in eligibility and payments to providers and individuals. These challenges led to the Governor's decision to seek the resignation of the Director of DHS, the Director of Information Technology, and the Secretary of Health and Human Services. The Governor has replaced these key positions, published an analysis of the current conditions of the project, and proposed short-term and long-term solutions to improve the performance of the system. The cost of the project, which is projected to total \$391.5 million in all funds through FY2018, are shared across the Executive Office of Health and Human Services (EOHHS), DHS, and HealthSource RI (HSRI). In May 2017, Deloitte Consulting, the primary software developer, agreed to credit the State \$27.0 million for delayed functionality, which was applied to budgeted UHIP costs in FY2017. The State continues to pursue the recoupment of costs associated with the design and development of the system.

The Budget adds 44.0 positions above the FY2017 Enacted level, with a cap of 981.1 in FY2018. The Governor's Budget had decreased the Department-wide FTE cap by 99.0 FTEs due to previously anticipated efficiencies related to the release of UHIP. In light of major issues with the launch of Phase II of UHIP, the FY2018 Budget as Enacted adds 143.0 FTE positions above the Governor's recommendation. This increase includes 96.0 Eligibility Technicians, 11.0 Customer Service Aids, 6.0 Career Advisors, 23.0 Social Case Workers, 2.0 Program Development Chiefs, and 1.0 Family and Adult

Services Administrator. These 143.0 new positions include 60.0 permanent positions and 83.0 temporary positions. Additionally, a decrease of 39.0 finance positions as compared to FY2017 Enacted reflects the consolidation of finance staff at the Executive Office of Health and Human Services. Centralizing staff at EOHHS allows for coordination among finance departments; however, financing these FTE positions remains in the Department of Human Services to maximize federal financing participation.

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 May 2017 Caseload Estimating Conference (CEC) adopted estimates dictate the entitlement program appropriations included in the FY2018 Enacted Budget.

Cash Assistance Program - May 2017 Adopted Estimates

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 \$111.9 million in FY2018, a decrease of approximately \$900,000 from the enacted level. The major contributor to this reduction is an anticipated decrease of 181 childcare subsidies within the Child Care Assistance Program (CCAP) as compared to the FY2017 Budget as Enacted.

	FY2017 Enacted	FY2018 Enacted	Change to Enacted
Rhode Island Works	\$23.1	\$22.9	(\$0.2)
Federal Funds	23.1	22.9	(0.2)
Child Care	\$69.9	\$69.0	(\$0.9)
Federal Funds	55.1	55.6	0.5
General Revenue	14.7	13.4	(1.3)
SSI - State Supplement	\$18.5	\$18.6	\$0.1
General Revenue	18.5	18.6	0.1
General Public Assistnace	\$1.4	\$1.4	-
General Revenue	1.4	1.4	-
Total	\$112.8	\$111.9	(\$0.9)
Federal Funds	78.2	78.5	0.3
General Revenue	34.6	33.4	(1.2)

\$ 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.

There are no FTE positions under the division in FY2018. The lack of positions reflects the consolidation of finance staff at the Executive Office of Health and Human Services. Centralizing staff at EOHHS allows for coordination among finance departments; however, financing these FTE positions remains in the Department of Human Services to maximize federal financing participation.

Central Management	General Revenue
FY2017 Enacted	\$4,852,023
<i>Target and Other Adjustments</i>	<i>3,304</i>
Personnel	(1,445,219)
FY2018 Enacted	\$3,410,108

Personnel

(\$1.4 million)

The Budget decreases by \$1.4 million in Central Management due to a reduction in personnel costs within the Division. The staff within Central Management are consolidated within the Executive Office of Health and Human Services (EOHHS), to allow for coordination among finance departments by centralizing staff at EOHHS office space; however, the financing for the FTE positions will remain in the Department of Human Services to maximize federal financing participation. The funding for these finance

positions is cost allocated to other programs within the Department, causing a decrease in the Central Management program.

CHILD SUPPORT ENFORCEMENT

The Office of Child Support Enforcement assists families by ensuring payment of court-ordered child support payments. The Office provides the following services: location of non-custodial parents, establishment of paternity, establishment and modification of child support orders, and enforcement, through the use of license suspensions, credit bureau reporting, tax refund intercepts, and liens. Collections recovered for families that receive state support through Rhode Island Works or Medicaid are retained by the State; other collections are distributed directly to families. The Budget authorizes 57.0 FTE positions in FY2018.

Child Support Enforcement	General Revenue
FY2017 Enacted	\$3,314,623
<i>Target and Other Adjustments</i>	66,696
Income Tax Settlement Reserve	(300,000)
FY2018 Enacted	\$3,081,319

Income Tax Settlement Reserve **(\$300,000)**

Income tax refunds intercepts are one of the enforcement tools used by the Office of Child Support Enforcement. If a tax intercept occurs, the non-custodial parent receives notice from the state and the federal government with instructions on how to contest the intercept. The Budget is reduced by \$300,000 in general revenue due to an assumption that, based on FY2017 spending trends, reserve money for child support settlement tax intercepts will go unspent.

ELDERLY AFFAIRS

The Division of Elderly Affairs (DEA) provides comprehensive services, advocacy, and public policy dedicated to the needs of older Rhode Islanders, adults with disabilities, their caregivers, and families. Elderly Affairs implements a system of community-based care for individuals sixty years and older as well as adults with disabilities. The Division is responsible for developing and implementing a State Plan on Aging under the federal Older Americans Act. The Division oversees the Aging and Disability Resource Center (called "The Point") and a network of community information specialists who provide referrals to services and other resources to elders and adults with disabilities. The Budget includes 28.0 FTE positions in FY2018.

Elderly Affairs	General Revenue
FY2017 Enacted	\$6,533,729
<i>Target and Other Adjustments</i>	99,215
Volunteer Guardianship Program	(40,756)
Bus Passes for the Elderly	Informational
FY2018 Enacted	\$6,592,188

Volunteer Guardianship Program **(\$40,756)**

The Budget decreases \$40,756 in general revenue due to the termination of the Volunteer Guardianship Program (VGP) contract with Cornerstone Adult Services. The Division reports that there was no response to the request for proposal that was issued for the program. In FY2017, the VGP was funded at \$81,512 in general revenue. The VGP will continue; however, the Division of Elderly Affairs will manage the program at 50.0 percent of the cost. According to the Division, the cost of absorbing the VGP will include: \$5,000 for DEA personnel costs; \$34,398 to fund a part-time temporary paralegal position; and \$1,358 in miscellaneous legal fees.

The purpose of the VGP is to provide guardianship services to low-income, older, at-risk persons who have been identified by a referral source as being in need of a guardian. Volunteers are appointed as "Good Samaritan" Guardians of the person by a Probate Court Judge and make important health care, residence, and relationship decisions (guardians, under this program, do not make decisions regarding the property or finance of the ward).

Bus Passes for the Elderly

Informational

The FY2018 Governor's Budget added \$300,000 in general revenue to partially fund free bus fares to high-need elderly individuals at risk of institutionalization, disabled individuals, and elderly or disabled veterans. Prior to February 1, 2017, the State of Rhode Island had required the Rhode Island Public Transit Authority (RIPTA) to provide free, unlimited transportation to low-income persons who are either senior citizens or persons with disabilities.

In lieu of the Governor's \$300,000 initiative, Article 4 provides RIPTA with \$5.0 million in the Rhode Island Highway Maintenance Funds in both FY2018 and FY2019 to fund the free-fare program for low-income senior and disabled persons. RIPTA also must establish a coordinating council to develop recommendations for the sustainable funding of the program while maximizing the use of federal funds available to support the transportation needs of this population. The recommendations are to be provided to the Governor and General Assembly by November 1, 2018.

HEALTH CARE ELIGIBILITY

Health Care Eligibility is responsible for determining Medicaid eligibility. This includes the determination of eligibility for medical benefits for certain low income individuals and/or families with dependent children, and individuals who meet eligibility criteria within the following populations: RI Works participants; SSI participants; Children with Special Health Care Needs; children in foster care or subsisted adoption within the Department of Children, Youth, and Families; low income families; and aged, blind, or disabled individuals. The Budget authorizes 143.6 FTE positions in FY2018.

Health Care Eligibility	General Revenue
FY2017 Enacted	\$8,527,641
<i>Target and Other Adjustments</i>	<i>(49,626)</i>
Personnel	(2,279,930)
Unified Health Infrastructure Project (UHIP)	(152,966)
FY2018 Enacted	\$6,045,119

Personnel

(\$2.3 million)

The Budget reduces personnel costs by \$2.3 million within the Health Care Eligibility program due to both a reduction of FTE positions and a shift in the Department's FTE cost allocation plan. This shift is primarily due to the reallocation of personnel costs from the Healthcare Eligibility program to Individual and Family Support (IFS) program. The Department has deemed IFS as the "one stop shop" for Department-wide case management and eligibility determinations since the implementation of UHIP, the new integrated eligibility system. The original reason behind the reduction in cost was primarily due to a layoff of 60.0 FTE positions due to efficiencies that were anticipated to be achieved by UHIP; alternatively, since its Phase II launch, UHIP has been riddled with issues and has not achieved the previously anticipated efficiencies (see below for more information).

Unified Health Infrastructure Project (UHIP)

(\$152,966)

In May 2017, due to major system issues with UHIP, Deloitte Consulting, the primary software developer of UHIP, agreed to credit the State \$27.0 million for delayed functionality. The majority of this credit was applied to budgeted UHIP costs in FY2017; \$206,233 of this credit was applied to the Department's FY2018 Budget. Within the Health Care Eligibility program, there is a decrease of \$152,966 in general

revenue related to UHIP, which is offset by an increase of \$359,199 in the Individual and Family Support program.

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 FY2018 Budget includes 512.8 FTE positions.

Individual and Family Support	General Revenue
FY2017 Enacted	\$18,876,650
<hr/>	
<i>Target and Other Adjustments</i>	<i>843,746</i>
Personnel	790,653
Transportation Medicaid Match	(597,079)
Head Start Program	390,000
Unified Health Infrastructure Project (UHIP)	359,199
FY2018 Enacted	\$20,663,169

Personnel **\$790,653**

The Budget adds \$790,653 in personnel costs within the Individual and Family Support (IFS) Program due to a shift in the Department's FTE cost allocation plan. This shift is primarily due to the reallocation of personnel costs from Central Management, Child Support Enforcement, and Healthcare Eligibility to IFS. The Department deemed the Individual and Family Support program to be the "one stop shop" for Department-wide case management and eligibility determinations due to the implementation of the new integrated eligibility system, UHIP (discussed further below).

Transportation Medicaid Match **(\$597,079)**

There is a general revenue savings of \$597,079 in transportation costs funded by the Department in FY2018. The general revenue funding should have been eligible for a federal match previously.

Head Start Program **\$390,000**

The Budget adds \$390,000 in general revenue funding to increase support to the Head Start Program, which is designed to foster the development and school-readiness of children from birth to age five. The federal Office of Head Start, within the Administration for Children and Families (ACF), has recently increased instructional time requirements; therefore, federal funds for Head Start Program federal slots have increased. This general revenue increase brings reimbursement rates for state-funded program slots closer to federal rates of reimbursement to ensure the current number of state-funded slots is maintained under the new requirements. According to ACF, the new requirements will increase the minimum duration of programs so that nearly all Head Start Programs are operating for a full school day and full school year by August 2021, with a requirement that half of all children in each program participate for a full school day and year in 2019.

Head Start services are delivered by public and private nonprofit and for-profit agencies. Head Start agencies provide services to children and families that meet the needs of their local community and follow the Head Start Program Performance Standards. These agencies receive federal grants. Rhode Island contributes additional funding to expand the Head Start Program to include more children. Programs prioritize enrollment for vulnerable children including children in foster care, children with disabilities, and children whose families are homeless.

Unified Health Infrastructure Project (UHIP)**\$359,199**

In May 2017, due to major system issues with UHIP, Deloitte Consulting, the primary software developer of UHIP, agreed to credit the State \$27.0 million for delayed functionality. The majority of this credit was applied to budgeted UHIP costs in FY2017; \$206,233 of this credit was applied to the Department's FY2018 Budget. The Individual and Family Support program includes a general revenue increase of \$359,199 in UHIP costs, offset by a decrease of \$152,966 in the Health Care Eligibility program.

RHODE ISLAND WORKS

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

Rhode Island Works	General Revenue
FY2017 Enacted	\$14,747,241

<i>Target and Other Adjustments</i>	-
Child Care Costs to TANF	(2,800,000)
Caseload Estimating Conference - Child Care Assistance	(1,334,422)
FY2018 Enacted	\$10,612,819

Rhode Island Works	Other Fund Changes
Caseload Estimating Conference - RI Works	(232,655)
Transitional Child Care Pilot Program	Informational
Child Care and Development Block Grant (CCDBG)	Informational

Child Care Costs to TANF**(\$2.8 million)**

The Budget includes a savings of \$2.8 million due to shift of Child Care Assistance Program (CCAP) general revenue expenditures to the federal Temporary Assistance to Needy Families (TANF) Block Grant.

TANF is the primary funding source for Rhode Island Works. To access these funds each fiscal year, the State is required to maintain expenditures of at least 80.0 percent of historic "qualified" state expenditures under the former Aid to Families with Dependent Children (AFDC) Program, referred to as maintenance of effort (MOE). In Rhode Island, 80.0 percent MOE is approximately \$64.0 million. Under federal law, six types of expenditures can be counted toward MOE requirements, including child care. According to the Department's May 2017 Caseload Estimating Conference testimony, the Department is projecting TANF MOE expenditures of \$102.2 million, well above the minimum MOE expenditure requirement of \$64.0 million, for federal fiscal year 2017. The total amount Rhode Island receives in TANF Block Grant funding is approximately \$95.0 million.

Caseload Estimating Conference – Child Care Assistance**(\$1.3 million)**

Rhode Island provides child care assistance to low income families (typically, families earning less than 180.0 percent of the federal poverty level, or \$36,756 annually for a family of three, are eligible). General revenue funding is estimated to decrease by \$1.3 million in FY2018. The CEC adopted a FY2018 estimate of 9,422 child care subsidies at a general revenue cost of \$13.4 million (\$70.0 million all funds). The reduction is due to an anticipated decrease of 181 childcare subsidies. Additionally, there will be changes to the Child Care Assistance Program (CCAP) in FY2018 due to the reauthorization of the federal Child Care and Development Block Grant (see below for more information).

Caseload Estimating Conference – RI Works (federal funds)**(\$232,655)**

The May 2017 Caseload Estimating Conference (CEC) estimated a Rhode Island Works (RIW) caseload average of 9,600 recipients at a monthly cost per person of \$180.00. The total program cost for FY2018 is

\$22.8 million, all of which is federal funds and represents a decrease of \$232,655 in federal funds from the FY2017 enacted level.

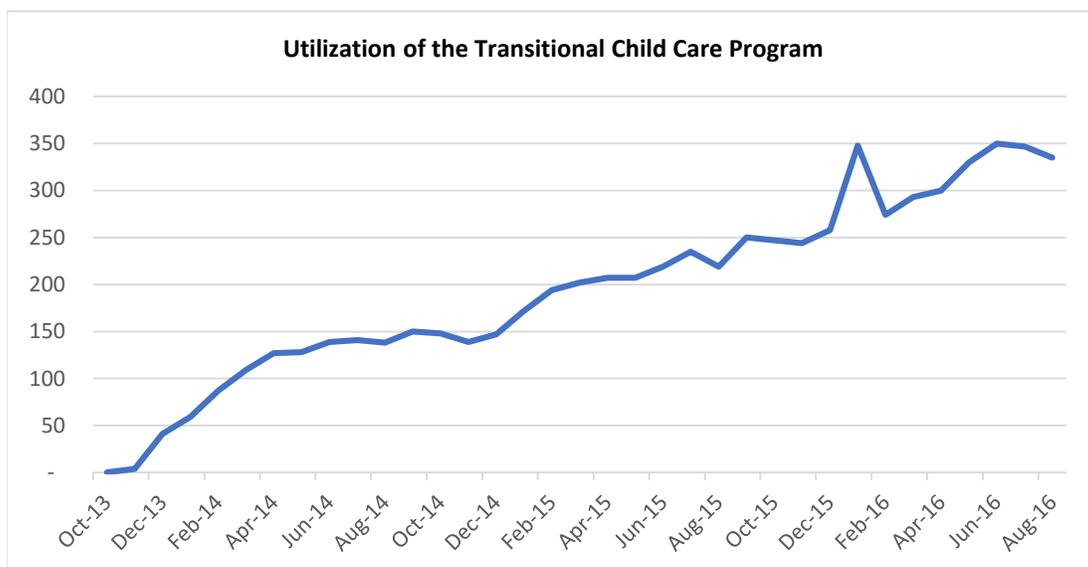
Transitional Child Care Pilot Program

Informational

The Transitional Child Care Program was initially funded in the FY2014 Enacted Budget (Article 18). The program was extended through the first quarter of FY2017 in the FY2015 Enacted Budget, and was again extended in the FY2017 Enacted Budget to September 30, 2017. Article 4 removes the sunset for the Transitional Child Care Program making the program permanent. This program expands access to child care assistance by increasing the exit income threshold for current child care program participants from 180.0 percent of the federal poverty level (FPL) up to 225.0 percent FPL, or from \$36,756 in annual income to \$45,945 in annual income for a family of three, respectively. The program satisfies new federal rules (see “Child Care and Development Block Grant” below for more information). Funding for the Transitional Child Care Program was included in the May 2017 CEC FY2018 adopted estimate.

According to the Department, since the inception of the Transitional Child Care Program, an average of 223 families with 322 children utilize the program, making up 3.95 percent of the CCAP caseload. On average, 10 families per month enter the program. The total cost of the program since its launch in October 2013 is \$4.6 million from all fund sources.

The following graph displays the growth of participation in the program since it began in October 2013:



Note: the spike in January 2016 is an anomaly attributable to the implementation of retroactive CCAP rate increase issued during that month

Source: Department of Human Services

Child Care and Development Block Grant (CCDBG)

Informational

The federal Child Care and Development Block Grant (CCDBG), created in 1990, was designed to help low-income families obtain child care. In September 2016, the Office of Child Care issued new rules to provide clarity to states on how to implement the CCDBG. The reauthorization of the CCDBG required changes to CCAP beginning October 1, 2016. These changes include: a twelve month recertification period—each child who is determined eligible for a State child care program must have no less than 12 months of continuous eligibility; at least 3 months of continuous eligibility for families who lose their jobs; a graduated phase-out based on income; infant-toddler prioritization; and expanded outreach to homeless families. The Rhode Island Department of Human Services received a 12-month waiver for the

majority of the new requirements. The Department anticipates it will receive another 12-month waiver pushing out implementation of the new federal rules to September 30, 2018.

Though the Department is delaying the implementation of the majority of the new federal requirements, the Transitional Child Care Program (see above) satisfies the reauthorization requirement of having a “graduated phase-out”. The graduated phase-out requirement specifies that CCAP must have two-tiered eligibility with an initial income eligibility threshold and a higher second tier income threshold at recertification to accommodate increases in family income. According to the Department, the Transitional Child Care Program satisfies the graduated phase-out federal requirement. Therefore, to stay within compliance with federal law, the Transitional Child Care Program was included in the May 2017 CEC FY2018 adopted estimate even though Rhode Island law, at that time, had a program sunset date of September 30, 2017.

STATE FUNDED PROGRAMS

State Funded Programs incorporates two different programs, General Public Assistance (GPA) and the Supplemental Nutrition Assistance Program (SNAP). Only one of these programs, in fact, is state-funded.

GPA is a state funded program (RIGL 40-6-3) that provides basic cash assistance to adults between the ages of 19 and 64 with very limited income and resources who have an illness, injury, or medical condition that is expected to last 30 days or more and prevents them from working. GPA also includes the hardship contingency fund, intended as the benefit of last resort for Rhode Islanders who do not qualify for Rhode Island Works or SSI. This benefit and funding level is directed by statute and does not typically fluctuate from year to year.

SNAP, or “food stamps”, is a federal nutrition program that provides food assistance to low-income households. SNAP benefits (\$282.1 million in FY2017) are fully federally funded. SNAP’s benefit disbursements are budgeted within this program, however, administrative responsibility of SNAP, as well as corresponding budgetary resources, are maintained by the Individual and Family Support program.

State Funded Programs	General Revenue
FY2017 Enacted	\$1,582,800
<i>Target and Other Adjustments</i>	
GPA Hardship Payments Reduction	(30,000)
Caseload Estimating Conference - General Public Assistance	6,151
FY2018 Enacted	\$1,558,951

GPA Hardship Benefit Program Reduction (\$30,000)

The Budget reduces the Hardship Program, saving \$30,000 in general revenue. This program is a subset of the GPA Bridge Program, which provides income for disabled, low income individuals until they are determined to be eligible for the federal Supplemental Security Income (SSI) Program. The GPA Bridge Program is included in the Caseload Estimating Conference (CEC). Monthly hardship payments total \$100 per month, and eligibility is determined on a case-by-case basis each month, by the Director of DHS, for individuals who are ineligible for Bridge and other state or federal income maintenance programs. The Hardship Program serves approximately 125 individuals each year. The GPA Hardship Program is funded in Article 1, outside of the CEC. In FY2017, the program was funded at \$210,000 in general revenue. In FY2018, \$180,000 is appropriated to this program; according to the Budget Office, the Hardship Program typically spends \$180,000 each year.

Caseload Estimating Conference—General Public Assistance \$6,151

Estimators at the May 2017 Caseload Estimating Conference (CEC) projected that in FY2018, 364 people would receive general public assistance (GPA) at a monthly cost of \$146.28 per person. Expenditures for monthly cash payments, indigent burials, and the GPA hardship contingency fund (\$180,000 general

revenue, which is not estimated during the CEC, but included in program totals) are projected to be \$1.4 million in FY2018, a \$6,151 general revenue increase from FY2017 enacted levels.

SUPPLEMENTAL SECURITY INCOME

The Supplemental Security Income (SSI) program is a federal income support program that provides basic cash assistance to individuals aged 65 or older and to adults and children with serious disabilities. Individuals eligible for SSI are also eligible for Medical Assistance (Medicaid) and SNAP (food stamps). Like all but four states (Arizona, North Dakota, Mississippi, West Virginia), Rhode Island pays beneficiaries a state supplement to the SSI benefit (RIGL 40-6-27).

The federal government, through the Social Security Administration, pays a basic benefit to SSI recipients. The actual monthly benefit depends on the recipient's income; generally, the more income an individual earns, the lower the monthly benefit. Like most states, Rhode Island provides a supplemental state-funded payment to each recipient of the federal payment. The State also makes a state-only payment to some individuals who exceed the federal income eligibility requirements.

The total payment (state and federal) is set at a specific level and is recalculated each year as the federal benefit is adjusted so that the benefit keeps pace with inflation. As of January 1, 2017, the federal SSI payment was increased by \$2 for individuals and \$3 for couples (who both spouses are eligible). The state portion of the SSI payment remained the same at \$39.92 for individuals and \$79.38 for couples. Currently, the maximum monthly payment is \$774.92 for an individual and \$1,182.38 for a couple.

For SSI recipients in an assisted living residence, a majority of the payment goes to the facility and the resident retains up to \$20.00 of the payment as a personal needs allowance.

In order to be eligible for SSI, an individual must be age 65 or older, blind, or disabled. For the purposes of determining eligibility for SSI, "disabled" means that an individual over the age of 18 has a medically determinable physical or mental impairment that results in an inability to perform any "substantial gainful activity" and that is either expected to result in death or to last for a year or more. For a child, it is a condition that results in "marked and severe functional limitations" and is expected to either result in death or to last for a year or more.

SSI-eligible individuals must also have "limited resources," defined as less than \$2,000 in resources for an individual or child, and less than \$3,000 in resources for a couple. Certain assets and resources are not included in the resource calculation, including the individual's home, household goods and personal effects, burial plots, and a single vehicle.

Supplemental Security Income Program	General Revenue
FY2017 Enacted	\$18,496,913
<i>Target and Other Adjustments</i>	
Caseload Estimating Conference - SSI	151,206
SSI Hardship Moves	(100,000)
FY2018 Enacted	\$18,548,119

Caseload Estimating Conference—SSI **\$151,206**

The May 2017 Caseload Estimating Conference (CEC) SSI estimate reflects total general revenue costs of \$18.6 million (including \$54,000 in fees associated with the SSI program) in FY2018, which represents an increase of \$151,206 from the enacted level. This is based upon a SSI caseload estimate of 33,685 individuals in FY2018, with individuals receiving an estimated average monthly payment \$45.00.

SSI Hardship Moves **(\$100,000)**

There is a savings of \$100,000 in FY2018 by reducing one of the benefits that individuals on SSI receive. An individual who receives SSI is able to have his or her cost of moving from one residence to another covered by the State. The Department reports that the current cost of this benefit is \$256,000 each year.

The Department plans to implement policies and restrictions to limit access to these funds to achieve \$100,000 in general revenue savings.

Analyst Note: It is unclear what policies the Department will implement to achieve these savings.

VETERANS AFFAIRS

The Division of Veterans Affairs serves Rhode Island's veteran population of approximately 70,000. The program operates the Rhode Island Veterans Home, a state-run nursing facility in Bristol, Rhode Island, and the Veterans Cemetery in Exeter, Rhode Island. The Budget authorizes 240.1 FTE positions in FY2018.

Veterans Affairs	General Revenue
FY2017 Enacted	\$20,704,694
<i>Target and Other Adjustments</i>	<i>97,132</i>
Increase in Federal Per Diem	(200,000)
FY2018 Enacted	\$20,601,826

Veterans Affairs	Other Funds Changes
Veterans Home Construction Project	(\$40,000,000)

Increase in Federal Per Diem ***(\$200,000)***

In FY2018 there is a savings of \$200,000 in general revenue due to an anticipated increase in federal per diem payments for the Veterans Home reflecting a Cost of Living Adjustment. The additional \$200,000 received in federal funds will offset the same amount in general revenue, leading to this savings.

Veterans Home Construction Project (federal funds) ***(\$40.0 million)***

There is a decrease of \$40.0 million in federal funds, related to the Veterans Home Project, in FY2018 due to spending occurring in FY2017 instead of FY2018 as originally anticipated. The Veterans Home is currently 85.0 percent completed and residents are expected to move in October 2017.

The original design was estimated to cost approximately \$94.0 million; consequently, the 2012 bond referendum was written to allow the full use of the \$94.0 million, net federal reimbursement, in case federal funds were not awarded. After voter approval of the 2012 referendum, the federal Veterans Administration (VA) approved a different design with a community living center and clusters of private rooms arrayed around the common areas, instead of the semi-private rooms included in the original design. This new design is consistent with modern VA nursing home standards, and is estimated to cost \$121.0 million, including \$60.5 million in state funds and \$60.5 million in federal funds. The language of the 2012 bond referendum, however, only allows the State to issue \$33.5 million, leaving a shortfall of \$27.0 million. The 2016 bond referendum addresses this shortfall to fully fund the new Veterans Home; due to an increased federal reimbursement, the cost to the State will decrease by \$12.4 million.

Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals

Expenditures By Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Revised	Enacted	Enacted	Enacted	Enacted	Enacted
Central Management	\$1.4	\$1.7	\$1.6	(\$0.1)	-3.1%	\$1.7	(\$0.0)	-2.4%
Hospital & Community System Support	2.4	2.9	2.3	(0.6)	-19.6%	2.7	(0.2)	-6.7%
Hospital & Community Rehabilitation Services	116.8	114.3	116.3	2.0	1.8%	108.0	(6.3)	-5.5%
Behavioral Healthcare Services	16.2	20.5	24.7	4.2	20.7%	28.2	7.7	37.7%
Services for the Developmentally Disabled	241.9	246.2	250.1	3.9	1.6%	256.5	10.3	4.2%
Total	\$378.6	\$385.6	\$395.2	\$9.5	2.5%	\$397.1	\$11.5	3.0%
Expenditures By Source								
General Revenue	\$176.3	\$173.2	\$177.9	\$4.7	2.7%	\$176.4	\$3.2	1.9%
Federal Funds	189.6	193.0	199.1	6.0	3.1%	204.3	\$11.3	5.8%
Other Funds	5.2	11.0	9.7	(1.3)	-11.6%	7.9	(\$3.1)	-28.0%
Restricted Receipts	7.5	8.4	8.5	0.1	0.8%	8.5	\$0.1	0.8%
Grand Total	\$378.6	\$385.6	\$395.2	\$9.5	2.5%	\$397.1	\$11.5	3.0%
Authorized FTE Levels	1,419.4	1,352.4	1,352.4	-	0.0%	1,319.4	(33.0)	-2.4%

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

The Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) provides a comprehensive system of care for people with mental illness, physical illness, developmental disability, and substance use disorders or addiction. BHDDH administers a coordinated system of mental health promotion and substance abuse prevention through contracted, community-based service delivery programs and direct services at both campuses of Eleanor Slater Hospital (Pastore Center in Cranston and Zambarano in Burrillville) and Rhode Island Community Living and Supports (RICLAS) facilities.

The Budget includes 1,319.4 FTEs, a reduction of 33.0 FTEs from the FY2017 Enacted Budget. The Budget shifts 33.0 FTE positions to the Executive Office of Human Services to consolidate financial staff; however, funding remains with the agency.

MAJOR ISSUES AND TRENDS FOR BHDDH IN FY2018

The FY2018 Budget includes \$176.4 million in general revenue (\$397.1 million all funds) an increase of \$11.5 million all funds over the FY2017 Enacted Budget. The growth in expenditures largely represents increased costs in the Division of Developmental Disabilities (DD).

The increases in the DD Division are associated with service cost adjustments, wage increases for Direct Support Professionals (DSPs), and unachieved savings related to group home transitions. The Division continues to see increasing costs associated with providing services for individuals with intellectual and developmental disabilities (I/DD), largely due to reforms required by the Consent Decree the State entered into in 2014. The increase in the Behavioral Health (BH) Division are related to federal grant awards the Division has received to combat the opioid epidemic.

The State was sued by the federal government for violations of the Olmstead Act, requiring the State to take targeted action to create supportive employment and community integration of person's with intellectual disabilities. Increased expenditures in the Division continue to be directly associated with State compliance with the Consent Decree. The State continues to invest in supportive services in integrated settings in order to reform the system of care for individuals with intellectual and developmental disabilities (I/DD).

The State's over-reliance on costly residential group home settings has hindered its ability to invest in alternative living and community-based programming. Several ongoing initiatives within the Division are targeted to increase provider capacity to improve programming and residential options provided to individuals with I/DD. This investment of general revenue to reform the DD system of services will increasingly grow to meet the requirements of the Consent Decree until FY2024, when an additional \$30.0 million will be required annually. The FY2018 Budget is a 13.0 percent increase from the FY2016 Enacted Budget and a 4.2 percent increase compared to the FY2017 Enacted Budget in the Division of DD.

The Budget includes \$3.9 million in general revenue savings associated with the transition of persons with intellectual disabilities from residential placement in private and state-owned group homes to less costly living settings such as Shared Living Arrangements (SLAs), living independently, and living with a family member.

The Budget also includes an additional \$3.0 million in general revenue (\$6.1 million all funds) to increase wages for direct-support professionals (DSPs) providing care for individuals with disabilities. Wage increases will be exclusive to private provider DSP workers and will not include a wage increase to RICLAS DSP workers who also provide care for individuals with disabilities.

Additionally, the Budget includes expansive reforms at Eleanor Slater Hospital (ESH) which include the reorganization of patients, staff modeling, and services such as radiology and laboratory services. The Division of Hospital and Community Rehabilitative Services will see a general revenue decrease of \$2.3 million in FY2018 related to the reorganization at ESH and savings assumed through increased general revenue collection of commercial and private payment sources.

CENTRAL MANAGEMENT

The Office of the Director provides overall management and policy direction for the Department. The program oversees most functions within BHDDH, except for the Hospital, where day-to-day operations are managed by an Executive Director (appointed by the BHDDH Director). The program 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.

The Budget includes 13.0 FTE positions consistent with the FY2017 Enacted level.

Central Management	General Revenue
FY2017 Enacted	\$1,097,743
<i>Targets and Adjustments</i>	
Cost Allocation Plan (CAP)	557,563
FY2018 Enacted	1,655,306
Cost Allocation Plan (CAP)	\$557,563

The FY2018 Budget increases general revenue expenditures by \$557,563 for unachieved savings associated with the Cost Allocation Plan (CAP) which was projected to save \$2.1 million in general revenues in the FY2017 Budget as Enacted. The Department's reconciliation did not result in the CAP savings projected in the FY2017 Budget as Enacted, therefore, the savings will not be achievable in FY2018 budget.

The Executive Office of Health and Human Services (EOHHS) contracted with a consulting firm to establish a new Cost Allocation Plan (CAP) across EOHHS agencies. The CAP was designed to maximize federal funds within agencies that receive Medicaid and Title IV-E funding. The CAP was implemented

within the Department; however, savings projections were overstated and the Department does not expect future savings associated with the CAP.

HOSPITALS AND COMMUNITY SUPPORT SYSTEM

The Hospitals and Community Support program provides financial management support for the entire Department, including the hospitals and community patient care facilities. Operational areas within the program include Budget Development/Program Analysis; Business Services; Accounting and Financial Control; Federal Grants; Contract Management; Revenue Collection; Billing and Accounts Receivable; Patient Resources and Benefits; and Hospital Cost Setting/Revenue Forecasting.

The Budget includes 4.7 FTE positions, a reduction of 11.0 FTE positions from the FY2017 Enacted level. The Budget shifts 11.0 FTE positions to the Executive Office of Human Services to consolidate financial staff; however, funding remains with BHDDH.

Hospital & Community System Support	General Revenue
FY2017 Enacted	\$1,474,964
<i>Targets and Adjustments</i>	<i>(196,236)</i>
Cost Allocation Plan (CAP)	789,226
FY2018 Enacted	\$2,067,954
<i>Cost Allocation Plan (CAP)</i>	<i>\$789,226</i>

The FY2018 Budget increases general revenue by \$789,226 for unachieved savings associated with the CAP projected to save \$2.1 million in general revenue in the FY2017 Budget as Enacted for the Department. The Department's reconciliation has not resulted in the CAP savings assumptions in the FY2017 Budget; therefore, the savings will not be achievable in FY2018.

The Executive Office of Health and Human Services (EOHHS) contracted with a consulting firm to establish a new Cost Allocation Plan (CAP) across EOHHS agencies. The CAP was designed to maximize federal funds within agencies that receive Medicaid and Title IV-E funding. The CAP was implemented within the Department; however, savings projections were overstated and the Department does not expect future savings associated with the CAP.

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 (ESH) has two campuses: the larger campus, 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 long-term psychiatric and psychogeriatric services. The Zambarano Campus focuses on long-term and rehabilitative care.

The Budget includes 862.7 FTE positions in FY2018, a reduction of 8.0 FTE positions from the FY2017 Enacted level. The Budget shifts 8.0 FTE positions to the Executive Office of Human Services to consolidate financial staff; however, funding remains with BHDDH.

Hospital & Community Rehabilitation Services	General Revenue
FY2017 Enacted	\$48,944,219
<i>Targets and Adjustments</i>	
Third-Party Billing	296,494
Eleanor Slater Consolidation	(1,600,000)
Zambarano Group Home Closure	(1,327,799)
Laboratory Services	(659,564)
Personnel	500,000
Hospital License Fee	333,036
FY2018 Enacted	\$46,597,476

Third-Party Billing ***(\$1.6 million)***

The Budget reduces general revenue expenditures by \$1.6 million and increases restricted receipts by \$1.6 million in FY2018. The reduction in expenditures are assumed through the anticipated collection of third-party billing payers. Eleanor Slater Hospital (ES) can bill for non-Medicaid insurance coverage such as social security disability insurance, Medicare, and commercial insurance. Some patients at ES have multiple types of coverage; this is considered “third-party” payers.

The collection of the third-party billing has reduced over the last two fiscal years due to declining census at the hospital. It is expected that the Department would intensify billing efforts in order to ensure full collection of third-party billing sources and therefore increase restricted receipts by \$1.6 million; however, it is unclear if this opportunity exists.

Eleanor Slater Hospital Reorganization ***(\$1.3 million)***

The FY2018 Budget includes a reduction in general revenue of \$1.3 million (\$8.4 million all funds) related to the reorganization at Eleanor Slater Hospital. Reorganization efforts are expected to reduce overtime expenditures, consolidate medical units, reduce medical service costs, and transfer sex offenders to a lower-cost setting.

The following general revenue savings initiatives are related to the reorganization of Eleanor Slater:

- \$500,000 in savings is projected through the centralization of staffing management to tie staffing levels with patient needs. Centralizing of management practice is expected to reduce overtime costs and create efficiencies within the hospital.
- \$492,750 in savings will be achieved by transferring nine patients who have been convicted of sex crimes out of Eleanor Slater Hospital. These patients have committed themselves voluntarily and present a risk to the other patients within the unit. The Department is currently seeking lower cost alternative facilities; however, there is no alternative at this time.
- \$178,762 in savings by reducing personnel in the radiology and medical records departments, increasing the use of physician extenders, and reducing costs for contracted rehabilitative services.
- \$125,000 in savings by closing the Regan unit six and moving the 10 patients that were located in unit six to the remaining open units at the hospital. The consolidation is anticipated to generate personnel savings.

Zambarano Group Home Closure ***(\$659,564)***

The Department proposes, as a component of the hospital reorganization, the closure of a Zambarano group home in Burrillville, Rhode Island. Currently operating expenses for two group homes located adjacent to the Zambarano Hospital Campus are included in the Eleanor Slater Hospital budget; however, they operate independent of the hospital. Both group homes have the capacity to house seven individuals. The current census between the two homes is nine in total. The Department proposes to close one home and relocate

two individuals to alternative settings. The Budget includes \$659,564 in general revenue savings against the operating deficit.

Laboratory Services **\$500,000**

The Budget includes \$500,000 in general revenue expenditures related to laboratory services at Eleanor Slater Hospital. Reorganization efforts at the hospital are expected to reduce overtime expenditures, consolidate medical units, and reduce medical service costs. Included in the reorganization of the hospital was the outsourcing of laboratory services provided by state personnel at the hospital to a private company, saving \$500,000 in general revenue. The increase in expenditures is intended to maintain the state-operated laboratory services.

Personnel **\$333,036**

The Budget include a \$333,036 increase in general revenue in FY2018 related to administrative personnel at Eleanor Slater Hospital. The increased expenditures are to hire administrative positions prior to the Applied Management Services (AMS) contract ending.

The Department contracted with Applied Management Services (AMS), a healthcare management consulting firm, to provide experienced administrative personnel to fill administrative vacancies as well as assist with the hospital reorganization. The AMS contract ends in September 2017. The increased expenditures are related to hiring three administrative positions, a Chief Operating Officer, a Chief Financial Officer, and a Chief Operating Nurse, prior to the AMS contract ending.

Hospital License Fee **\$111,090**

The Budget increases general revenue expenditures by \$111,090 (\$156,298 all funds) in FY2018 related to the reduction in the hospital license fee Eleanor Slater (ES) is assessed annually. The Budget increases the fee from 5.652 percent of net patient revenues to 5.57 percent thereby increasing the hospital license fee assessment that ES pays annually.

BEHAVIORAL HEALTHCARE SERVICES

The Behavioral Healthcare Services Division consists of two subprograms: Mental Health and Substance Abuse. The Division plans, coordinates, and administers systems of treatment for substance abuse prevention and promotion of mental health. The program provides screening, intervention, early intervention, referral, clinical treatment, and recovery support activities. The program coordinates with other departments and agencies in the State, including education, child welfare, and the criminal justice system.

The Budget includes 35.0 FTE positions, a reduction of 4.0 FTE positions from the FY2017 Enacted level. The Budget shifts 4.0 FTE positions to the Executive Office of Health and Human Services to consolidate financial staff; however, funding remains with BHDDH.

Behavioral Healthcare Services	General Revenue
FY2017 Enacted	\$2,015,777
<hr/>	
<i>Targets and Adjustments</i>	<i>22,717</i>
Personnel	305,286
Recovery Housing Pilot Program	200,000
FY2018 Enacted	\$2,543,780

Personnel **\$305,286**

The FY2018 Budget increases general revenue by \$305,286 in salaries and benefits for 2.0 FTE positions in the Behavioral Healthcare (BH) Division. The cost for two administrative positions are transferring from

the Central Management Division to BH Division. The two positions have been providing administrative support to the BH division; however, by shifting the salary cost to the BH Division, the Department will be able to maximize federal Medicaid matching funds for these positions.

Recovery Housing Pilot Program

\$200,000

The Budget includes a \$200,000 general revenue increase to fund the recovery housing pilot program in FY2018. The pilot will create a stable, drug free living environment for individuals recovering from substance abuse disorders. The recovery homes will focus on providing peer supports and connect individuals to employment and education services.

SERVICES FOR THE DEVELOPMENTALLY DISABLED

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 4,255 individuals through state-run programs and community-based providers including those who only receive case management services. The state-run system consists of 24-hour, nursing-level facilities; the state group home system, otherwise known as RICLAS (Rhode Island Community Living and Supports); and a private residential provider network. According to BHDDH, in December of 2016, approximately 1,616 individuals were served in residential settings, 333 in Supportive Living Arrangements (SLA), and 1,283 were residing in group home settings. Clients served by DD programs are also served through day programs, supportive employment, and programs that provide support to allow individuals to continue living with their families. Many clients are served by more than one DD program.

The Budget includes 404.0 FTE positions, a reduction of 10.0 FTE positions from the FY2017 Enacted level. The Budget shifts 10.0 FTE positions to the Executive Office of Human Services to consolidate financial staff; however, funding remains with BHDDH.

Services for the Developmentally Disabled	General Revenue
FY2017 Enacted	\$119,651,536
<i>Targets and Adjustments</i>	
Home and Community Based Service (HCBS) Increase	3,017,967
Direct Support Professional (DSP) Wage Increase	3,000,000
Residential Group Home Transitions	(1,369,511)
Home Health Aide Correction	900,000
Supports Intensity Scale (SIS) Tier Savings	(844,570)
Service Adjustments	250,000
Electronic Case Management System	125,000
Enhanced Administrative Match	(208,000)
FY2018 Enacted	\$123,584,106

Home and Community Based Service (HCBS) Increase

\$3.0 million

The Budget increases general revenue expenditures by \$3.0 million (\$6.0 million all funds) in FY2018 to fully fund the delivery system for individuals with Intellectual and Developmental Disabilities (I/DD).

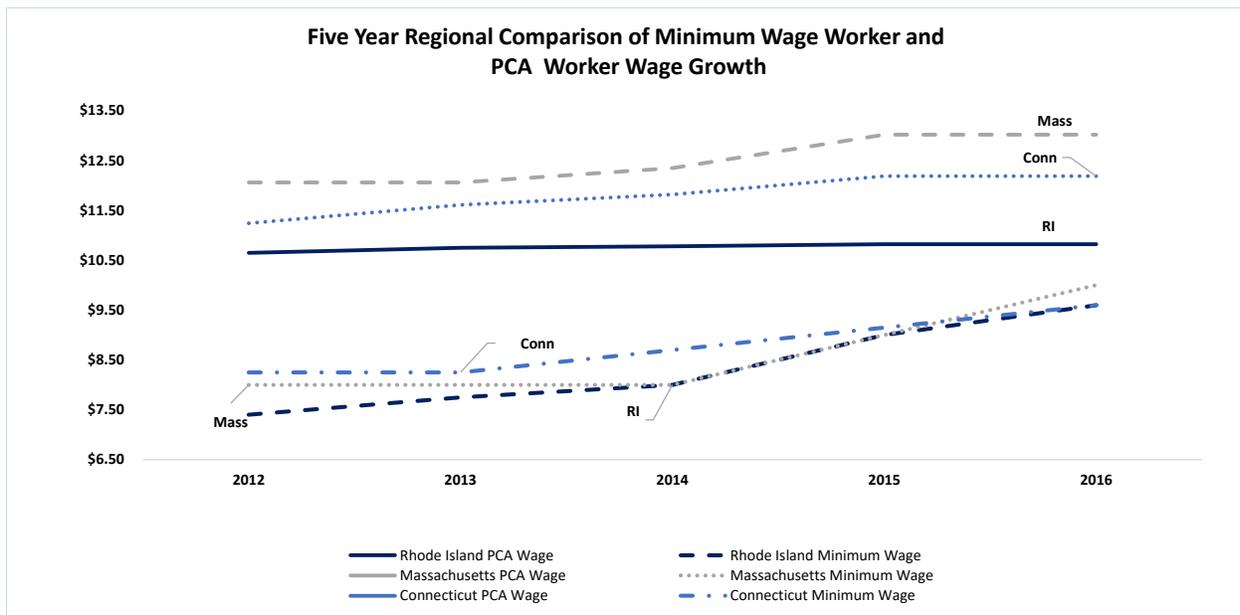
According to the Division, the FY2017 Enacted Budget does not fully fund the developmental disability services the Division is mandated to provide for individuals; consequently, the Department proposes a 2.3 percent increase in the current spending trend. The Division has consistently overspent the enacted budget and requests significant supplemental resources annually. The FY2017 Governor revised budget includes an additional \$2.4 million for services for individuals with I/DD.

Direct Support Professional (DSP) Wage Increase

\$3.0 million

The Budget increases general revenue expenditures by \$3.0 million (\$6.1 million all funds) to increase wages for Direct Support Professional (DSP) workers and job coaches providing care for individuals with I/DD. The DSP wage will be increased through an increase to the base reimbursement rate to providers by an estimated 5.0 percent according to the Department.

During the 2016 legislative session, the Senate Finance Committee was presented with testimony from community providers and advocates describing the state of the low DSP wage as a barrier to reforms needed to improve the services provided to individuals with I/DD. Providers stated that the low wage and competition with the rising minimum wage depresses their ability to hire and maintain a workforce capable of providing quality services and/or their ability to reform program practice.



The U.S. Department of Labor reports industry wages across states. The Personal Care Attendant (PCA) worker category aligns with the primary functions of Direct Support Professional (DSP) as well as the experienced wage. When comparing this category of worker to our neighboring states, Rhode Island DSP/PCA worker wages are considerably lower. Additionally, as the Rhode Island minimum wage has increased by approximately 30.0 percent, over the same period of time the DSP wage has increased by only 1.8 percent, according to the U.S. Department of Labor and Statistics.

Residential Group Home Transitions

(\$1.4 million)

In January 2014, the Department of Justice concluded that day services provided by the State to individuals with developmental disabilities have not been provided in the most integrated settings appropriate to their needs; and therefore, the State was in violation of 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; are institutional in the nature of the settings, characterized by protracted placements; and, result in segregation.

The intent of the Consent Decree, coupled with new rules from the Center for Medicaid and Medicare Services (CMS), precipitated the need for reform of the system of services for the Developmentally Disabled population. BHDDH continues to seek reforms that promote community-based programming and minimize the systems reliance on group-home residential settings where possible.

This reform activity has largely been associated with budget savings. The FY2017 Budget as Enacted included \$2.6 million (\$6.0 million all funds) in savings related to group home transitions, of which \$2.5 million in general revenue savings were not achieved in FY2017. The FY2018 Governor's Budget includes an additional \$3.9 million in general revenue savings in FY2018 related to group home transitions.

Analyst Note: The Consent Decree requires the State to reform the delivery system for individuals with disabilities toward a system of community integration and to create supportive programming for meaningful employment opportunities. This transformation toward a fully integrated delivery system requires initial investment and a transitional period for providers to restructure programming, recruit and retain a workforce, and effectively launch services within the community. Savings cannot be achieved within residential expenditures until the infrastructure and programming are developed within the community. Currently, the Department and providers continue to work toward this goal; however, if the Department is unable to achieve the stated goals that are tied to the fiscal savings, there will be a fiscal impact in FY2018.

Residential Group Home Transitions

Proposed Living Arrangement	Number of Individuals	General Revenue
Unachieved Supported Living Arrangements (SLA) Transition Savings *	-	\$2,499,712
RICLAS Group Home Transitions	30	(1,821,800)
HCBS Compliance	33	(1,032,966)
Private Group Home Transitions	33	(1,014,457)
Total	96	(\$1,369,511)

Source: The Office of Management and Budget

*FY2017 Budget as Enacted Initiative

Unachieved Supported Living Arrangements (SLAs) Transition Savings: The FY2017 Budget as Enacted included \$2.6 million (\$6.0 million all funds) in savings associated with the transition of persons with intellectual disabilities from residential placement in private and state-owned group homes to less costly living settings known as Shared Living Arrangements (SLA). The Department was unsuccessful at achieving \$2.5 million of the \$2.6 million in savings associated with this initiative.

Rhode Island Community Living and Support (RICLAS) Group Home Transitions: The Budget closes five Rhode Island Community Living and Support (RICLAS) group homes saving \$1.8 million in general revenue (\$3.7 million all funds) in FY2018, impacting 30 residents. The Budget proposes to close two group homes in July of 2017, one group home in October of 2017, and two in January of 2018.

The State needs to reform the private and public network of group homes in Rhode Island to become compliant with the new HCBS rules related to services provided to individuals with I/DD. Currently the State operates 28 RICLAS group homes and provides services to 150 individuals. Savings for this initiative will be generated by relocating the individuals to appropriate, community-based settings.

Analyst Note: This initiative assumes individuals residing in RICLAS group homes will transition to private provider residential settings which have a lower annual cost per person, thus generating savings. The initiative assumes transitions will occur generating savings; however, this approach to budgetary savings has proven difficult and unsuccessful to date. If the Department is unable to achieve the stated goals that are tied to the fiscal savings, there will be a fiscal impact in FY2018.

Home and Community-Based Service (HCBS) Compliance: The Budget saves \$1.0 million in general revenue (\$2.1 million all funds) in FY2018 by moving individuals with Intellectual and Developmental Disabilities (I/DD) to community-based residential settings that are in compliance with the CMS rules for integrated Home and Community Based Services (HCBS).

Home and Community-Based Service (HCBS) Compliance

Proposed Living Arrangement	Number of Individuals	All Funds Savings
Shared Living Arrangement (SLA)	11	(\$473,654)
Living Independently	11	(780,694)
Living with Family	11	(795,805)
Total	33	(\$2,050,154)

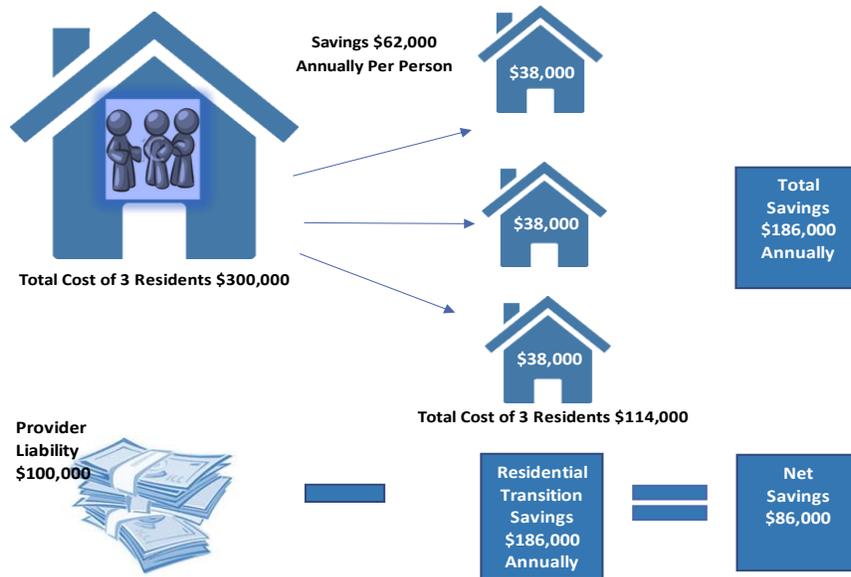
Source: The Department of BHDDH

CMS issued a new rule addressing how states may use federal Medicaid funds to pay for home and community-based services (HCBS). The new rule requires states to provide services through Medicaid's HCBS programs that have integrated community living options and promote a person-center planning approach to service delivery. The rule also specifies what qualifies as an integrated community setting which effectively will prohibit institutional settings or segregated settings. Consequently, Rhode Island will need to modify and improve the types of residential settings funded through Medicaid HCBS programs. The proposal assumes approximately 33 individuals will transition to alternative settings options such as residing with family a member, SLAs, or living independently.

The Department proposes to incentivize providers to reduce group home residential placements by leveraging existing provider liabilities owed to the State. The provider liability occurred in the late 1970s when the State incited private providers with startup funds to build group home capacity following the closure of LADD School. To date, most private providers have not paid the State for these start-up costs.

The Department proposes to forgive the debt owed by private group homes to the State if the providers find preferred alternative living settings for the clients currently residing in their group homes. The alternative options, SLA arrangements, independent living, and living with a family member, are expected to generate savings which will offset the loss of the forgiven provider liability.

Incentivized Private Residential Group Transitions toward Home and Community-Based Settings



* Example of residential transition from a group home setting to a SLA, Independent Living or Living with a family member
 * General revenue savings achieved by residential transition will be used as a "pay back" of provider liabilities to the State.

Analyst Note: The initiative assumes transitions will occur generating savings; however, this approach to budgetary savings has proven difficult and unsuccessful to date. If the Department is unable to achieve the stated goals that are tied to the fiscal savings, there will be a fiscal impact in FY2018.

Private Residential Group Home Transitions: The Budget reduces general revenue by \$1.0 million (\$2.1 million all funds) by shifting residents from private group homes, to less costly living arrangements such as residing with family members, SLAs, and living independently.

Residential Group Home Transitions

Proposed Living Arrangement	Number of	All Funds
Shared Living Arrangement (SLA)	11	(\$473,654)
Living Independently	11	(780,694)
Living with Family	11	(795,805)
Total	33	(\$2,050,154)

Source: The Department of BHDDH

The Department estimates the average cost of a private group home is approximately \$99,000 annually. This proposal assumes the transition of 11 individuals to SLAs, 11 individuals living independently, and 11 individuals living with family members.

SLAs is residential option offered through BHDDH for adults with developmental disabilities. This option also allows the individual to reside with and receive support from a person living in the community, known as “shared living”. The individual providing the shared living arrangement is compensated by a licensed BHDDH provider. The provider conducts extensive personal interviews and ensures the environment and individual are able to offer a safe, compatible living arrangement which complies with BHDDH program regulations.

Living independently assumes the individuals will be able to secure independent living in an apartment or single family home and community providers will assist the individual with their daily employment and living support needs. If living with a family member, the individual resides with a family member and

receives supports similar to those they would receive if they were living independently. These alternative living options assume an average annual savings of approximately \$62,000 per year when compared to private group home residential placements.

Analyst Note: This Department indicates that BHDDH social caseworkers are identifying individuals who may choose to move to an alternative living setting. Additionally the Department reports they are working collaboratively with providers to identify residential options and improve capacity for alternative living settings. The proposal assumes transitions will occur generating savings; however, this approach to budgetary savings has proven difficult and unsuccessful to date. If the Department is unable to achieve the stated goals that are tied to the fiscal savings, there will be a fiscal impact in FY2018.

Home Health Aide Correction

\$900,000

The Budget includes \$900,000 in general revenue (\$1.8 million all funds) to restore resources for home-health services that were transferred to the Executive Office of Health and Human Services (EOHHS). These services were not funded in the FY2017 Budget as Enacted; however, the Department continues to provide these services.

Supports Intensity Scale (SIS) Tier Savings

(\$844,570)

The Budget reduces general revenue by \$844,570 (\$1.4 million all funds) in FY2018 attributable to supports intensity scale (SIS) changes. Through this initiative the Department will assess current beneficiary eligibility determination for services. The Budget anticipates reductions in Tier Level funding for approximately 96 individuals.

The SIS is a nationally-utilized interview process used to measure support needs of an individual with intellectual disabilities in personal, work-related, and social activities. The SIS evaluation process creates a framework to develop a supportive services plan to match funding sources with identified required needs. The tiers are developed based on the results of the SIS assessment and generate funding allocations that support areas such as: case management, day programming, employment services, transportation, training, home health services, and assisted living supports.

Analyst Note: The FY2017 Budget as Enacted assumed \$697,556 in general revenue savings (\$1.4 million all funds) in FY2017. This savings represents the annualization of the FY2017 proposal.

Service Adjustments

\$250,000

The Budget includes an increase of \$250,000 in general revenue (\$500,000 all funds) in FY2018 to provide services to individuals on a per-person basis above the annual approved program allocations.

The Department provides services to individuals with disabilities through a variety of programs. Providers are paid for programming services that support individuals with I/DD in their home, community, day-program centers, and supported employment programs.

Once an individual is determined eligible for services, they are assessed by social caseworkers using a SIS evaluation tool. Funding allocations are assigned based on the results of the SIS evaluation and support is provided in areas such as day programming services, employment services, transportation services, home health services, and assisted living supports.

The Department consistently approves and spends between \$5.0 million to \$7.0 million per quarter for supplemental services that that are provided to individuals, in addition to SIS assessed and annually appropriated funding level allocations. The Department has implemented the use of a new SIS tool that has demonstrated improve reliability of assessment results, thus more appropriately identifying individual SIS programming allocations. This improvement will reduce the supplemental services now being allocated

outside of the annual SIS funding levels. Some costs will shift to home and community-based services, which assumes an increase of \$3.0 million in general revenue in FY2018.

Enhanced Administrative Match

(\$208,000)

The Budget reduces general revenue by \$208,000 and increases federal funds by \$208,000 in FY2018 related to increased collections of federal matching funds for administrative functions at the Department. This adjustment proposes to save general revenue administrative costs for current administrative functions at the Department that are not being properly documented.

Electronic Case Management System

\$125,000

The Division will increase expenditures to include the ongoing maintenance costs for the implementation of a new case management system expected to launch mid-year in FY2018. The operating cost is estimated to be \$125,000 in general revenue (\$250,000 all funds) in FY2018.

Governor's Commission on Disabilities

Expenditures By Program	FY2016 Actual	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Enacted	Change from Enacted	
Governor's Commission on Disabilities	\$429,998	\$685,423	\$778,020	\$92,597	13.5%	\$842,190	\$156,767	22.9%
Expenditures By Source								
General Revenue	\$380,615	\$412,547	\$420,596	\$8,049	2.0%	\$454,938	\$42,391	10.3%
Federal Funds	29,456	228,750	298,064	69,314	30.3%	343,542	114,792	50.2%
Restricted Receipts	19,927	44,126	59,360	15,234	34.5%	43,710	(416)	-0.9%
Operating Transfers from Other Funds	-	-	-	-	-	-	-	-
Grand Total	\$429,998	\$685,423	\$778,020	\$92,597	13.5%	\$842,190	\$156,767	22.9%
Authorized FTE Levels	4.0	4.0	4.0	-	-	4.0	-	-

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

MAJOR ISSUES AND TRENDS FOR FY2018

The Budget for FY2018 includes \$842,190, of which \$454,938 is general revenue. This reflects an all funds increase of \$156,767 from the FY2017 Budget as Enacted. The increase reflects an additional \$114,792 in federal funds, an additional \$42,391 in general revenues, and a decrease of \$416 in restricted receipts. The Budget provides 4.0 FTE positions in FY2017 and in FY2018, consistent with the enacted level.

Governor's Commission on Disabilities	General Revenue
FY2017 Enacted	\$412,547
<i>Target and Other Adjustments</i>	6,360
Personnel	32,438
Contracted Services	29,993
Independent Living Program	(26,400)
FY2018 Enacted	\$454,938

Governor's Commission on Disabilities	Other Fund Changes
Handicapped Accessibility Capital Projects	Informational

Personnel **\$32,438**

Salary and benefit adjustments increase general revenue funded personnel expenses by \$32,438, reflecting a switch of medical coverage to a family plan by one employee and statewide adjustments.

Contracted Services **\$29,993**

The Budget adds \$29,993 in general revenue, reflecting a net adjustment of various professional contracted services including \$22,361 for clerical services, and \$6,803 for interpreter/translator services.

Independent Living Program **(\$26,400)**

The Budget decreases the general revenue state match for the Independent Living Program by \$26,400, but includes an increase of \$114,792 in federal funds reflecting unexpended grant funds from the FFY2014-2016 grant originally received by the Department of Human Services.

Handicapped Accessibility Capital Projects (RICAP funds)

Informational

All handicapped accessibility capital projects are consolidated into the Department of Administration to improve project coordination and oversight; however, the Commission will still maintain a role in determining and prioritizing specific handicapped accessibility projects. The project involves accessibility renovations to State structures to comply with the federal Americans with Disabilities Act (ADA). The project and funds were originally under the Governor's Commission of Disabilities budget.

The Budget provides a total of \$6.9 million in Rhode Island Capital Plan (RICAP) funds for ADA and accessibility renovations at state buildings, including \$1.0 million annually for the fiscal years 2017 through 2022. Expenditures prior to FY2017 total \$885,087.

Commission on the Deaf and Hard of Hearing

Expenditures by Program	FY2016 Actual	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Enacted	Change from Enacted	
Commission on the Deaf and Hard of Hearing	\$455,950	\$587,746	\$565,650	(\$22,096)	-3.8%	\$627,910	\$40,164	6.8%
Total	\$455,950	\$587,746	\$565,650	(\$22,096)	-3.8%	\$627,910	\$40,164	6.8%
Expenditures By Source								
General Revenue	\$406,634	\$477,746	\$435,650	(\$42,096)	-8.8%	\$498,710	\$20,964	4.4%
Restricted Receipts	49,316	110,000	130,000	20,000	18.2%	129,200	19,200	17.5%
Total	\$455,950	\$587,746	\$565,650	(\$22,096)	-3.8%	\$627,910	\$40,164	6.8%
Authorized FTE Levels	3.0	4.0	4.0	-	-	4.0	-	-

The Commission on the Deaf and Hard of Hearing (CDHH) advocates and coordinates the promotion of an environment in which deaf and hard of hearing persons in Rhode Island are afforded equal opportunity in all aspects of their lives. The CDHH develops policy and recommends programs and legislation to enhance cooperation and coordination among agencies and organizations that now serve, or have the potential to serve, the deaf and hard of hearing.

MAJOR ISSUES AND TRENDS FOR FY2017 AND FY2018

In FY2016, the Commission on the Deaf and Hard of Hearing began a project, funded by restricted receipts, to install an assistive listening system in the State House. The project entails installing and upgrading assistive listening systems in the Governor's State Room and public hearing rooms throughout the State House in order to comply with Americans with Disabilities Act accessibility requirements. The project is yet to be completed.

Funding is added in FY2018 to increase the salary for an Interpreter for the Deaf position. The FY2017 Enacted Budget included funding this position to increase accessibility for Commission staff working with the public. According to the Commission, the formerly advertised salary was too low.

Commission on the Deaf and Hard of Hearing	General Revenue
FY2017 Enacted	\$477,746
<i>Target and Other Adjustments</i>	<i>81</i>
Personnel	40,083
Contracted Services	(19,200)
FY2018 Enacted	\$498,710

Commission on the Deaf and Hard of Hearing	Other Funds Changes
Emergency and Public Communications Access Program	\$19,200

Personnel **\$40,083**

The Budget adds \$40,083 in general revenue in FY2018 to support personnel costs within the Commission on the Deaf and Hard of Hearing. The FY2017 Budget as Enacted added 1.0 Interpreter for the Deaf to increase accessibility for Commission staff working with the public. The FY2018 Budget includes an increase of \$23,240 to the salary for this position because, according to the Commission, the \$35,983 salary was too low to attract a qualified interpreter. Additionally, the increase also reflects changes in planning values and benefits assumptions for existing staff.

Contracted Services **(\$19,200)**

In FY2018, the Budget decreases \$19,200 in general revenue by shifting funds related to interpreting services to the Emergency and Public Communications Access Program (EPCAP) restricted receipt account.

Emergency and Public Communications Access Program (restricted receipts)

\$19,200

The Emergency and Public Communications Access Program (EPCAP) seeks to improve emergency communication and communication access within state departments, and to support emergency responder training. Operations of this program are funded by an annual \$80,000 transfer of restricted receipts from the Public Utilities Commission (PUC) to the Emergency and Public Communications Access Fund.

The Budget increases funding from the EPCAP by \$19,200, to \$129,200 for FY2018. The increase in funding is related to a shift in spending on interpreter services from general revenue to the restricted receipt account. The Commission will charge qualifying interpreter services, previously funded by general revenue, to the EPCAP restricted receipt account.

Office of the Child Advocate

Expenditures by Program	FY2016	FY2017	FY2017	Change from		FY2018		
	Actual	Enacted	Revised	Enacted		Enacted	Change from Enacted	
Office of the Child Advocate	\$654,839	\$795,582	\$690,155	(\$105,427)	-15.3%	\$926,120	\$130,538	14.1%
Expenditure by Source								
General Revenue	\$643,280	\$650,582	\$545,541	(\$105,041)	-19.3%	\$781,499	\$130,917	16.8%
Federal Funds	\$11,559	\$145,000	\$144,614	(\$386)	-0.3%	\$144,621	(\$379)	-0.3%
Grand Total	\$654,839	\$795,582	\$690,155	(\$105,427)	-15.3%	\$926,120	\$130,538	14.1%
Authorized FTE Levels	6.0	6.0	6.0	-	0.0%	8.0	2.0	25.0%

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 FY2018

The Budget funds the Office of the Child Advocate with a total of \$926,120 in the FY2018 Budget, including \$781,499 in general revenues, an increase of \$130,917 over the FY2017 Enacted Budget. The increase is related to the addition of 2.0 FTE positions, increasing authorized levels from 6.0 FTEs to 8.0 FTEs over the FY2017 Enacted Budget.

Central Management	General Revenue
FY2017 Enacted	\$650,582
<i>Targets and Adjustments</i>	19,126
Personnel	111,791
FY2018 Enacted	\$781,499

Personnel **\$111,791**

The Budget increases personnel funding for the Office of the Child Advocate by \$111,791 in general revenue to fund 2.0 additional FTEs in FY2018. These positions include 1.0 Case Management Coordinator, and 1.0 Data and Policy Coordinator position.

The Case Management Coordinator will be funded through the federal grant the Office receives to operate the Victims of Crime Act (VOCA) program. VOCA provides assistance to victims and their families seeking support and services. The second FTE position will be funded with general revenue.

The Data and Policy Coordinator will be funded through general revenue to organize the Office's data collection, policy activities, and oversee the coordination of the Child Death Review Committee.

Office of the Mental Health Advocate

Expenditures by Program	FY2016 Actual	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Enacted	Change from Enacted	
Mental Health Advocate	\$545,220	\$542,009	\$549,273	\$7,264	1.3%	\$549,563	\$7,554	1.4%
Expenditure by Source								
General Revenue	\$545,220	\$542,009	\$549,273	\$7,264	1.3%	\$549,563	\$7,554	1.4%
Authorized FTE Levels	4.0	4.0	4.0	-	0.0%	4.0	-	0.0%

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 FY2018

The FY2018 Budget includes \$549,563 in general revenue, an increase of \$7,554 over the FY2017 Enacted Budget. The increased expenditures are attributed to statewide benefit adjustments to personnel costs and additional expenses for office supplies and equipment.

The Budget includes 4.0 FTE positions in FY2018, maintaining FY2017 enacted levels. The 4.0 FTE positions include three staff attorneys and one administrative assistant.

Mental Health Advocate	General Revenue
FY2017 Enacted	\$542,009
<i>Targets and Adjustments</i>	7,554
FY2018 Enacted	\$549,563

Elementary and Secondary Education

Expenditures By Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Revised	Enacted	Enacted	Enacted	Enacted	Enacted
Administration of the Comprehensive Education Strategy	\$216.3	\$232.2	\$233.3	\$1.1	0.5%	\$227.7	(\$4.5)	-1.9%
Central Falls School District	39.5	39.1	39.1	-	0.0%	39.9	0.8	2.0%
Davies Career and Technical Center	17.4	18.6	18.5	(0.1)	-0.4%	23.3	4.7	25.3%
Rhode Island School for the Deaf	7.0	7.4	7.3	(0.1)	-2.0%	7.4	(0.1)	-0.9%
Metropolitan Career and Technical School	10.6	10.4	10.5	0.1	0.6%	11.8	1.3	12.7%
Education Aid	815.8	867.2	867.0	(0.2)	0.0%	910.8	43.6	5.0%
School Construction Aid	90.9	80.0	80.0	-	0.0%	80.0	-	0.0%
Teacher Retirement	91.6	99.1	100.2	1	1.2%	101.8	2.8	2.8%
Total	\$1,289.1	\$1,354.0	\$1,355.8	\$1.9	0.1%	\$1,402.6	\$48.6	3.6%
Expenditures By Source								
General Revenue	\$1,064.9	\$1,112.8	\$1,113.2	\$0.4	0.0%	\$1,161.1	\$48.2	4.3%
Federal Funds	191.3	206.2	207.6	1.3	0.7%	203.5	(2.7)	-1.3%
Restricted Receipts	28.7	30.2	30.5	0.3	1.0%	30.4	0.2	0.8%
Other Funds	4.2	4.7	4.5	(0.2)	-4.0%	7.6	2.9	61.0%
Total	\$1,289.1	\$1,354.0	\$1,355.8	\$1.9	0.1%	\$1,402.6	\$48.6	3.6%
Authorized FTE Levels	344.4	325.1	325.1	-	0.0%	325.1	-	0.0%

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

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

MAJOR ISSUES AND TRENDS FOR FY2018

The Budget fully funds the seventh year of the education funding formula and provides funding for categorical aid accounting for most of the \$48.2 million general revenue increase in FY2018. Generally the aid categories are level funded or reduced relative to the FY2017 Enacted Budget, only the Regional Transportation, Early Childhood, and stabilization funds are increased. Other increases include \$250,000 for the Advanced Coursework Network, and \$2.6 million for teacher retirement. The increase in other funds is due to changes in Rhode Island Capital Plan (RICAP) expenditures, including \$3.7 million in FY2018 to provide updated technology and infrastructure to train students in advanced manufacturing.

The Budget does not include additional support or new FTE positions for the new Early Learning and English Learner positions at the Department; however, it is recommended that the positions be filled using existing resources and the reclassification of current FTE positions.

ADMINISTRATION OF THE COMPREHENSIVE EDUCATION STRATEGY (ACES)

The Administration of the Comprehensive Education Strategy (ACES) program encompasses the offices of Accelerating School Performance, Educator Excellence and Instruction Effectiveness, Fiscal Integrity and Efficiencies, and Legal. Through these offices, RIDE provides leadership and support for the entire elementary and secondary education system in Rhode Island.

The Budget provides 139.1 FTE positions in FY2017 and FY2018, consistent with the enacted level.

Administration of the Comprehensive Education Strategy	General Revenue
FY2017 Enacted	\$20,555,594
<i>Target and Other Adjustments</i>	59,521
Agency-Wide Reduction	(600,040)
Advanced Coursework Network	250,000
Turnover	(183,655)
Interdepartmental Cost Allocation	112,487
Shift Personnel Costs to Indirect Cost Recovery	(100,000)
High School Equivalency Test Fee Waiver	63,000
Computer Science	(50,000)
Personnel	Informational
Scholastic Aptitude Test (SAT)	Informational
FY2018 Enacted	\$20,106,907

Administration of the Comprehensive Education Strategy	Other Fund Changes
Council of Chief School Officers (restricted receipts)	\$800,000
Nellie Mae Grant (restricted receipts)	65,728

Agency-Wide Reduction ***(\$600,040)***

The Budget includes a 3.0 percent agency-wide reduction in general revenue of \$600,040. The reduction was proposed in the agency request as a way of reaching the imposed target and will occur in the non-statutory, non-contractual portions of the budget. The specific areas of reductions are at the discretion of the Commissioner. This reduction is prior to any application of the statewide savings included in the budget.

Advanced Coursework Network ***\$250,000***

The Budget includes \$250,000 in general revenue for the Advanced Coursework Network. The network is an initiative offering advanced coursework options for Rhode Island students with the goal of expanding access to opportunities that promote college and career readiness while they remain enrolled at their public school. The Network is made up of Network Members and Network Providers. Network members include schools and districts that voluntarily choose to offer the Advanced Coursework Network opportunities to students. Network Providers include school districts, Rhode Island community-based organizations, and higher education institutions that extend advanced coursework opportunities to Rhode Island students. Course offerings include advanced math and science, world languages, dual/concurrent enrollment, and career preparation coursework that results in the attainment of an industry-recognized certificate or credential.

FY2017, the pilot year of the program, was funded with \$600,000 in Permanent School Fund restricted receipts and \$300,000 Career and Technical Education (CTE) Funds. For FY2018, the Budget includes \$250,000 in general revenues, \$300,000 in restricted receipts, and \$200,000 in CTE funds.

Turnover ***(\$183,655)***

The Budget decreases salary and benefits funding by \$183,655 to reflect an increase in turnover. Such savings are generally realized by delaying the hiring of FTE positions.

Interdepartmental Cost Allocation ***\$112,487***

The Budget includes a \$112,487 interdepartmental transfer representing 50.0 percent of the salary and benefits of a Deputy Chief of Staff in the Governor's Office who works on education policy issues. The Budget includes interdepartmental cost allocations totaling \$794,564 for staff in the Governor's Office that is charged against nine state agencies. The Budget Office states that these cost allocations reflect

Governor's Office staff support to assist these state agencies on various policy and program initiatives such as Real Jobs RI, RhodeWorks, Reinventing Medicaid, and Justice Reinvestment Initiative, etc.

Shift Personnel Costs to Indirect Cost Recovery ***(\$100,000)***

Certain federal grants permit the Department to set aside a portion of the grant funds for personnel and/or operating costs related to managing the grants. Based on revenue and expenditure projections for the indirect cost recovery fund, the Department is projected to have a balance of approximately \$200,000 in FY2018. The Budget reduces general revenue funding to reflect a shift of \$100,000 to indirect cost recovery restricted receipts.

High School Equivalency Test Fee Waiver ***\$63,000***

The Budget provides \$63,000 for fee waivers for the High School Equivalency test for individuals with limited income who can prove financial hardship, as required in RIGL 16-63-18. To be eligible for a fee waiver, an individual must have received at least a minimum passing score on the high school equivalency practice test, or pertinent section of the test. According to the Department, 2,500 waivers were purchased in FY2015 and have lasted through FY2017. However, the number of test takers has increased over the previous two years. In FY2016, 839 test takers met the income requirement to qualify for the waiver. These test takers took 2,617 practice subtests. Based on an average pass rate of the practice test of approximately 80.0 percent, the Department projects that 2,100 subtests will qualify for the waiver in FY2018. Each test costs \$30. The Department does not receive a reduced rate.

Computer Science ***(\$50,000)***

The Governor's recommendation included \$260,000 in general revenue to increase access to computer science courses across the State. The Budget reduces funding by \$50,000 to reflect program spending experience from FY2017. This program, enacted in FY2017, is being run through the Innovation Office at Rhode Island College (RIC). As of May 15, 2017, RIC had received \$208,000 in donations for a total of \$468,000 in funding, and had spent \$310,382, including \$201,382 in general revenue. The funds are being used to provide professional development to teachers.

Personnel (2.0 FTE positions) ***Informational***

The Department requested \$300,000 to support 2.0 new FTE positions. The Budget does not include additional support or new FTE positions for these positions; however, it is recommended that the positions be filled using existing resources and the reclassification of current FTE positions.

- **Early Learning:** One position would support the early learning initiative as the third FTE dedicated to the program. The Department's strategic Plan identifies early learning as a priority. In FY2017, the Early Childhood categorical provides \$5.2 million for grants to free, high-quality pre-kindergarten programs and general revenue funding is expected to increase with the phase-in of the funding formula. Also, in 2015, the Department was awarded a federal grant to support the expansion of high-quality pre-kindergarten programs; however, the grant does not provide funding for infrastructure to support the expansion or the operations of the expanded program.
- **English Learners (EL):** One position would be an English Learner/World Language Leadership position to support school district personnel in the implementation of proposed EL regulations and the growth of world language and dual language offerings. The Council on Elementary and Secondary Education is currently working to revise regulations governing the education of English Learners to reflect federal guidelines and ensure that EL students are provided opportunities to achieve the same educational goals as their peers.

Scholastic Aptitude Test (SAT)**Informational**

The FY2017 Budget as Enacted included \$500,000 in general revenue to make the Scholastic Aptitude Test (SAT) and the Preliminary Scholastic Aptitude Test (PSAT) free for all students in Rhode Island. This initiative is now estimated to cost \$634,000 in FY2017 and FY2018; however, \$134,000 in federal funds will be used to meet the additional need in each fiscal year.

Currently, less than 60.0 percent of Rhode Island high school students take the SAT. The goal is to get 100.0 percent participation rate and to permit high schools to administer the test during the school day. The intent is to start the college conversation with students earlier and to remove barriers to increase college participation rates.

Restricted Receipt Changes**\$865,728**

The Budget includes a net increase of \$865,728 in new restricted receipt grant funding, including the following:

- **Council of Chief State School Officers Grant:** The Budget provides \$2.0 million in restricted receipts over three years for a new grant to improve career readiness and postsecondary attainment for all Rhode Island youth, including \$100,000 in FY2017 and \$800,000 in FY2018. Rhode Island is one of only ten states nationally to receive a Phase Two New Skills for Youth (NSFY) grant. The grant, part of the \$75.0 million New Skills for Youth initiative, is aimed at strengthening career-focused education starting in high school and ending with postsecondary degrees or credentials aligned with high-skill jobs. Receipt of the grant is a commitment by the State of Rhode Island to improve the career readiness and postsecondary attainment of all Rhode Island youth to prepare them with the skills they need to get jobs.
- **Nellie Mae Grant:** The Budget adds \$65,728 in new restricted receipt grant funds from Nellie Mae to support high quality, proficiency-based learning and ensure the successful implementation of the new Secondary School Regulations. The \$131,455 grant runs from January 1, 2017, to December 31, 2017, and will be used primarily to support the development of 100 key educators into Rhode Island Learning (RIL) Champions. The RIL Champions will develop exemplar graduation proficiencies and performance indicators, sample scoring criteria, and assessment task models. Each RIL Champion will receive \$500 for their efforts and RIDE will cover substitute costs, up to \$500, for the school districts impacted. The grant will also cover mileage reimbursement for RIDE staff and other expenses such as meeting supplies and printing costs.

CENTRAL FALLS SCHOOL DISTRICT

The State of Rhode Island assumed control of the Central Falls School District in 1991 when it was determined that the City of Central Falls could not afford to meet its contractual, legal, and regulatory obligations related to school funding because its tax base had sustained little or no growth over several years. Since FY1993, the State has been responsible for 100.0 percent of the education expenditures for the Central Falls School District.

Since FY2012, Central Falls has been funded according to the education funding formula. The Budget provides \$39.4 million for the Central Falls School Department in FY2018. This includes the formula distribution as well as \$6.8 million in funding through the Central Falls Stabilization Fund, excluding aid received through other education aid categories. (See Education Aid in the Special Report section of this publication for further detail.)

Central Falls	General Revenue
FY2017 Enacted	\$39,100,578
<i>Target and Other Adjustments</i>	
Funding Formula Adjustment	(1,193,381)
Central Falls Stabilization	1,971,170
FY2018 Enacted	\$39,878,367

Funding Formula Adjustment **(\$1.2 million)**

Since FY1993, the State has been responsible for 100.0 percent of the education expenditures for the Central Falls School District; however, beginning in FY2012, the district's state funding has been determined through the new funding formula. In FY2018, the district will receive a reduction of \$1.2 million in funding formula aid; however, the stabilization aid and other categorical aid provide for a net increase of \$633,347 over the previous fiscal year.

Central Falls Stabilization **\$2.0 million**

The Budget funds this category at \$6.8 million in FY2018, an increase of \$2.0 million from the enacted level. Central Falls schools are currently 100.0 percent state funded, with the State providing both the local and state contributions calculated through the formula. Generally, the costs outside the foundation aid formula, such as transportation, facility maintenance and retiree health benefits, are paid by the district. This program was created due to concerns regarding the city's capacity to meet the local share of education costs. Previously the statute required Central Falls to pay its share of the local contribution prior to receiving stabilization funds. However, the 2012 General Assembly amended the statute to provide for an annual review of the respective shares and to allow stabilization funds to be provided without the district having to pay the entire local share as determined from the education funding formula. Although Central Falls has been working with the Department to reduce expenditures over the last several years, the district has not been able to reduce costs enough to keep pace with the phase in of the funding formula. Also, charter school tuitions have been increasing resulting in a corresponding increase in district expenses. Consequently, the stabilization fund has been used to replace aid lost through the implementation of the funding formula and local payments to public schools of choice. To date, Central Falls has been unable to absorb any educational costs.

DAVIES CAREER AND TECHNICAL CENTER

The Davies Career and Technical School provides a high school education program in occupational areas for students in grades nine through twelve. The school provides an integrated academic and vocation curriculum with up-to-date technology programs to provide a solid foundation for students entering postsecondary education or the community. Davies operates as a local education agency and is governed by a Board of Trustees.

The Budget provides \$13.4 million in general revenue funding for the Davies Career and Technical School, an increase of \$767,965 from the FY2017 Budget as Enacted. This includes \$3.0 million for the Davies Stabilization Fund. (See Education Aid in the Special Report section of this publication for further detail.)

The Budget includes 126.0 positions in FY2017 and FY2018 for the program, consistent with the FY2017 Budget as Enacted.

Davies Career and Technical School	General Revenue
FY2017 Enacted	\$12,590,093
<i>Target and Other Adjustments</i>	
Davies Stabilization Fund	1,618,423
Funding Formula Adjustment	(850,458)
FY2018 Enacted	\$13,358,058

Davies Career and Technical School	Other Funds
Advanced Manufacturing Program (RICAP funds)	\$3,650,000

Davies Stabilization Fund **\$1.6 million**

Article 11 of the FY2017 Budget as Enacted established a stabilization fund to provide additional support to Davies for costs associated with a stand-alone high school offering both academic and career and technical coursework. The Budget provides an additional \$1.6 million (\$3.2 million total) in FY2018 to offset decreases in aid through the phase-in of the funding formula; increases in state retirement expenses, since the teachers at Davies are part of the state system; and the losses in revenues associated with the per-pupil reduction in local tuition rates.

Funding Formula Adjustment **(\$850,458)**

The Davies School receives funding from state and federal sources; however, beginning in FY2012, it receives its State funding as determined through the new funding formula. In FY2018, the Davies School will receive a reduction of \$850,458 in funding formula aid. Instead of being entirely State funded, the sending districts now pay a portion of the tuition for each student from their district. Furthermore, Davies is now responsible for the cost of transporting students to and from their sending districts. The estimated cost for transportation is about \$600,000 in FY2018.

Advanced Manufacturing Program (RICAP funds) **\$3.7 million**

The Budget includes \$3.7 million in Rhode Island Capital Plan (RICAP) funds to provide updated technology and infrastructure to train students in advanced manufacturing. The investments will be guided by the needs of the industry. Davies is located in Lincoln, Rhode Island, and currently serves 817 students from around the State. To date, a strategic plan has not been developed; however, the plan will be informed by the Davies Board of Trustees and manufacturing industry leaders and led by the Davies School Director and the leader of the new Advanced Manufacturing Center at Davies. A new FTE position was not requested or provided in the Budget; however, as of March 6, 2017, Davies had 12.0 FTE vacancies.

RHODE ISLAND SCHOOL FOR THE DEAF

The Rhode Island School for the Deaf is a public school which offers educational programs to approximately 160 deaf and hard of hearing youth (and their families) from birth through age 21 in the elementary program, junior and senior high school, and early intervention and preschool programs.

The Budget provides \$6.3 million in general revenue funding for FY2018, and 60.0 FTE positions in FY2016 and FY2017 for the program. The funding represents an increase of \$33,235, and the FTE positions are consistent with FY2017 Budget as Enacted.

School for the Deaf	General Revenue
FY2017 Enacted	\$6,326,744
<i>Target and Other Adjustments</i>	
Turnover	33,235
FY2018 Enacted	\$6,269,979

Turnover**(\$90,000)**

The Budget decreases salary and benefits funding by \$90,000 to reflect an increase in turnover. Such savings is generally realized by delaying the hiring of FTE positions.

METROPOLITAN CAREER AND TECHNICAL SCHOOL

The Metropolitan Career and Technical School (Met School) is a career and technical public school district with two campuses in Providence and a third in Newport. It provides a comprehensive education which includes internships, individual learning plans, advisory, and a college transition program for students in grades nine through twelve.

The Budget provides \$9.3 million in general revenue funding for the Met, level funded with the FY2017 Budget as Enacted. This includes \$759,796 for the Met School Stabilization Fund. The Met School is governed by a board, appointed by the Board of Education but operated independently. Also, unlike Davies, the employees at the Met School are not state employees. (See Education Aid in the Special Report section of this publication for further detail.)

Metropolitan Career and Technical School	General Revenue
FY2017 Enacted	\$9,342,007
<i>Target and Other Adjustments</i>	-
Funding Formula Adjustment	(627,280)
Met School Stabilization Fund	627,280
FY2018 Enacted	\$9,342,007

Funding Formula Adjustment**(\$627,280)**

The Met School was formerly 100.0 percent state funded; however, beginning in FY2012, it received its general revenue funding through the new funding formula. In FY2018 the Met School will receive a reduction of \$627,280 in funding formula aid. Sending districts pay a portion of the tuition for each student from their district. Furthermore, the Met School is now responsible for the cost of transporting students to and from their sending districts and will no longer be reimbursed by sending districts for transportation costs. Generally, the school provides RIPTA passes to students; however, due to the lack of RIPTA services available to students in Woonsocket, the school contracts for bus service for those students. The total estimated cost to the school is about \$177,000 annually.

Met School Stabilization Fund**\$627,280**

Article 11 of the FY2017 Budget as Enacted established a stabilization fund to provide additional support to the Met School for costs associated with a stand-alone high school offering both academic and career and technical coursework. The 627,280 increase over the enacted budget (\$759,796 total) provided in FY2018 is to offset the loss in revenues caused by the per-pupil reduction in local tuition rates and provide a zero net impact on funding relative to FY2017.

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
FY2017 Enacted	\$845,855,695
<i>Target and Other Adjustments</i>	
Year 7 Funding Formula	44,156,985
Categorical Aid	958,275
Group Home Aid	(688,863)
Charter School Growth	Informational
FY2018 Enacted	\$890,282,092

Year 7 Funding Formula**\$44.2 million**

The FY2018 Budget includes an additional \$44.2 million to fund the seventh year of the funding formula, for a total of \$859.3 million, for all the school districts except Central Falls, which is included as a separate budget program, and the state schools.

The funding increase for the seventh 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 \$41.5 million. The difference is due to the decrease in funding to Central Falls (\$1.2 million), Davies (\$850,458), and the Met (\$627,280) in FY2018 relative to the FY2017 enacted level.

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

The formula establishes a per-pupil spending amount (\$9,163 in FY2018) 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, (\$3,665 in FY2018) for each student eligible for free or reduced lunch. The formula accounts for local revenue generating capacity and overall poverty level by using the EWAV (Equalized Weighted Assessed Valuation) and the concentration of pre-kindergarten through sixth grade students eligible for free or reduced price lunch.

Article 11 of the FY2017 Budget as Enacted changed the threshold for the high-need student weight to a family income at or below 185.0 percent of the federal poverty guidelines. The change is in response to the United States Department of Agriculture no longer requiring districts to collect eligibility data. Since this income level is the same threshold as that used for the free or reduced lunch program, the Department of Elementary and Secondary Education (Department) does not anticipate a change in the eligibility numbers.

The Act includes a multi-year transition plan to ease districts into the new formula, allowing time to adjust for gains or losses in education aid. The plan provides a transition period of ten years for those districts projected to receive less school aid than they did through the aid distribution in FY2011, and seven years for those districts projected to receive more aid. (See Education Aid in the Special Report section of this publication.)

Categorical Aid**\$958,275**

When the education funding formula was passed in 2010, five categorical funds were identified that would not be distributed according to the formula, but according to other methodology to address the priorities and funding needs of the districts. These categories include Transportation, High-Cost Special Education,

Career & Technical Education, Early Childhood, and the Regionalization Bonus. Article 11 of the FY2017 Budget as enacted added two new aid categories: English Learners and Density Fund. (The Central Falls, Davies and Met School Stabilization Funds are addressed in the relevant sections of this analysis.)

The FY2018 Budget includes funding for all of these categories.

- Transportation:** This fund provides funding for transporting students to out-of-district, non-public schools and for 50.0 percent of the local costs associated with transporting students within regional school districts. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget funds this category at \$6.8 million in FY2018, reflecting an increase of \$460,000 in regional transportation relative to the FY2017 Budget as Enacted.

FY2018 Enacted Categorical Education Aid		
Categorical	Change from Enacted	Total Funding
Transportation	0.5	\$6.8
Early Childhood	1.1	6.2
High-Cost Special Education	-	4.5
Career & Tech. Schools	-	4.5
English Learners	-	2.5
Public School Choice Density	(0.6)	0.9
Regionalization Bonus	-	-
Total	\$1.0	\$25.5

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

- Early Childhood Education:** This fund is designed to increase access to voluntary, free, high-quality pre-kindergarten programs. The funds will be distributed through a request for proposals process targeting communities in three tiers, with the first tier having the highest concentration of children at risk for poor educational outcomes. The Budget funds this category at \$6.2 million in FY2018, an increase of \$1.1 million over the FY2017 Budget as Enacted. The additional funds are needed as a match to the third year of the federal Pre-Kindergarten Expansion grant (\$6.0 million).
- High-Cost Special Education:** This fund reimburses districts for instructional and related services provided to a student pursuant to an Individual Education Plan (IEP). The State reimburses costs that exceed five times the combined core instruction and student success factor funding (currently \$64,141 for FY2018). The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget funds this category at \$4.5 million in FY2018, level with the FY2017 Budget as Enacted.

Article 11 of the FY2017 Budget as Enacted required the Department to collect data on those educational costs that exceed four times the core foundation amount. Based on information received from the Department, lowering th

e threshold to four times the core foundation amount would cost \$10.2 million more based on FY2017 reimbursements.

- Career and Technical Schools:** This fund contributes toward the initial investment needed to transform existing programs or create new programs and the costs associate with facilities, equipment maintenance and repair, and supplies associated with higher-cost programs at career and technical schools. The Budget funds this category at \$4.5 million in FY2018, level with the previous year. In FY2017, \$1.0 million was added to provide a grant to the Career and Technical Trust/Board to distribute to career and technical programs in the State based on the Discretion of Trust/Board. This was a one-time grant.

Previously, the Department recommended criteria for the allocation of funds appropriated to this categorical program by the General Assembly. Article 11 of the FY2017 Budget as Enacted empowered the Department to develop the criteria for the distribution of funds.

- **English Learners:** Article 11 of the FY2017 Budget as Enacted established a categorical fund for English Learners (EL). The fund provides additional aid of 10.0 percent of the per-pupil core instruction amount for each qualified EL student. This additional aid is then multiplied by the state share. When the article was originally enacted, the additional the per-pupil weight was \$898 for each identified English learner. In FY2018, the per-pupil weight increases to \$916, to reflect 10.0 percent of the \$9,163 core instruction amount. This amount is then multiplied by the state share ratio. The formula is provided below.

(Per-pupil core instruction amount x number of EL students) x 10.0 percent x state share ratio = additional state support per EL student

This support is then ratably reduced based on the total amount appropriated.

The Article restricted the funds to provide new services to EL students and required that the funds be managed in accordance with requirements enumerated by the Commissioner. The Article also required the Department to collect performance reports and approve the use of funds prior to expenditure to ensure the funded activities align to innovative and expansive activities. Distribution is subject to a pro-rata reduction based on the funds available. The Budget provides \$2.5 million in FY2018, level with the previous fiscal year and approximately one-half of the estimated full funding amount.

- **Public School of Choice Density Aid:** Article 11 of the FY2017 Budget as Enacted established a new category of state aid for districts where 5.0 percent or more of the average daily membership enrolls in a public school of choice, such as Davies, the Met, or a charter school. Such districts receive an additional \$175 in FY2017, \$100 in FY2018, and \$50 in FY2019 for each student attending a public school of choice. The per-pupil amount is intended to offset costs that must be paid by a sending district even though students are attending a different school. Examples of such costs include heating, lighting, accounting services, teachers, and building administrator. While these costs can sometimes be reduced when enrollment declines are concentrated in specific schools or classrooms, public school of choice enrollment are generally scattered across schools and grades within a district. In FY2018, the Budget includes \$938,900 in density aid to be divided among six qualifying communities: Central Falls, Cumberland, Lincoln, Pawtucket, Providence, and Woonsocket. This represents a decrease of \$553,325 from the FY2017 Budget as Enacted.
- **Regionalization Bonus:** This fund provides a bonus to regionalized districts and those that regionalize in the future. In the first year, the bonus is 2.0 percent of the State's share of the total foundation aid. In the second year, the bonus is 1.0 percent of the State's share and in the third year the bonus phases out. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget provides no funding in FY2018, the seventh year of funding for the regionalized districts, since no new regional districts have been formed. This represents level funding from the FY2014 Budget as Enacted.

Group Home Aid

(\$688,863)

The Group Home aid category was created by the General Assembly in 2001 to provide state support to districts hosting group homes in exchange for relieving the resident sending district of financial responsibility for students placed in group homes. When enacted, the Act maintained the current funding for group homes as a categorical grant program, and providing \$15,000 annually per bed, except for group home beds associated with Bradley Hospital Children's Residential and Family Treatment (CRAFT) Program, which received \$22,000 per bed. Through Article 11 of the FY2017 Budget as Enacted, the per-bed aid increased by \$2,000 for a total of \$17,000 per bed, except for beds associated with the Bradley

Hospital Children's Residential and Family Treatment (CRAFT) Program, which increased by \$4,000 for a total of \$26,000 per bed.

The FY2018 Budget includes \$4.1 million to fund group home beds. This is \$688,863 less than the FY2017 Budget as Enacted. This adjustment represents the most recent update on the number of group home beds per district and the decrease required pursuant to RIGL 16-7-22(1)(ii) to reduce the average daily membership of a district by the number of group home beds used in the group home aid calculation.

Charter School Growth

Informational

The FY2018 Budget includes \$84.2 million in education funding formula aid for public charter schools, an increase of \$8.9 million from the FY2017 Budget as Enacted. In FY2018, charter school growth is almost fully transitioned; consequently, increases in charter school aid are fully offset by dollar-for-dollar decreases in aid to the sending communities. However, there is a small transitional value for overfunded sending districts, primarily Central Falls. In FY2018, this transitional value is less than \$500,000 and will phase out toward the end of the transition period in FY2021.

In FY2018, the following charter school growth is scheduled:

- Achievement First, which is located in Providence and enrolls 720 students from Cranston, North Providence, Providence and Warwick, will add a fifth grade, and a third grade (180 new students).
- Beacon Charter High School for the Arts, Founders Academy, which is located in Woonsocket and enrolls 321 from around the State, will add a eighth grade to the middle school established in FY2016 (45 new students).
- Blackstone Academy, which is located in Pawtucket and enrolls 301 students from Central Falls, Pawtucket, and Providence, will expand its capacity within the current high school model (50 new students).
- Highlander, which is located in Providence and enrolls 532 students, will expand capacity (40 new students).
- Hope Academy, which is located in Providence and enrolls 108 students from North Providence and Providence, will add a third grade (36 new students).
- Nowell Academy, which is currently located in Providence and enrolls 160 high schools students, will add a third site in Warwick (80 new students).
- RIMA – Blackstone Valley Prep, which is located in Cumberland and currently enrolls 1,641 students, will add a second, sixth, and twelfth grade (284 new students).
- RISE Mayoral Academy, which is currently located in Woonsocket and enrolls 95 students from Woonsocket, North Smithfield, and Burrillville, will add a second grade (55 new students).
- Southside Elementary, which is located in Providence and enrolls 72 students from Providence, will add a third grade (24 new students).

SCHOOL CONSTRUCTION AID

In 1960, the school housing aid program was enacted by the General Assembly to guarantee adequate school facilities for all public school children in the state, and to prevent the cost of constructing and repairing facilities from interfering with the effective operation of the schools. Applications for aid to support the construction and renovation of school buildings are submitted to and evaluated by the Rhode Island Department of Elementary and Secondary Education (RIDE). State aid is provided for approved projects

based on a percentage of cost. The percentage provided by the State to the school district is determined based on a share ratio designed to measure a community's need. For FY2018, the minimum state share is 35.0 percent for school districts and the maximum is 96.7 percent for Central Falls: the state share for charter schools is 30.0 percent.

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

The 2011 General Assembly enacted legislation limiting the approval of new projects between FY2012 and FY2015, to those necessitated by immediate health and safety reasons. Any project requested during the moratorium must be reported to the chairs of the House and Senate Finance Committees. Any project approval granted prior to the adoption of the school construction regulations in 2007, which is currently inactive, did not receive voter approval, or has not been previously financed, is no longer eligible for reimbursement. Article 22 of the FY2015 Budget extends the moratorium from June 30, 2014, to May 1, 2015, limiting the approval of new projects between FY2012 and FY2015 to those necessitated by immediate health and safety conditions.

As part of the 2011 legislation, RIDE was charged with developing recommendations for further cost containment strategies in the school housing aid program. The following recommendations were submitted on March 22, 2012:

- Establish capital reserve funds on the state and local level.
- Reduce the minimum share ratio.
- Limit costs associated with bonding by establishing a mechanism to allow districts with poor bond ratings to borrow at a lower interest rate, reduce the State's reimbursement rate on interest, and provide incentives for districts to refinance bonds.

Article 13 of the FY2014 Budget as Enacted provided an incentive to communities to refinance existing school housing bonds by allowing communities to receive 80.0 percent of the total savings, instead of distributing the savings based on the state share ratio. The increased savings to the communities would only apply to refinancing done between July 1, 2013, and December 31, 2015. The table shows the estimated savings realized through the incentive.

Municipality	Local Savings	State Savings	Total Savings
Burrillville	\$391,582	\$97,896	\$489,478
Central Falls	485,690	121,423	607,113
Cumberland	392,456	98,136	490,592
Johnston	41,684	10,421	52,105
Lincoln	1,590,165	397,541	1,987,706
New Shoreham	329,114	82,278	411,392
North Kingstown	419,141	104,785	523,926
North Providence	492,390	123,098	615,488
Pawtucket	44,094	11,023	55,117
Portsmouth	208,533	52,135	260,668
Providence	5,854,680	1,463,670	7,318,350
South Kingstown	232,603	58,151	290,754
Tiverton	753,270	188,317	941,587
West Warwick	525,572	131,393	656,965
Woonsocket	728,129	182,083	910,212
Total Savings	\$12,489,103	\$3,122,350	\$15,611,453

For FY2018, the Budget provides \$80.0 million, level funded with the FY2017 Budget as Enacted. For FY2018, the Department projects expenditures of \$70.9 million in school housing aid, level funded with the FY2017 Budget as Enacted; however, pursuant to law the surplus must be deposited into the School Building Authority Capital Fund.

School Construction Aid	General Revenue
FY2017 Enacted	\$80,000,000
<i>Target and Other Adjustments</i>	
School Building Authority Capital Fund	Informational
FY2018 Enacted	\$80,000,000

School Building Authority Capital Fund**Informational**

Article 9 of the FY2016 Budget as Enacted designated the Department of Elementary and Secondary Education (Department) as the State's School Building Authority and charged the Department with implementing a system of state funding for school facilities, managing the school housing aid program, and developing a project priority system. The Authority oversees two distinct funding mechanisms for school facilities: the Foundation Program, as enumerated in RIGL 16-7-35 through 16-7-47, and the School Building Authority Capital Fund (Capital Fund), as created through the article. The FY2016 budget added 1.0 FTE position to the Department for a new construction manager to assist in developing procedures for the proposed Capital Fund. In FY2016, the Department received a one-time, pass-through appropriation of \$20.0 million in new general revenue to capitalize the Capital Fund, which is held in trust and administered by the Rhode Island Health and Education Building Corporation (RIHEBC). For FY2018, the Budget provides \$9.1 million in general revenue to capitalize the Capital Fund, consistent with the FY2017 Budget as Enacted.

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
FY2017 Enacted	\$99,076,582
<i>Target and Other Adjustments</i>	
Defined Benefit Plan	2,713,534
Defined Contribution Plan	43,870
FY2018 Enacted	\$101,833,986

Defined Benefit Plan**\$2.7 million**

The Budget provides total funding of \$98.0 million for the State's contribution to the teacher retirement defined benefit plan, reflecting a net increase of \$2.7 million from FY2017 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**\$43,870**

The Budget provides \$3.9 million in general revenue for the State's share of the contribution to the new defined contribution portion of the hybrid pension system, reflecting a net increase of \$43,870 from FY2017

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 \$7.2 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2018 and \$4.0 million in FY2017, including:

- \$3.7 million in FY2018 for the advanced manufacturing program at Davies Career and Technical School.
- \$2.2 million in FY2018 and \$958,996 in FY2017 to replace and repair the HVAC system for five buildings at the MET School’s Peace Street and Public Street campuses.
- \$1.0 million in FY2018 and \$23,808 in FY2017 to replace and repair the HVAC system at the Davies Career and Technical School.
- \$2.3 million in FY2017 for capital repairs at two career and technical schools (Warwick, and Woonsocket).

Public Higher Education

Expenditures By Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Spent	Enacted	Revised	Enacted		Enacted	Enacted	
Office of Postsecondary Commissioner	\$26.8	\$30.4	\$32.4	\$2.0	6.7%	\$42.5	\$12.1	39.8%
University of Rhode Island	734.1	777.3	763.8	(13.5)	-1.7%	777.3	(0.0)	0.0%
Rhode Island College	171.1	186.7	182.1	(4.6)	-2.4%	199.1	12.4	6.7%
Community College of R.I.	150.3	167.0	156.9	(10.1)	-6.0%	161.3	(5.7)	-3.4%
Total	\$1,082.2	\$1,161.3	\$1,135.2	(\$26.1)	-2.2%	\$1,180.1	\$18.8	1.6%
Expenditures By Source								
General Revenue	\$180.9	\$196.4	\$198.4	\$2.1	1.1%	\$220.9	\$24.5	12.5%
Federal Funds	15.3	14.3	14.9	0.6	4.0%	13.9	(0.4)	-2.6%
Restricted Receipts	0.6	1.0	1.5	0.5	48.4%	2.2	1.2	112.6%
Other Funds	885.4	949.6	920.4	(29.2)	-3.1%	943.1	(6.5)	-0.7%
Total	\$1,082.2	\$1,161.3	\$1,135.2	(\$26.1)	-2.2%	\$1,180.1	\$18.8	1.6%
Third Party Funded FTE	745.8	745.8	745.8	-	0.0%	739.8	(6.0)	-0.8%
Authorized FTE Levels	3,513.4	3,551.0	3,551.0	-	0.0%	3,567.0	16.0	0.5%
Total	4,259.2	4,296.8	4,296.8	-	0.0%	4,306.8	10.0	0.2%

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

The major responsibilities of the Board of Education (Board), pertaining to higher education, include the governance of public institutions of higher learning and the regulation of proprietary schools; the preparation of a public higher education budget and capital development program; and the development of policies in pursuit of the primary goals of excellence, opportunity and access, diversity and responsiveness, coordination and accountability in public higher education.

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

Prior to January 1, 2013, higher education in Rhode Island functioned under the direction of the Board of Governors for Higher Education. The FY2013 Budget as Enacted established a new Board of Education consisting of 11 members, appointed by the Governor with the advice and consent of the Senate. The Board of Governors for Higher Education and the Board of Regents for Elementary and Secondary Education were abolished as of January 1, 2013.

The FY2015 Budget as Enacted established the Council on Postsecondary Education, which has duties and responsibilities per RIGL 16-59-1 and 16-59-4, much the same as the former Board of Governors for Higher Education.

MAJOR ISSUES AND TRENDS FOR FY2018

The FY2018 Budget includes total funding of \$1,180.1 million, representing an increase of \$18.8 million (1.6 percent) over the FY2017 Budget as Enacted, including a general revenue increase of \$24.5 million (12.5 percent).

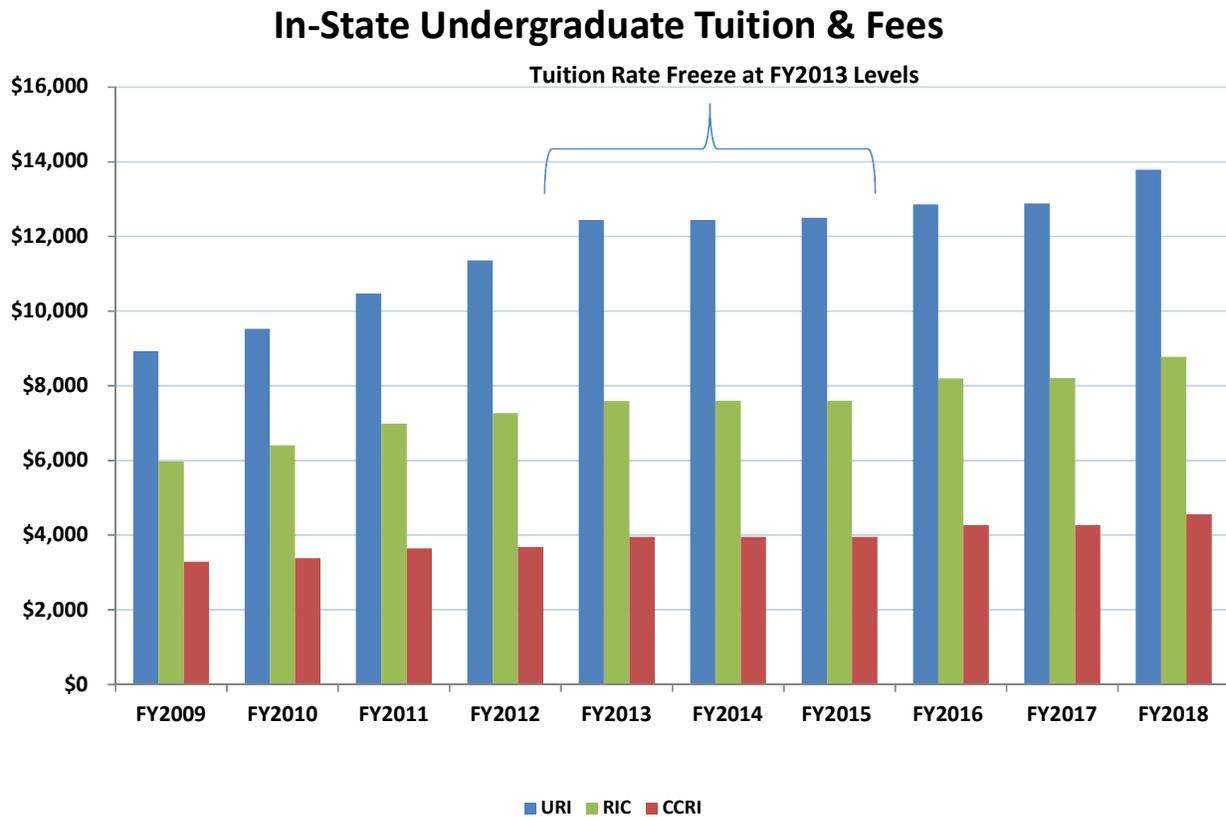
The Board of Education voted to allow institutions to increase tuition and fees in FY2018 by a maximum of 7.0 percent, the second increase in the last five years. In FY2016, tuition increased at all three schools for the first time in three years; however, in FY2017, there was no tuition increase.

Article 3 of the FY2018 Budget establishes the Rhode Island Promise Scholarship program to provide students with two years of tuition and mandatory fees at the Community College of Rhode Island (CCRI), less federal and all other financial aid available to the recipient. In order to build a highly educated and skilled workforce, the article aims to increase the number of students enrolled at the College and the

number of students who complete their degrees on time by removing financial barriers. The scholarship program provides two years of tuition and mandatory fees to students CCRI with no income restrictions. Students are required to maintain a 2.5 or higher grade point average. Other costs, such as room and board, textbooks, meal plans, or travel are not included.

Tuition and Fees

Actual tuition and fee rates, by institution, along with a projection for FY2017 and FY2018, are shown in the graph below.



URI	FY2014	FY2015	FY2016	FY2017 ¹	FY2018	Change from FY2017	
In-State Tuition	\$10,878	\$10,878	\$11,128	\$11,128	\$12,002	\$874	7.9%
Out-of-State Tuition	26,444	26,444	27,118	27,118	28,252	1,134	4.2%
Mandatory Fees	1,572	1,628	1,734	1,756	1,790	34	1.9%
Tuition & Fee Revenue	265,448,401	278,399,179	290,235,215	296,809,960	311,495,533	14,685,573	4.9%
RIC							
In-State Tuition	\$6,530	\$6,530	\$7,118	\$7,118	\$7,637	\$519	7.3%
Out-of-State Tuition	17,228	17,228	18,779	18,779	20,150	1,371	7.3%
Mandatory Fees	1,072	1,072	1,079	1,088	1,139	51	4.7%
Tuition & Fee Revenue	66,058,085	66,087,376	70,074,560	70,194,746	74,983,706	4,788,960	6.8%
CCRI							
In-State Tuition	\$3,624	\$3,624	\$3,950	\$3,950	\$4,148	\$198	5.0%
Out-of-State Tuition	10,256	10,256	11,180	11,180	11,740	560	5.0%
Mandatory Fees	326	326	316	316	416	100	31.6%
Tuition & Fee Revenue	53,028,803	51,694,330	52,071,850	52,372,909	53,434,485	1,061,576	2.0%

¹ The increase for URI includes \$2.8 million for on-line program revenue.

At CCRI the mandatory fees increase by \$100, or 31.6 percent. This is primarily the result of an effort to reduce obstacles in the application process. A \$50 increase in the per-semester registration fee for full-time students, \$100 annually, is proposed to offset the decrease in revenues caused by the elimination of the one-time \$20 Application Fee and the \$40 Accuplacer Fee, which are pre-enrollment fees that are not covered by financial aid. The registration fee can be paid with financial aid resources. Also, the application fee can be an obstacle to registration because the majority of applications are submitted on-line requiring a credit or debit card to pay the fee: not all potential CCRI students have a credit or debit card to pay the fee on-line. Similarly, the testing fee is paid up front, eliminating the fee is intended to encourage more students to apply. The proposal also eliminates the \$40 graduation fee.

While the tuition and fee increase is estimated to increase revenues across the system by \$20.5 million, including changes in enrollment, the FY2018 Budget Request approved by the Council also includes an additional \$10.7 million in general revenue appropriations from the State, not including general obligation debt service costs. The request includes a 3.0 percent COLA adjustment to meet current contractual obligations. The Budget includes \$2.8 million in increased state support for operating including \$1.5 million for URI, \$750,000 for RIC and \$500,000 for CCRI.

	FY2018 Requested Increase over FY2017 Enacted State		
	Tuition and Fees	Appropriation ¹	Total Increase
URI	\$14.7	\$4.6	\$19.3
RIC	4.8	2.2	7.0
CCRI	1.1	2.9	4.0
OPC	n/a	0.9	0.9
Total	\$20.5	\$10.7	\$31.3

¹ Does not include general obligation debt service.

\$ in million

Major cost increases at URI include \$12.6 million for mandatory and contractual items such as salaries and benefits and the new Nursing Education Center (NEC); \$600,000 in operations for bad debt and utilities, and \$4.7 million for student aid.

At RIC, the primary cost drivers include \$4.0 million in salaries and benefits, \$1.9 million for the NEC, \$1.4 million for a new implementation of a hybrid professional and faculty advising model, and a student experiential learning program, as well as \$1.0 million for student aid.

At CCRI the primary cost drivers include \$3.4 million in salaries and benefits for mandatory and contractual obligations. An additional \$120,000 would be used for 5.0 new FTE positions for the Connect 2 College program, and \$344,841 would be used primarily to transfer the Accuplacer test fee revenue from “Other Revenues” to “Tuition and Fees.”

At the Office of the Postsecondary Commissioner (OPC), the primary cost driver is the shift of 3.0 FTE’s and \$399,767 in salaries and benefits from restricted receipts to general revenue. Due to changes in federal loan practices, revenues derived by the Division of Higher Education Assistance (DHEA) within the OPC for guaranteeing services to federally-backed student loans is diminishing. The 3.0 FTE are IT specialists who work for OPC but were previously funded through DHEA from restricted funds. In addition, the OPC requests \$300,000 for a job classification study. The study would review the job classifications to bring the job descriptions more in line with current day operations. The job descriptions have not been reviewed or updated since 1977.

State Support for Public Education

When looking at state support for public higher education, many policy makers tend to take a regional approach. For example, if looking at New England, Rhode Island is in the middle of the pack. In FY2015, the most recent data available, Connecticut appropriated \$3,305 more per student FTE than Rhode Island and Massachusetts appropriated \$1,943 more. Based on the FY2015 FTE enrollment of 31,547, the difference in per-student FTE

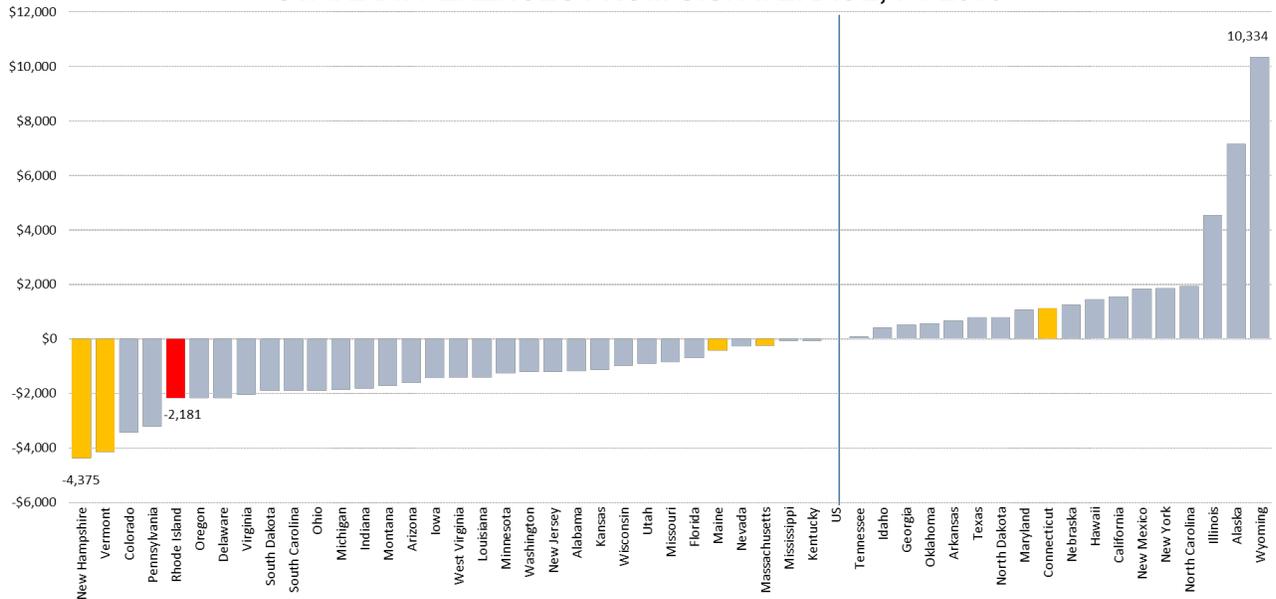
FY2015 State Educational Appropriations per FTE	
Connecticut	\$8,090
Massachusetts	6,728
Maine	6,546
Rhode Island	4,785
Vermont	2,818
New Hampshire	2,591
Regional Average	\$5,260

Source: State Higher Education Executive Officers (SHEEO)

between Rhode Island and Massachusetts is \$61.3 million.

However, on a national perspective in FY2015, the State of Wyoming appropriated \$12,515 more per student FTE than Rhode Island. The following table was provided by the Office of the Postsecondary Commissioner from data collected by the State Higher Education Executive Officers Association (SHEEO). The table illustrates the difference in state appropriations to public higher education based on student FTEs.

**EDUCATIONAL APPROPRIATIONS PER FTE (CONSTANT DOLLARS):
STATE DIFFERENCES FROM U.S. AVERAGE, FY 2015**



The FY2018 Budget request approved by the Council on Postsecondary Education on November 16, 2017, included a recommendation of State support totaling \$189.3 million, an increase of \$11.1 million over the FY2017 Budget as Enacted. While the Budget includes a general revenue increase of \$24.5 million, most of this increase is for other initiatives such as the Rhode Island Promise Scholarship (\$2.8 million); the Nursing Education Center (\$5.0 million), and debt service (\$12.2 million); however, the Budget does provide include \$2.8 million in increased state support for operating including \$1.5 million for URI, \$750,000 for RIC and \$500,000 for CCRI.

OFFICE OF THE POSTSECONDARY COMMISSIONER

Expenditures By Source	FY2016 Spent	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Enacted	Change from Enacted	
General Revenue	\$5.7	\$6.3	\$6.2	(\$0.1)	-2.1%	\$14.6	\$8.3	131.5%
Federal Funds	15.3	14.3	14.9	0.6	4.0%	13.9	(0.4)	-2.6%
Restricted Receipts	0.0	0.4	0.9	0.5	136.7%	1.5	1.1	311.8%
Other Funds	5.8	9.4	10.5	1.1	11.8%	12.4	3.1	32.5%
Total	\$26.8	\$30.4	\$32.4	\$2.0	6.7%	\$42.5	\$12.1	39.8%

\$ in millions

The mission of the Office of the Postsecondary Commissioner (OPC), formerly the Office of Higher Education, is to support the work of the Board of Education and the Council on Postsecondary Education in providing an excellent, accessible, and affordable system of higher education designed to improve the education attainment of Rhode Island citizens, support economic development, and enrich the civic, social, and cultural life of the residents of the State. The Commissioner works with the presidents of the state higher education institutions to determine the benefits or disadvantages of proposed new programs,

departments, courses of study, and policies with the scope and role adopted by the Council on Postsecondary Education. The OPC also supports specific programs, such as early college access and veterans affairs. The FY2016 Budget as Enacted created a new Division of Higher Education Assistance (DHEA) within the Office of the Postsecondary Commissioner and eliminated the Rhode Island Higher Education Assistance Authority. The Office provides research, policy, and fiscal analysis, and seeks to ensure that higher education in Rhode Island remains economically and geographically accessible.

The Budget provides 37.0 FTE positions for the OPC in FY2018, including 1.0 FTE that is third-party funded. This represents an increase of 10.0 FTE positions, from the FY2017 Budget as Enacted to reflect the 10.0 FTE positions added for the administration of the new Nursing Education Center. The \$1.1 million increase in restricted receipts represent the restricted receipts from an occupancy fee charged for the use of the Westerly Higher Education and Job Skills Center that fund the operations of the facility. The Nursing Education Center and the Westerly facility are discussed below in more detail.

Office of Postsecondary Commissioner	General Revenue
FY2017 Enacted	\$6,298,407
<hr/>	
<i>Target and Other Adjustments</i>	<i>(27,321)</i>
Rhode Island Promise Scholarship Program	2,800,000
Nursing Education Center	4,952,370
Westerly Higher Education and Job Skills Center	500,000
Interdepartmental Cost Allocation	55,003
FY2018 Enacted	\$14,578,459

Rhode Island Promise Scholarship Program

\$2.8 million

Article 3 of the FY2018 Budget establishes the Rhode Island Promise Scholarship program to provide students with two years of tuition and mandatory fees at the Community College of Rhode Island, less federal and all other financial aid available to the recipient. In order to build a highly educated and skilled workforce, the article aims to increase the number of students enrolled at CCRI and the number of students who complete their degrees on time by removing financial barriers. The scholarship program has no income restrictions. Other costs, such as room and board, textbooks, meal plans, or travel are not included. Students must maintain a grade point average 2.5 or greater, and commit to live, work, or continue their education in Rhode Island after graduation. For more detail on this program, please see the Article 3 analysis.

Nursing Education Center (NEC)

\$5.0 million

The Nursing Education Center (NEC) is a partnership between the State, Rhode Island College, and the University of Rhode Island to provide a state-of-the-art facility to be shared by the institutions thus reducing redundancy. The NEC is located at the South Street Landing property (a.k.a. the South Street Power Station or Dynamo House). The building will also house administrative offices for Brown University's Alpert Medical Schools. The larger project includes a 750-space, above ground parking garage and residential apartments on adjacent parcels. The Board of Education and the Department of Administration entered into a 15-year lease with a two-year extension option. The two schools took possession of their space in April 2017. Under the terms of the lease, the first rent payment will be made in September 2017. Classes will begin in September 2017 allowing for the installation and testing of lab and other equipment, as well as staff training, and a smoother transition.

The total FY2018 cost is \$10.0 million. The State's share includes \$1.5 million in lease payments (only 10 months of payments in FY2018), \$2.0 million in tenant improvement payments, and \$1.4 million in debt service. The remaining \$5.1 million for personnel and operating costs is supported with university and college funds from URI and RIC.

Westerly Higher Education and Job Training Center**\$500,000**

Budget includes \$1.3 million in general revenue and \$1.5 million in restricted receipts for the Westerly Higher Education and Job Training Center. This represents an increase of \$500,000 in general revenue and \$1.0 million in restricted receipts relative to the FY2017 Budget as Enacted. The general revenue provides the state contribution toward the construction of the building. The restricted receipts provide for the personnel and operating costs including 3.0 FTE positions to provide operations and management staff for the new center, including an Executive Director, Marketing Director, and Operations Coordinator. The restricted receipts will come from an occupancy fee charged for the use of the facility. Electric Boat began using the facility to train employees in January 2017. The facility will provide classroom and laboratory space for existing students in the area, as well as space for collaborative programs with local industries. The new job skill center is managed through the Office of the Postsecondary Commissioner.

Westerly Higher Education and Job Training Center

Expenditures by Category	FY2017 Enacted	FY2017 Governor	FY2018 Governor	Change from Enacted	
Personnel	\$361,925	\$361,925	\$357,732	(\$4,193)	-1.2%
Contracted Professional Services	-	\$210,103	\$431,000	431,000	-
Operating	-	284,745	701,609	701,609	-
Capital Purchases and Equipment	750,000	75,000	1,250,000	500,000	66.7%
Total	\$1,111,925	\$931,773	\$2,740,341	\$1,628,416	146.5%

Expenditures by Source

General Revenue	\$750,000	\$75,000	\$1,250,000	\$500,000	66.7%
Restricted Receipts	361,925	856,773	1,490,341	1,128,416	311.8%
Total	\$1,111,925	\$931,773	\$2,740,341	\$1,628,416	146.5%

Interdepartmental Cost Allocation**\$55,003**

The Budget includes a \$55,003 interdepartmental cost allocation representing 50.0 percent of the salary and benefits of an Education Policy analyst in the Governor's Office who works on postsecondary education policy issues. The Budget includes interdepartmental cost allocations totaling \$794,564 for staff in the Governor's Office that is charged against nine state agencies. The Budget Office states that these cost allocations reflect Governor's Office staff support to assist these state agencies on various policy and program initiatives such as Real Jobs RI, RhodeWorks, Reinventing Medicaid, and Justice Reinvestment Initiative, etc.

UNIVERSITY OF RHODE ISLAND

Expenditures By Source	FY2016 Spent	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Enacted	Change from Enacted	
General Revenue	\$80.7	\$89.9	\$92.2	\$2.3	2.6%	\$101.2	\$11.4	12.6%
Other Funds	653.3	687.4	671.7	(15.8)	-2.3%	676.1	(11.4)	-1.7%
Total	\$734.1	\$777.3	\$763.8	(\$13.5)	-1.7%	\$777.3	(\$0.0)	0.0%

\$ in millions

The University of Rhode Island (URI) was founded in 1888 as an agricultural school known as the Rhode Island College of Agriculture and Mechanic Arts. The college was actually the second State college established in Rhode Island. The Agricultural Experiment Station building was the first structure on campus, and was built in 1889; the building was later renamed Taft Hall. Today, Taft Hall houses internship, international exchange, and foreign student programs. In 1955, the school became known as the University of Rhode Island.

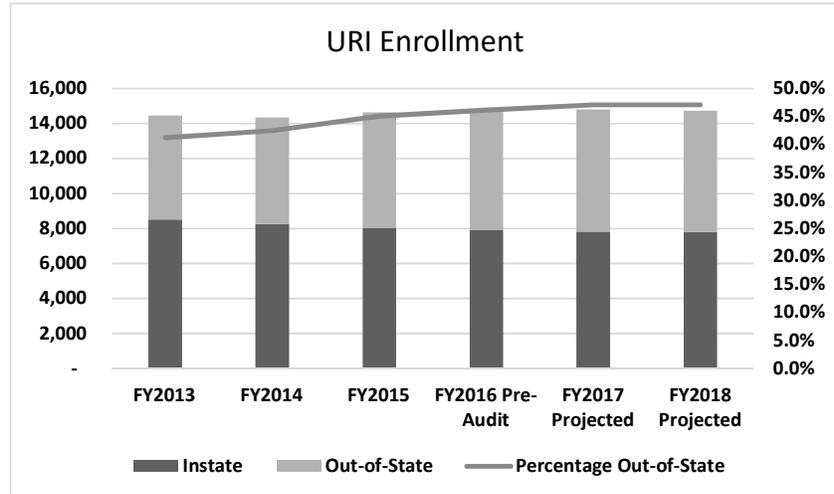
URI quickly evolved beyond its genesis as a land grant and agricultural school, and today has retained a focus on biological and natural sciences, along with a developing focus on technology in areas such as ocean engineering, chemistry, pharmacy, economics, nursing, and renewable energy. URI has the third oldest continuously operating marine laboratory in the United States, the oldest turfgrass research

program in the country, and has implemented green building technology in the expansion and renovation of its facilities. URI provides Bachelor's, Master's, and Doctorate level degrees.

URI has three campuses: the 1,250 acre Kingston Campus; the 153 acre Bay Campus in Narragansett; and the Providence Campus, located in the Shepard Building on Washington Street in Providence. The Budget includes 2,489.5 FTE positions in FY2018 and FY2017, including 573.8 third-party funded FTE positions, consistent with the enacted level.

Enrollment

In-state enrollment is projected to be 7,787 full-time equivalent students in FY2017 a decrease of 42 students, or 0.5 percent; while out-of-state students are projected at 6,935 students, a decrease of 35 students, or 0.5 percent. As the University has raised its tuition twice in the last 6 years (in FY2016 and FY2018), it has recruited more out-of-state students, who pay a higher rate, in an effort to generate more revenue. URI is not projecting an impact on enrollment from the implementation of the Rhode Island Promise program.



University of Rhode Island	General Revenue
FY2017 Enacted	\$89,870,298
<i>Target and Other Adjustments</i>	534,541
General Obligation Debt Service	9,474,889
Increased Operating Support	1,500,000
Community Service Grants	(250,000)
Small Business Development Center	100,000
FY2018 Enacted	\$101,229,728

General Obligation Debt Service

\$9.5 million

The FY2016 Budget as Enacted included general revenue savings from the refinancing and restructuring of a portion of the State's general obligation debt service to achieve savings in fiscal years 2016 and 2017. The savings were used to provide additional general revenue resources to support economic development and technology improvements around the State. The Budget includes \$22.7 million in general revenue for general obligation debt service at URI in FY2018 and \$15.5 million in FY2017. This is an increase of \$9.5 million and \$2.3 million respectively from the FY2017 Budget as Enacted. The increase in the FY2017 revised budget is primarily due to the shift of \$2.2 million in debt service from the Department of Administration to URI.

	Debt Service				FY2018 Enacted	Change from Enacted	
	FY2017 Enacted	FY2017 Revised	Change from Enacted				
University of Rhode Island	\$13,182,679	\$15,485,717	\$2,303,038	17.5%	\$22,657,568	\$9,474,889	71.9%
Rhode Island College	2,565,254	2,509,391	(55,863)	-2.2%	4,867,060	2,301,806	89.7%
Community College of Rhode Island	1,691,204	1,643,449	(47,755)	-2.8%	2,082,845	391,641	23.2%
Total	\$17,439,137	\$19,638,557	\$2,199,420	12.6%	\$29,607,473	\$12,168,336	69.8%

Source: Rhode Island Budget Office

Increased Operating Support

\$1.5 million

The Budget provides an additional \$1.5 million in general operating support relative to the FY2017 Budget as Enacted. At URI, the funds will be put toward mandatory and contractual items such as salaries and benefits and the new Nursing Education Center (NEC), and student aid.

Community Service Grants

(\$250,000)

The \$250,000 community service objective to the Polaris Manufacturing Extension Program is moved from the Higher Education budget to the Executive Office of Commerce. Polaris is non-profit organization that provides manufacturing business improvement programs to grow Rhode Island’s manufacturing industry. The grant is used to provide training, share expertise, and promote manufacturing statewide.

Small Business Development Center

\$100,000

The Rhode Island Small Business Development Center (RISBDC) has been housed at URI since 2014. For the last three years, the center has received \$250,000 annually in state support, which has then been used to leverage additional federal funding. In order to fully meet the current matching requirements, the Budget adds an additional \$100,000, bringing the total state support to \$350,000. According to the RISBDC, every \$1 of state investment generates \$3 in state return.

RHODE ISLAND COLLEGE (RIC)

Expenditures By Source	FY2016 Spent	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Enacted	Change from Enacted	
General Revenue	\$46.2	\$49.6	\$49.5	(\$0.1)	-0.1%	\$53.1	\$3.5	7.1%
Other Funds	124.9	137.1	132.6	(4.5)	-3.3%	146.0	8.9	6.5%
Total	\$171.1	\$186.7	\$182.1	(\$4.6)	-2.4%	\$199.1	\$12.4	6.7%

\$ in millions

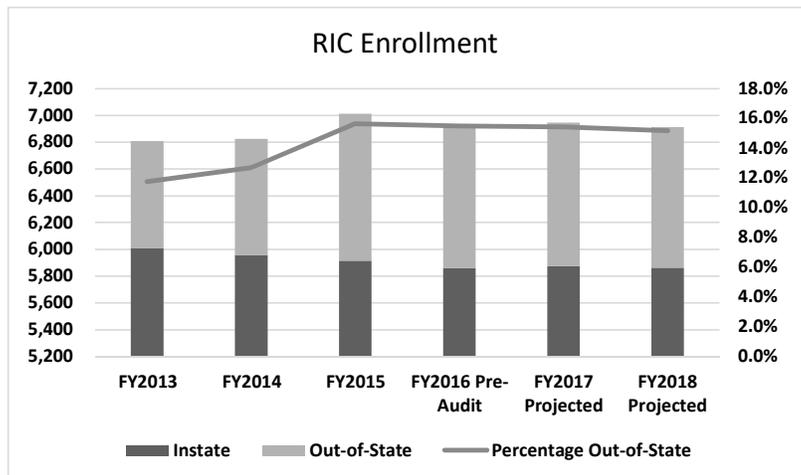
Rhode Island College (RIC) was established in 1854 as the Rhode Island State Normal School, with the mission of providing teacher preparation to Rhode Island residents. In 1959, RIC moved to its current campus location on 180 acres off of Mount Pleasant Avenue in Providence and was renamed Rhode Island College to reflect expanded curriculum.

Today, RIC provides comprehensive education at the Bachelor’s and Master’s level, with a focus on Rhode Island residents. Rhode Island College is accredited by the New England Association of Schools and Colleges, the Council on Social Work Education, National Association of Schools of Art and Design, National Association of Schools of Music, National Association of State Directors of Teacher Education and Certification, National Council for Accreditation of Teacher Education, and the Commission on Collegiate Nursing Education.

The Budget includes 926.2 FTE positions in FY2018, including 76.0 third-party funded FTE positions, representing a shift of 6.0 FTE positions from third-party funding to the college cap.

Enrollment

Total enrollment is projected to be 6,914 full-time equivalent students in FY2018, a decrease of 33 students, relative to the FY2017 Projected. Relative to FY2013, out-of-state enrollment is projected to increase by 31.1 percent. As the college



has raised its tuition twice in the last 6 years (in FY2016 and FY2018), it has recruited more out-of-state students, who pay a higher rate, in an effort to generate more revenue; however, both are projected in decrease in FY2018. This projection does not include the impact of Rhode Island Promise Program, since RIC is determining the projected impact on enrollment as part of the FY2019 Budget calculation.

Rhode Island College	General Revenue
FY2017 Enacted	\$49,561,584
<i>Target and Other Adjustments</i>	442,461
General Obligation Debt Service	2,301,806
Increased Operating Support	750,000
FY2018 Enacted	\$53,055,851

General Obligation Debt Service

\$2.3 million

The FY2016 Budget as Enacted included general revenue savings from the refinancing and restructuring of a portion of the State's general obligation debt service to achieve savings in fiscal years 2016 and 2017 and provide additional general revenue resources to support economic development and technology improvements around the State. The Budget provides \$4.9 million in FY2018 for general obligation debt service at RIC funded by general revenue and \$2.5 million in FY2017. This is an increase of \$2.3 million and a decrease of \$55,863 respectively from the FY2017 Budget as Enacted. This projection does not include the in-state enrollment growth projected in the Rhode Island Promise estimate.

	Debt Service							
	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Enacted	Change from Enacted		
University of Rhode Island	\$13,182,679	\$15,485,717	\$2,303,038	17.5%	\$22,657,568	\$9,474,889	71.9%	
Rhode Island College	2,565,254	2,509,391	(55,863)	-2.2%	4,867,060	2,301,806	89.7%	
Community College of Rhode Island	1,691,204	1,643,449	(47,755)	-2.8%	2,082,845	391,641	23.2%	
Total	\$17,439,137	\$19,638,557	\$2,199,420	12.6%	\$29,607,473	\$12,168,336	69.8%	

Source: Rhode Island Budget Office

Increased Operating Support

\$750,000

The Budget provides an additional \$750,000 in general operating support relative to the FY2017 Budget as Enacted. At RIC the funding will be used toward implementation of a new, hybrid professional and faculty advising model, and a student experiential learning program.

COMMUNITY COLLEGE OF RHODE ISLAND (CCRI)

Expenditures By Source	FY2016 Spent	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Enacted	Change from Enacted	
General Revenue	\$48.3	\$50.6	\$50.6	(\$0.0)	-0.1%	\$52.0	\$1.4	2.7%
Restricted Receipts	0.6	0.7	0.7	-	0.0%	0.7	0.0	3.5%
Other Funds	101.4	115.7	105.7	(10.0)	-8.7%	108.6	(7.1)	-6.1%
Total	\$150.3	\$167.0	\$156.9	(\$10.1)	-6.0%	\$161.3	(\$5.7)	-3.4%

\$ in millions

The Community College of Rhode Island (CCRI) was established by the General Assembly in 1960 as Rhode Island Junior College. The first class of 325 students enrolled at a temporary Providence location in the fall of 1964. CCRI has provided a variety of career, technical, and academic programs and has established partnerships with businesses and non-profit organizations to provide worker training.

Today, CCRI has four main campuses: the 205 acre Knight Campus in Warwick; the 300 acre Flanagan Campus in Lincoln; the 7 acre Liston Campus in downtown Providence; and the 5 acre Newport County Campus in Newport. In addition, CCRI holds classes in the Shepard Building in downtown Providence and at Westerly Middle School.

The Budget includes 854.1 FTE positions in FY2018 and FY2017, including 89.0 third-party funded FTE positions, consistent with the enacted level.

Enrollment

The table shows the actual student enrollment, both by headcount and by FTE, from 2007 through 2016, and a projection for 2017 and 2018. In FY2018, enrollment is projected to decrease by 271.0 full-time equivalent students, or 3.0 percent, relative to FY2017 Projected. This projection includes the enrollment growth expected due to the implementation of the Rhode Island Promise. The enrollment increase was estimated at 25.0 percent; however, the first-time, full-time students only comprise about 10.0 percent of the total FTE enrollment. Without the program, enrollment would be projected to decline by 5.0 to 6.0 percent.

Year	CCRI Student Enrollment		FTE	FTE % Change
	Headcount	% Change		
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%
FY2014	17,017	-1.9%	10,141	-2.8%
FY2015	16,718	-1.8%	9,882	-2.6%
FY2016	15,611	-6.6%	9,128	-7.6%
FY2017 Projected	15,611	0.0%	9,128	0.0%
FY2018 Projected	15,000	-3.9%	8,857	-3.0%
10-Year Average	16,636	-0.8%	9,978	-0.2%

Community College of Rhode Island	General Revenue
FY2017 Enacted	\$50,627,239
<i>Target and Other Adjustments</i>	499,675
General Obligation Debt Service	391,641
Increased Operating Support	500,000
FY2018 Enacted	\$52,018,555

General Obligation Debt Service

\$391,641

The FY2016 Budget as Enacted included general revenue savings from the refinancing and restructuring of a portion of the State's general obligation debt service to achieve savings in fiscal years 2016 and 2017 and provide additional general revenue resources to support economic development and technology improvements around the State. The Budget provides \$2.1 million in FY2018 for general obligation debt service at CCRI funded by general revenue and \$1.6 million in FY2017. This is an increase of \$391,641 and a decrease of \$47,755 respectively from the FY2017 Budget as Enacted.

	Debt Service					
	FY2017 Enacted	FY2017 Revised	Change from Enacted	%	FY2018 Enacted	Change from Enacted
University of Rhode Island	\$13,182,679	\$15,485,717	\$2,303,038	17.5%	\$22,657,568	\$9,474,889
Rhode Island College	2,565,254	2,509,391	(55,863)	-2.2%	4,867,060	2,301,806
Community College of Rhode Island	1,691,204	1,643,449	(47,755)	-2.8%	2,082,845	391,641
Total	\$17,439,137	\$19,638,557	\$2,199,420	12.6%	\$29,607,473	\$12,168,336

Source: Rhode Island Budget Office

Increased Operating Support

\$500,000

The Budget provides an additional \$500,000 in general operating support relative to the FY2017 Budget as Enacted. At CCRI the funding will be used toward the Connect 2 College program, and salaries and benefits for mandatory and contractual obligations.

CAPITAL PROJECTS

The Budget includes a total of \$31.3 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2018 and \$37.2 million in FY2017, including the following.

URI, RIC, CCRI – Asset Protection: Asset Protection projects are budgeted from Rhode Island Capital Plan funds (RICAP) and are used to maintain and repair facilities, including roads, buildings, and infrastructure. The asset protection program includes a number of projects at various facilities, and allows each school to shift funding based on current priorities. The Budget includes a total of \$14.3 million in asset protection funding for URI (\$8.0 million), RIC (\$3.5 million), and CCRI (\$2.8 million) in FY2018 and \$22.4 million in FY2017. In FY2017, this amount includes \$8.2 million in additional RICAP asset protection funding for URI (\$5.7 million), RIC (\$2.0 million), and CCRI (\$548,000) intended to unencumber resources that can be used in lieu of raising tuition or increasing general revenue support.

RIC- Academic Buildings I – Craig Lee, Gaige, Adams Library: The Budget provides \$6.1 million in FY2018 to re-purpose and renovate areas of Adams Library and other campus buildings to accommodate student service organizations and academic departments that will be moving out of Craig Lee Hall and Gaige Hall during the renovation of these buildings.

CCRI Knight Campus Renewal: The Budget includes \$5.0 million in RICAP funding in FY2018 and \$5.2 million in FY2017 (including a \$1.2 million carryforward) for the renovation of 280,000 square feet of the 385,000 square-foot Knight Campus Megastructure, including lighting, painting and replacement of carpeting/tile. Total project costs are estimated at \$23.5 million, including \$20.1 million in RICAP funds, \$3.3 million in other funds, and \$82,868 in college funds. Completion is projected for FY2020.

RIC Infrastructure Modernization: The Budget provides \$4.5 million in RICAP funding in FY2018 and \$2.8 million in FY2017 (including a \$245,299 carryforward) to modernize and replace steam lines, water lines, and the electrical distribution system. Improvements will address issues of water quality, limit power failures, and eliminate steam plumes throughout the campus. Total RICAP funding for the project is \$32.6 million through FY2022.

Rhode Island State Council on the Arts

Expenditures By Program	FY2016 Spent	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Enacted	Change from Enacted	
Central Management	1,926,388	1,865,538	2,566,796	\$701,258	37.6%	1,907,310	\$41,772	2.2%
Grants Programs	1,069,386	1,165,000	1,165,000	-	-	1,165,000	-	-
Total	\$2,995,774	\$3,030,538	\$3,731,796	\$701,258	23.1%	\$3,072,310	\$41,772	1.4%
Expenditures By Source								
General Revenue	\$1,844,116	\$1,951,884	\$1,939,368	(\$12,516)	-0.6%	\$1,945,056	(\$6,828)	-0.3%
Federal Funds	700,799	775,454	786,728	11,274	1.5%	781,454	6,000	0.8%
Restricted Receipts	-	-	25,000	25,000	-	-	-	-
Other Funds	450,859	303,200	980,700	677,500	223.4%	345,800	42,600	14.1%
Total	\$2,995,774	\$3,030,538	\$3,731,796	\$701,258	23.1%	\$3,072,310	\$41,772	1.4%
Authorized FTE Levels	6.0	8.6	8.6	-	-	8.6	-	-

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

The Budget authorizes 8.6 FTE positions for FY2017 and FY2018, consistent with the FY2017 Budget as Enacted.

RI State Council on the Arts	General Revenue
FY2017 Enacted	\$1,951,884
<i>Target and Other Adjustments</i>	<i>(6,828)</i>
Percent for the Arts	Informational
Cultural Arts and the Economy	Informational
FY2018 Enacted	\$1,945,056

Percent for the Arts

Informational

The Rhode Island State Council on the Arts administers the State's Percent for Public Art Program, which was established in 1987 to expand the public experience of art, foster the development of artists, and create a more humane environment. It also serves to stimulate the state's economy.

In accordance with Rhode Island General Law, at least 1.0 percent of state government capital construction costs are allocated for the acquisition of works of art to be placed in public places. The 1.0 percent is generally spent on the project from which the funds were derived; any amounts not expended by RISCA are retained to provide for the maintenance and restoration of existing works.

The following table shows recently completed, current, and future projects of the program.

1% for Public Art Program - 2011 to Present	Location	Art Project Cost
<i>Recently Completed Projects (Spent)</i>		
Division of Motor Vehicles	Cranston	\$88,000
Rhode Island School for the Deaf	Providence	43,000
URI - School of Pharmacy	Kingston	995,020
Division of Motor Vehicles- Conservation	Cranston	2,000
Intermodal Station	Warwick	300,000
Met School	Providence	78,000
Wickford Junction	Wickford	350,000
<i>Current Projects (Budget)</i>		
URI - College of Engineering	Kingston	500,000
URI - Center for Chemical and Forensic Sciences (<i>previously, Biotechnology and Life Sciences</i>)	Kingston	458,000
RIC - Gaige Lee Hall	Providence	360,000
Veterans Home	Bristol	210,000
Rhode Island College - Art Center	Providence	170,000
Virks Building	Cranston	120,000
RI State Police Barracks	Lincoln	45,000
RIC - Fogarty School of Nursing	Providence	45,000
URI - Harrington Hall	Kingston	35,000
RI Fire Academy	Exeter	30,000
<i>Future Projects (Budget)</i>		
Eleanor Slater Hospital	Cranston	370,000
Attorney General	Cranston	124,000
Pawtucket Train Station	Pawtucket	50,000
Total		\$4,373,020

Source: Rhode Island State Council on the Arts

Cultural Arts and the Economy

Informational

In November 2014, voters approved a \$30.0 million bond issue to establish the Cultural Arts and the Economy Grant Program. Similar to the State Preservation Grants Program administered by the Historic Preservation and Heritage Commission, this program offers matching grants to public and non-profit historic sites, museums, artistic organizations, performance centers, and cultural art centers for capital preservation and renovation projects.

The Program provides \$23.1 million in 1:1 matching grants to certain arts organizations that were named in voter referendum, for facility improvement, preservation and renovation.

Cultural Arts and the Economy	Location	Project	Grant
Trinity Repertory Company	Providence	Renovate Lederer Theater and Pell Chafee Center	\$4.6
Rhode Island Philharmonic/Music School	E. Providence	Complete Carter Center	2.4
Newport Performing Arts Center	Newport	Restore Newport Opera House	4.2
WaterFire Providence	Providence	Develop Warehouse into Multi-use Arts Center	3.2
Westerly Land Trust/United Theater	Westerly	Restore United Theater	2.4
Stadium Theater	Woonsocket	Restore Stadium Realty Building	2.1
AS220	Providence	Improve Empire St., Performing Arts/Gallery Buildings	2.1
Chorus of Westerly	Westerly	Renovate Kent Hall	1.1
2nd Story Theater	Warren	Renovate Market and Liberty Street Buildings	1.1
Total Projects			\$23.1
Pool fund			6.9
Total			\$30.0

\$ in millions

The remaining \$6.9 million are a pool of matching funds awarded by RISCA to non-profit cultural organizations through a three-year competitive grant program for capital improvements to both owned and leased facilities. RISCA has established rules and regulations for the program and began disbursement of funds to the named organizations in January 2016. Additional funds were awarded in December 2016 and

have been distributed in FY2017 as contracts were completed and work begun. Applications for the remaining pool funds will be reviewed on October 1, 2017, and distributed in 2018. Awards from this fund will be announced in the January following the application deadline. The following table shows the grants awarded in the first two rounds.

Organization	Town	Award Amount	
		FY2016	FY2017
Barrington Public Library	Barrington	\$10,000	\$0
Arts In Common	Bristol	-	50,000
Bristol Art Museum	Bristol	-	20,000
Artists' Exchange	Cranston	-	85,000
Blackstone River Theatre	Cumberland	97,000	-
The Greenwich Odeum	East Greenwich	250,000	-
East Providence Historical Society Educational Center	East Providence	28,000	-
R.I. Philharmonic Orchestra & Music School	East Providence	250,000	195,000
Jamestown Arts Center	Jamestown	58,000	-
Wickford Art Association	North Kingstown	-	98,715
Mixed Magic Theatre and Cultural Events	Pawtucket	-	50,000
Sandra Feinstein-Gamm Theater	Pawtucket	5,000	211,500
Common Fence Point Improvement Association	Portsmouth	2,000	187,000
Dirt Palace	Providence	23,500	250,000
Educational Center for the Arts & Sciences	Providence	3,000	8,659
Everett	Providence	50,000	100,000
Festival Ballet Providence	Providence	-	59,552
Heads Up, Inc. for Mathewson St. Black Box Theatre	Providence	50,000	-
Museum of Art, Rhode Island School of Design	Providence	250,000	-
New Urban Arts	Providence	250,000	-
Olneyville Housing Corporation	Providence	250,000	-
Preserve RI	Providence	56,000	-
Providence Performing Arts Center	Providence	50,000	-
Providence Public Library	Providence	-	200,000
Southside Cultural Center	Providence	300,000	-
The Music Mansion	Providence	40,938	-
The Players	Providence	100,000	-
The Steel Yard	Providence	92,650	-
The Wilbury Theatre Group	Providence	25,000	-
The Contemporary Theater Company	South Kingstown	100,000	95,000
Boys & Girls Clubs of Warwick	Warwick	-	100,000
Ocean State Theatre Company	Warwick	-	240,000
The Artic Playhouse	West Warwick	5,000	300,000
Granite Theatre	Westerly	33,269	-
RiverzEdge Arts Project	Woonsocket	-	249,000
Total		\$2,379,357	\$2,499,426

Source: Rhode Island State Council on the Arts

RISCA has entered into an agreement with the Rhode Island College and University Based Research Collaborative to develop a set of metrics designed to measure the State's return on investment and the contributions of this program to the State's economy. The FY2018 Budget includes \$7.0 million in bond revenues for the program. \$10.2 million was provided in FY2017 and \$10.3 million was spent in FY2016.

Rhode Island Atomic Energy Commission

Expenditures By Program	FY2016 Spent	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Enacted	Change from Enacted	
Atomic Energy Commission	\$1,576,882	\$1,333,049	\$1,539,039	\$205,990	15.5%	\$1,304,373	(\$28,676)	-2.2%
Expenditures By Source								
General Revenue	\$908,285	\$981,100	\$979,682	(\$1,418)	-0.1%	\$982,157	\$1,057	0.1%
Federal Funds	336,542	32,422	228,863	\$196,441	605.9%	-	(\$32,422)	-100.0%
Other Funds	332,055	319,527	330,494	\$10,967	3.4%	322,216	\$2,689	0.8%
Total	\$1,576,882	\$1,333,049	\$1,539,039	\$205,990	15.5%	\$1,304,373	(\$28,676)	-2.2%
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. For students who perform well, a new nuclear engineer operating course was added in 2016 that prepares students for the operator license exam. URI is currently working to create a major in nuclear engineering. The Commission continues its collaboration with schools and universities in the State. Davies High School, Brown University physics classes, and URI mechanical design students are among those that have recently utilized the facility.

MAJOR ISSUES AND TRENDS FOR FY2018

The \$28,676 reduction in all funds in the FY2018 Budget is due primarily the completion of a project funded with a United States Department of Energy grant. The project involved the purchase of new radiation monitoring instrumentation for installation in and around the facility, particularly in locations where experiments with radioactive materials are conducted. The instruments were purchased and installed in FY2016 and FY2017. The Commission successfully completed the renewal process for its 20-year licensure from the Nuclear Regulatory Commission (NRC) on January 5, 2017.

The Budget authorizes 8.6 FTE positions in FY2018 for the program, 2.6 of which are funded through URI for its radiation safety functions. URI funding also covers 40.0 percent of the Commission's overhead costs, including its building maintenance and repair costs.

Central Management	General Revenue
FY2017 Enacted	\$981,100
<i>Target and Other Adjustments</i>	<i>1,057</i>
FY2018 Enacted	\$982,157

CAPITAL PROJECTS

The Budget includes \$59,895 in Rhode Island Capital Plan (RICAP)-funded asset protection projects for FY2017, including a carry forward of \$9,895, and \$50,000 annually thereafter. Projects for FY2017 included landscaping to prevent erosion around the building, painting the 115 foot exhaust stack to prevent corrosion, replacing outdated sprinkler heads, and refurbishing a room to make it suitable for the facility machine shop. In FY2018, funds will be used for landscaping in and around the tower gun pad and refurbishing a room to be used as an electronics shop for fabricating and repairing electronic instruments.

Rhode Island Historical Preservation and Heritage Commission

Expenditures By Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Revised	Enacted	Enacted	Enacted	Enacted	Enacted
Historical Preservation and Heritage Commission	\$3.0	\$2.8	\$3.2	0.4	14.8%	\$2.5	(\$0.3)	-11.2%
Total	\$3.0	\$2.8	\$3.2	\$0.4	14.8%	\$2.5	(\$0.3)	-11.2%
Expenditures By Source								
General Revenue	\$1.4	\$1.2	\$1.2	(\$0.0)	-3.4%	\$1.1	(\$0.1)	-6.8%
Federal Funds	1.3	1.1	1.5	0.5	41.4%	0.9	-0.2	-21.3%
Restricted Receipts	0.1	0.4	0.4	0.0	0.5%	0.4	0.0	0.1%
Other Funds	0.2	0.1	0.1	(0.0)	-0.2%	0.1	0.0	1.2%
Total	\$3.0	\$2.8	\$3.2	\$0.4	14.8%	\$2.5	(\$0.3)	-11.2%
Authorized FTE Levels	16.6	16.6	16.6	-	-	15.6	(1.0)	-6.0%

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

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

The Budget authorizes 15.6 FTE positions for FY2018, a reduction of 1.0 FTE position from the FY2017 Budget as Enacted.

MAJOR ISSUES AND TRENDS

The FY2018 Budget as Enacted includes \$1.1 million in general revenue (\$2.5 million all funds), representing a general revenue decrease of \$81,425 (\$312,931 all funds) relative to the FY2017 Budget as Enacted.

The decrease in the budget is primarily associated with the reduction of federally funded grants. The largest federal grant decrease is associated to the completion of work in 2017 related to the Hurricane Sandy Disaster Relief (HSDR) grant. The Budget reduces spending by \$225,852 in FY2018 as compared to FY2017 Budget as Enacted for the HSDR grant. Additionally, the Eisenhower House, which had previously been maintained and operated by the Commission, is transferring from the Commission to the Department of Environmental Management (DEM) leading to a general revenue reduction of \$176,037 in FY2018.

Historical Preservation & Heritage Commission	General Revenue
FY2017 Enacted	\$1,202,559
<i>Targets and Other Adjustments</i>	
Eisenhower House Transfer	67,993
Employee Health Insurance Adjustment	(176,037)
Turnover	74,191
State Preservation Grant	(47,572)
FY2018 Enacted	Informational
	\$1,121,134
Historical Preservation & Heritage Commission	
	Other Funds
Hurricane Sandy Relief	(\$225,852)

Eisenhower House Transfer***(\$176,037)***

The Eisenhower House, located in Fort Adams State Park in Newport, was 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. The Commission operated the Eisenhower House from 1985 through January 2017 as a rental facility for meetings, conferences and weddings. The Budget reduces general revenue by \$176,037 related to the transfer of the Eisenhower House from the Commission to the Department of Environmental Management (DEM). Reverting oversight and management of the Eisenhower house back to the DEM will allow the DEM, along with the Fort Adams Trust, to have a more integrated approach to the use of the property during events, the transfer will also create efficiencies as the Fort Adams Trust is already responsible for booking weddings, conferences, and other events at the property.

Employee Health Insurance Adjustment***\$74,191***

The Budget increases general revenue by \$74,191 due to a correction in the employee health insurance cost calculation; previously the wrong Medical Co-Share percentages for medical, vision and dental plans were used. This increase also includes the cost of health insurance for one new hire.

Turnover***(\$47,572)***

The Budget decreases salary and benefits funding by \$47,572 to reflect an increase in turnover. This equates to 0.5 FTE positions based on projected average costs at the Commission.

State Preservation Grant***Informational***

In November of 2014, voters approved \$5.0 million in general obligation bonds to recapitalize the State Preservation Grant Program. The State Preservation Grants Program was established to improve and/or repair landmarks and historic facilities such as museums, cultural centers, theatres, and public historic sites. In FY2017, the Commission completed Round 1 of awards, totaling \$1.8 million to support 25 statewide projects. The second round of awardees have been selected, totaling \$1.3 million in FY2018, to support 15 statewide projects.

State Preservation Grant Awards

Recipient	Town	FY2017	FY2018
American French Genealogical Society, AFGS HQ/Veterans Museum	Woonsocket	\$0	\$111,403
Beavertail Lighthouse Museum Association, Beavertail Lighthouse	Jamestown	-	46,475
Block Island SE Lighthouse Foundation	Block Island	150,000	-
City of Central Falls	Central Falls City	150,000	-
City of East Providence, Cresent Park Loof Carousel	East Providence	-	69,652
City of Pawtucket, Pawtucket Public Library	Pawtucket	-	150,000
City of Providence, Betsy Williams Cottage	Providence	-	150,000
City of Woonsocket, Museum of Work and Culture	Woonsocket	20,000	-
Cocummcussoc Association, Smiths Castle	North Kingstown	56,100	-
Coggeshall Farm Museum, Coggeshall Farmhouse	Bristol	-	29,452
Foster Preservation Society, Nehemiah Angell Barn	Foster	-	19,433
Friends of Linden Place, Linden Place	Bristol	-	58,616
Friends of Pomham Rocks	East Providence	150,000	-
Herreshoff Marine Museum	Bristol	150,000	-
Historic New England	Johnston	31,240	-
LaFarge Restoration Foundation	Newport	150,000	-
Memorial and Library Association of Westerly, Wilcox Park Bandstand	Westerly	-	15,488
Newport Restoration Foundation	Vernon House	22,484	-
Old Slater Mill Association	Pawtucket Public Libaray	44,500	-
Orlando Smith Trust, Babcock-Smith House	Westerly	11,734	-
Portsmouth Historical Society, Former Christian Union Church	Portsmouth	30,000	-
Preservation Society of Newport County	Newport	150,000	-
Providence Athenaeum	Providence	16,843	-
Providence Performing Art Center	Providence	-	150,000
Providence Public Library	Providence	150,000	-
RI Department of Environmental Management, Fort Adams Visitors Center	Newport	-	109,091
Smithfield Preservation Society, Smithfield Exchange Bank	Smithfield	19,866	-
Smithfield Town Hall	Smithfield	18,755	-
South County Art Association	Kingston	29,634	-
Town of Coventry, Read Schoolhouse	Coventry	-	26,404
Town of Cumberland, Farmhouse at Franklin Farm	Cumberland	150,000	-
Town of East Greenwich, East Greenwich Town Hall	East Greenwich	-	150,000
Town of North Kingstown, Old Town House	North Kingstown	43,175	-
Town of North Providence, J. Hiltron Bleachery/Stone House	North Providence	65,525	-
Town of North Smithfield, Kendall Dean School/New Town Hall	North Smithfield	-	150,000
Trinity Restoration Inc.	Providence	150,000	-
Varnum Continentals Inc., varnum Armory	East Greenwich	-	43,450
Westerly Armory Restoration Inc.	Westerly	24,750	-
Total Award Amount		\$1,784,606	\$1,279,464

Hurricane Sandy Relief (federal funds)**(\$225,852)**

The Hurricane Sandy Disaster Relief grant was part of the federal Disaster Relief Appropriations Act of 2013. The National Park Service allocated \$50.0 million nationally for the preservation of historic resources damaged by Hurricane Sandy. The Commission was awarded a total of \$3.2 million and distributed funding in FY2015, FY2016, and FY2017. The completion of awards for the projects is anticipated in FY2018. The Budget includes \$272,000 in FY2018, a reduction of \$225,852 from the FY2017 Budget as Enacted.

The grant funded repairs to numerous historic properties such as The Breakers in Newport, The Towers in Narragansett, and the Cliff Walk in Newport. The funds were also used to fund surveys of archaeological sites on Block Island and the coasts of Narragansett, Charlestown, and Westerly.

Department of the Attorney General

Expenditures By Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Revised	Enacted	Enacted	Enacted	Enacted	Enacted
General Division	\$3.2	\$3.3	\$3.2	(\$0.1)	-4.0%	\$3.4	\$0.0	0.8%
Criminal Division	19.2	24.0	34.7	10.6	44.4%	33.2	9.2	38.4%
Civil Division	5.5	6.1	6.1	0.1	1.4%	5.9	-0.2	-2.8%
Bureau of Criminal Identification	1.6	1.8	1.6	(0.2)	-10.1%	1.7	(0.1)	-5.0%
Total	\$29.5	\$35.1	\$45.6	\$10.4	29.7%	\$44.1	\$9.0	25.6%
Expenditures By Source								
General Revenue	\$24.1	\$25.6	\$25.9	\$0.3	1.1%	\$26.2	\$0.6	2.3%
Federal Funds	2.0	1.7	18.8	17.1	1010.1%	17.0	15.3	905.3%
Restricted Receipts	3.2	7.6	0.8	(6.8)	-89.9%	0.8	(6.8)	-89.4%
Other Funds	0.2	0.3	0.2	(0.1)	-43.3%	0.2	(0.2)	-50.0%
Total	\$29.5	\$35.1	\$45.6	\$10.4	29.7%	\$44.1	\$9.0	25.6%
Authorized FTE Levels	236.1	235.1	235.1	-	0.0%	235.1	-	0.0%

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

The Department of the Attorney General is the central legal agency of the State. The Department is responsible for the prosecution of all felony criminal cases and misdemeanor appeals as well as prosecution of misdemeanor cases brought by state law enforcement in the various district courts. Additionally, as chief legal officer of the state, the Attorney General acts to protect consumers against fraudulent business practices; investigates Opens Meetings Act and Access to Public Records compliance; and, acts as the central repository for criminal history and information in the State. The Department is divided into four budget programs: General, Criminal, Civil, and Bureau of Criminal Identification. The Budget includes 235.1 FTE positions in FY2017 and FY2018, consistent with the enacted amount.

MAJOR ISSUES AND TRENDS FOR FY2018

The Budget includes \$44.1 million in total funding for the Department, an increase of \$9.0 million from the FY2017 Budget as Enacted. General revenues increased by \$598,769, or 2.3 percent, from the FY2017 Budget as Enacted, to \$26.2 million. Increases are primarily due to growing expenditures in personnel costs related to pay grade increases and statewide benefit adjustments.

The Budget includes \$15.2 million in federal funds relating to Google forfeiture funds in FY2018. Due to the need to meet requirements associated with the Google forfeiture funds, the funds have been shifted from restricted receipts to federal funds. The Department indicated that these funds will be used for two capital projects: a new building in the Pastore Complex that will house the Bureau of Criminal Identification, the Consumer Division and Diversion, and the interior and exterior renovation of the Attorney General's main office at 150 South Main Street.

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 22.0 FTE positions in FY2018 for the program, a 1.0 FTE decrease from the FY2017 Budget as Enacted level.

General Division	General Revenue
FY2017 Enacted	\$3,026,299

<i>Targets and Other Adjustments</i>	6,240
Personnel	170,255
FY2018 Enacted	\$3,202,794

Personnel **\$170,255**

The Budget includes \$170,255 for pay grade increases and benefit adjustments throughout the general management program in FY2018.

CRIMINAL DIVISION

The Criminal Division is charged with the prosecution of felony cases and misdemeanor appeals. The Division assists the Attorney General in carrying out the constitutional responsibility to prosecute all felony criminal offenses occurring in the State, as well as all misdemeanor criminal cases brought by State law enforcement agencies or appealed to the Superior Court. Specialized units focus on white-collar crime, narcotics and organized crime, firearms offenses, juvenile offenders, domestic violence and sexual assault, Medicaid fraud, and District Court offenses.

The Budget includes 150.1 FTE positions in FY2018 for the program, consistent with the FY2017 Budget as Enacted.

Criminal Division	General Revenue
FY2017 Enacted	\$15,675,925

<i>Targets and Other Adjustments</i>	(3,216)
Personnel	397,468
FY2018 Enacted	\$16,070,177

Criminal Division	Other Fund Changes
Google Forfeiture Funds	\$15,208,783

Personnel **\$397,468**

The Budget includes a \$397,468 general revenue increase for salary and benefits in FY2018. The increases are relating to shifting personnel from federal funding to general revenue funding.

Google Forfeiture Funds (federal funds) **\$15.2 million**

The Budget includes a \$15.2 million increase in federal funds relating to Google forfeiture funds. The Department intends to use the funds for the design and construction of the new Pastore Complex building, expected to be completed by May 2018. The funding will also be used for the redesign and renovation of the Department's main headquarters at 150 South Main Street following the relocation of the current customer service areas to the new location in the Pastore Complex. The FY2018 Budget as Enacted includes an \$8.8 million increase in Google forfeiture funds over the FY2017 Budget as Enacted. This increase is due to the growth in renovation projects being done by the Department in FY2018. In the FY2017 Budget Google forfeiture funds were included as restricted receipts, in FY2018 they are shifted into federal funds. The following table outlines Google fund expenditures.

Google Forfeiture Funds: Expenditure Summary

Item	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Enacted	FY2017 Governor	FY2018	Total
Building Maintenance and Repairs	-	\$1,118,978	\$1,867,151	\$2,750	\$6,000,000	\$8,240,000	\$14,500,000	\$31,728,879
Vehicles	53,769	-	-	-	-	-	-	53,769
Building Acquisitions	-	3,400,000	-	-	-	-	-	3,400,000
IT System Design	-	574,205	1,301,371	2,712,608	-	430,702	220,987	5,239,873
General Operating Expenses	4,600	40,994	731,679	2,582,250	-	367,005	386,398	4,112,926
State Crime Laboratory	-	-	-	-	260,000	-	-	260,000
Total	\$58,369	\$5,134,177	\$3,900,201	\$5,297,608	\$6,260,000	\$9,037,707	\$15,107,385	\$44,795,447

* Note: Table reflects data as of March 2017. The Department has been unresponsive to requests to provide updated data.

Analyst Note: The highest ranking official of any agency awarded Google funds, in this case, the Attorney General, has sole authority to make spending requests to the Department of Justice for use of Google forfeiture funds. The State Budget serves only as a planning tool for monitoring these expenditures. Google funds must still be appropriated through the budget process.

The Criminal Division of the Department assisted in an investigation of the AdWords program of Google, Inc., which Canadian pharmacies used to advertise importation of illegal prescription drugs to U.S. consumers. In FY2012, the Department of Attorney General received \$60.0 million from the United States Department of Justice (DOJ) as part of the Google Forfeiture Settlement. Funds from this settlement may only be used by law enforcement agencies for law enforcement purposes and may not be used to replace funds that have already been appropriated. All projects must be approved by the Department of Justice (DOJ).

CIVIL DIVISION

The Civil Division is charged with conducting the State's legal affairs and representing the State in legal proceedings. By law, the Attorney General initiates and defends actions in state and federal courts whenever warranted; ensures that representation is provided to state officers, employees, and agencies in all courts; advises state officers and agencies on legal issues; and issues written opinions on legal issues when requested by governmental officers.

The Budget includes 43.0 FTE positions in FY2017 and 44.0 FTE positions in FY2018, this change reflects an increase of 1.0 Special Assistant Attorney General position.

Civil Division	General Revenue
FY2017 Enacted	\$5,135,543
<i>Targets and Other Adjustments</i>	<i>25,465</i>
Personnel	90,670
FY2018 Enacted	\$5,251,678
Personnel	\$90,670

The Budget increases general revenue funding by \$90,670 for salary and benefits in FY2018. The increase in general revenue expenditures for personnel are related to decreased restricted receipts from the Public Utilities Commission that have previously funded salaries and benefits in the Civil Division. Additionally, the Budget includes increases in steps for tenured employees.

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 FY2018, consistent with the FY2017 Budget as Enacted level.

Bureau of Criminal Identification	General Revenue
FY2017 Enacted	\$1,758,215
<i>Targets and Other Adjustments</i>	<i>6,619</i>
Personnel	(94,732)
FY2018 Enacted	\$1,670,102
Personnel	(\$94,732)

The Budget reduces general revenue by \$94,732 in FY2018 related to turnover savings and statewide benefit adjustments.

CAPITAL PROJECTS

The Budget includes Rhode Island Capital Plan (RICAP) funding of \$300,000 in FY2018, a decrease of \$150,000 from the FY2017 Budget as Enacted. These funds will be used 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 \$3.0 million in RICAP funds through FY2021. Additionally, as indicated above, the Budget includes \$15.2 million in Google forfeiture federal funds in FY2018 for the project.

Department of Corrections

Expenditures by Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Revised	Enacted	Enacted	Enacted	Enacted	Enacted
Central Management	\$9.1	\$10.2	\$10.2	-	-0.2%	\$10.0	(\$0.2)	-1.8%
Community Corrections	15.0	17.0	17.1	0.1	0.7%	18.7	1.7	9.7%
Custody and Security	137.8	134.4	137.2	2.7	2.0%	138.7	4.2	3.2%
Healthcare Services	21.8	21.9	22.7	0.8	3.4%	23.8	1.9	8.6%
Institutional Based Rehab/Population Mgmt	9.5	12.2	12.5	0.3	2.7%	12.3	0.2	1.3%
Institutional Support	18.0	27.7	19.5	(8.2)	-29.5%	30.7	3.0	10.6%
Parole Board	1.3	1.4	1.5	0.2	13.3%	1.5	0.2	14.0%
Total	\$212.5	\$224.8	\$220.7	(\$4.1)	-1.8%	\$235.7	\$10.9	4.9%

Expenditures By Source								
General Revenue	\$208.3	\$211.7	\$213.6	\$1.9	0.9%	\$218.3	\$6.6	3.1%
Federal Funds	1.3	1.1	1.9	0.8	69.9%	1.6	0.5	40.0%
Restricted Receipts	0.3	0.1	0.1	-	-2.0%	0.1	-	-1.3%
Other Funds	2.7	11.9	5.1	(6.8)	-57.1%	15.8	3.9	32.4%
Total	\$212.5	\$224.8	\$220.7	(\$4.1)	-1.8%	\$235.7	\$10.9	4.9%

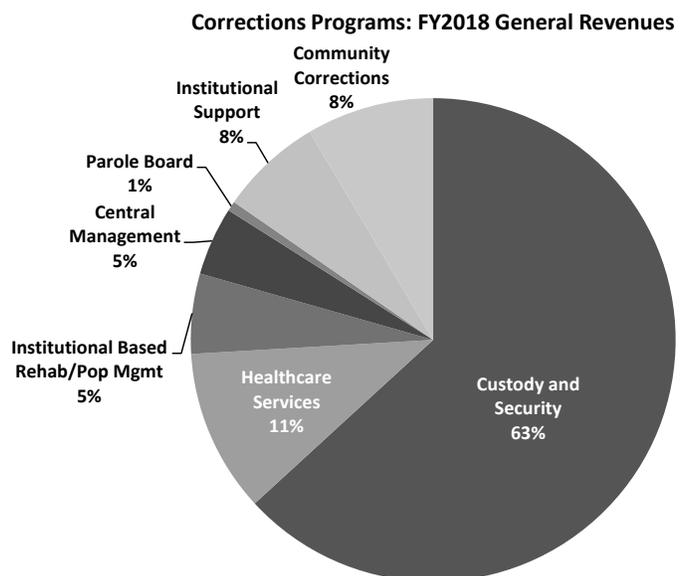
Authorized FTE Levels 1,419.0 1,423.0 1,423.0 - - 1,423.0 - -
\$ in millions. Totals may vary due to rounding.

The Rhode Island Department of Corrections (DOC) provides appropriate, safe, secure, and humane control of offenders, while actively assisting and encouraging offenders to become productive and law-abiding members of the community. Additionally, the Rhode Island State Parole Board is budgeted as a unit of the Department, but has independent programmatic decision-making authority. Collectively known as the Adult Correctional Institutions (ACI), there are seven separate occupied facilities, which have a total capacity of 3,989 beds. Through June 2017, the Department averaged 2,958 inmates (74.2 percent of capacity) housed at the ACI for the fiscal year, including 2,819 men, and 139 women. The Department also provides supervision of offenders in the community (home confinement, probation, and parole).

MAJOR ISSUES AND TRENDS FOR FY2018

The Budget includes \$235.7 million in total expenditures for FY2018; including \$218.3 million in general revenue, an increase of \$6.6 million over the FY2017 enacted level. The FY2018 Budget for the Department of Corrections is based on an estimated average daily population of 3,000 individuals, a decrease of 200 from the FY2017 Budget as Enacted.

The FY2018 Budget includes \$6.7 million in general revenue for wage base adjustments for the Rhode Island Brotherhood of Correctional Officers (RIBCO) for the contract years FY2013 through FY2015, and a successor agreement for FY2016 and FY2017. The RIBCO award includes wage increases of 2.0 percent per year from FY2013 through FY2016 and an increase of 2.25 percent beginning January 1, 2017. There will be no retroactive payments for FY2013 and FY2014 except for eligible employees who retired between FY2012 and the award execution date. This award impacts 941 correctional



officers and 48 nurses.

The Budget includes a net reduction of \$81,368 in general revenue in FY2018 by hiring new correctional officers (COs). Hiring costs are offset by savings due to a related reduction in overtime costs. The Department hired 51 Correctional Officer Trainees in November 2016 and 24 Correctional Officer Trainees in November 2017. These 75 new COs will fill the remaining Correctional Officer vacancies in the Department. Funding for an FY2016 training class was removed because of a U.S. Department of Justice (DOJ) lawsuit over bias in testing materials (explained further below). The DOJ allowed the DOC to hold a CO training class in FY2017 and FY2018.

The Budget includes a net increase of \$505,520 in general revenue to support the Justice Reinvestment Initiative (JRI) in FY2018. The FY2017 Budget as Enacted included \$893,000 to support the JRI. The majority of this FY2018 increase is to support cognitive behavioral therapy (CBT) contract services. Community providers will be contracted to train staff on evidence based treatments, with the goal of decreasing recidivism.

The Department closed the Bernadette Guay Women's Facility in early FY2017, saving \$1.1 million in FY2018. This facility has a capacity to house 100 inmates, the FY2016 average population was 21 inmates. This small number of female inmates have been reassigned to the Gloria McDonald Facility. The staff in the Bernadette Facility have also been reassigned, which will offset overtime costs in the Gloria McDonald Facility.

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 66.0 FTE positions in FY2017 and FY2018 in the Central Management Program.

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. The Budget includes 28.0 FTE positions in both FY2017 and FY2018 in the internal services program.

Central Management	General Revenue
FY2017 Enacted	\$10,179,627
<i>Target and Other Adjustments</i>	
State Time, Leave, and Attendance System (STLA)	246,768
Correctional Officer Training	(400,000)
USDOJ Lawsuit	(31,663)
	Informational
FY2018 Enacted	\$9,994,732

State Time, Leave, and Attendance System (STLA) (\$400,000)

The Budget includes \$400,000 in general revenue savings in FY2018 due to the implementation of the State Time, Leave, and Attendance System (STLA). The Department of Corrections is one of four pilot agencies to use STLA. This new system will replace the current manual system with a more sophisticated program that is able to include advanced features such as personnel rules and collective bargaining agreement parameters. Use of the current system leads to poor record keeping and oversight issues such as accidental overtime rule violations and vacation/sick time accrual balance errors.

According to both the Office of Internal Audit (within the Office of Management and Budget) and the DOC, personnel data from FY2016 has been reviewed and a new system that is able to enforce existing rules is estimated to produce a \$400,000 savings. Specifically, the following savings have been identified: ending negative accrual balances of sick and vacation leave is anticipated to lead to \$190,000 in savings; eliminating scheduling inefficiencies, such as shift vacancies due to the current manual scheduling

process, and a more precise use of the “callback list”, will reduce overtime costs leading to a projected savings of \$150,000; preventing sick time and vacation time swapping will further reduce overtime costs leading to an estimated savings of \$52,000; and preventing sick/overtime rule violation is expected to lead to \$7,000 in savings.

Correctional Officer Training

(\$31,663)

The Budget is reduced by \$31,663 in general revenue due to savings associated with the 82nd Correctional Officer Training Class, expected to graduate in November 2017. Some of these savings that the Department proposed include a \$20,000 reduction in security supplies and a \$10,901 reduction in medical services. See more information below regarding Correctional Officer Training Hiring in FY2018.

USDOJ Lawsuit

Informational

The Department requested an additional \$220,220 in the FY2017 Supplemental Budget and an additional \$240,705 in FY2018 above the FY2017 Budget as Enacted for expert witness fees to defend against a suit filed against the State by the U.S. Department of Justice (DOJ). The Budget includes the Department’s FY2017 Supplemental Budget request due to actual expenditures in FY2016 of \$338,440. The Budget does not include the Department’s request for FY2018. According to the Budget Office, additional legal expenses will be addressed through the supplemental budget process.

On February 10, 2014, the DOJ filed a lawsuit alleging that the Department engages in recruiting practices that adversely affect minority candidates. The DOJ’s complaint states that the manner in which the DOC uses the written and video examinations as part of the hiring process for entry level Correctional Officers violates Title VII of the Civil Rights Act of 1964 (Title VII) because such use is not “job related or consistent with business necessity,” as the law requires, and does not validly enable the employer to identify those applicants who are qualified for entry-level CO positions at RIDOC.

The lawsuit seeks damages that include job offers, back pay and retroactive seniority. The Department has sought the help of six private consultant firms, selected by the Attorney General’s office, to review and analyze testing procedures and documents for the written and oral testing phases of the Department’s Training Academy procedures and to provide methodology relating to such procedures. The case is ongoing.

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 134.0 FTE positions in both FY2017 and FY2018.

Community Corrections	General Revenue
FY2017 Enacted	\$16,993,141
<i>Target and Other Adjustments</i>	<i>283,308</i>
Discharge Planning	800,000
Justice Reinvestment Initiative	505,520
Community Corrections Population	Informational
FY2018 Enacted	\$18,581,969

Discharge Planning**\$800,000**

The Budget is increased by \$800,000 in general revenue to fund sex offender discharge planning provided by Crossroads Rhode Island. This increase is in addition to \$250,000 provided to Crossroads Rhode Island in the FY2017 Enacted Budget. Crossroads Rhode Island is the largest homeless services organization in Rhode Island and their mission is to “help homeless or at-risk individuals and families secure stable homes.”

Justice Reinvestment Initiative**\$505,520**

The Budget includes a net increase of \$505,520 in general revenue to support the Justice Reinvestment Initiative in FY2018. The FY2017 Budget as Enacted included \$893,000 to support the Justice Reinvestment Initiative: \$320,000 to hire an additional 4.0 Probation Officer positions to be responsible for performing pretrial assessments, as well as lowering the amount of caseloads on current officers; \$123,000 to cover the technological costs associated with use of the recidivism risk assessment tool with probationers by community corrections staff; and \$450,000 to support the implementation of community-based cognitive behavioral therapy.

The FY2018 Budget includes \$405,520 in personnel costs, an increase of \$85,520 above FY2017 Budget as Enacted; \$93,000 in technological expenses, a decrease of \$30,000 from FY2017 Enacted; and \$900,000 in cognitive behavioral therapy (CBT) contract services, \$450,000 above FY2017 enacted.

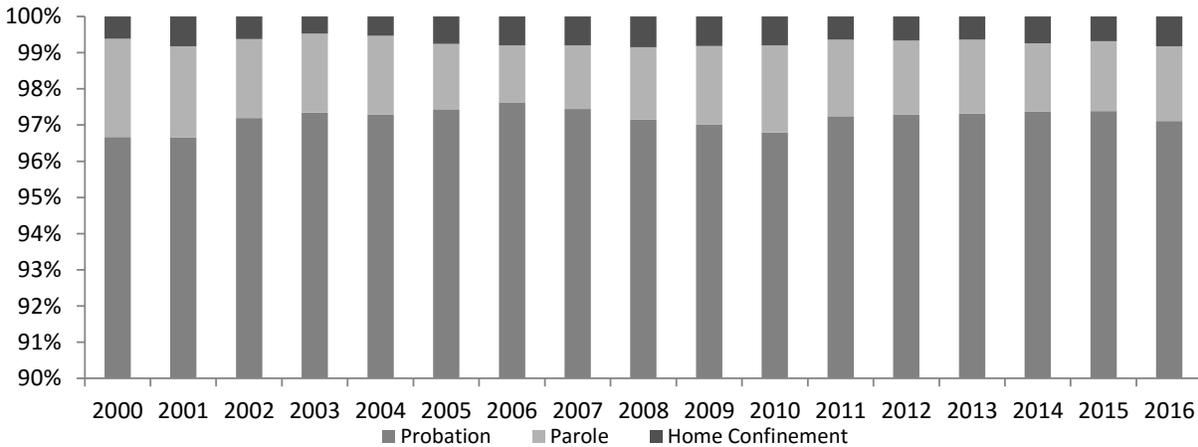
According to the Department, the original \$450,000 in CBT funding covered six months of the program in FY2017; to fund a full year requires an additional \$450,000 for a total expense of \$900,000 in FY2018. The goal of the CBT services is to decrease recidivism. Community providers will be contracted to train staff on evidence-based treatments. The Department has received five responses to the RFP for these contracts; as of July 2017, no contract has been formally awarded. The Department is awaiting a formal award to be made by the Purchasing Division.

Analyst Note: The Justice Reinvestment Initiative was created by Governor Raimondo through Executive Order 15-11, as a working group to “examine investments that would break the cycle of crime and incarceration and improve public safety.” The working group was composed of 26 members representing three branches of government and several non-profit advocacy organizations in consultation with the Council of State Governments Justice Center, a non-profit organization that specializes in assisting government leaders in the analysis of justice systems. With the goal of reducing recidivism rates, the group identified three issue areas which presented the greatest challenges, particularly in the management of the pre-trial population: outdated probation policies; ineffective probation practices; and, insufficient assessment and diversion tools. The Justice Reinvestment working group identified these issues as the primary drivers of recidivism costs and developed solutions intended to reduce recidivism.

Community Corrections Population**Informational**

While representing only 8.2 percent of the Department’s general revenue budget for FY2018, Community Corrections serves the largest number of individuals. In FY2016, the program served 24,299 cases, 164 less cases than FY2015. Based on Department of Corrections’ statistics, 1 out of every 47 adult residents in the State is on probation or parole. This equates to 1 of every 27 men and 1 of every 144 women.

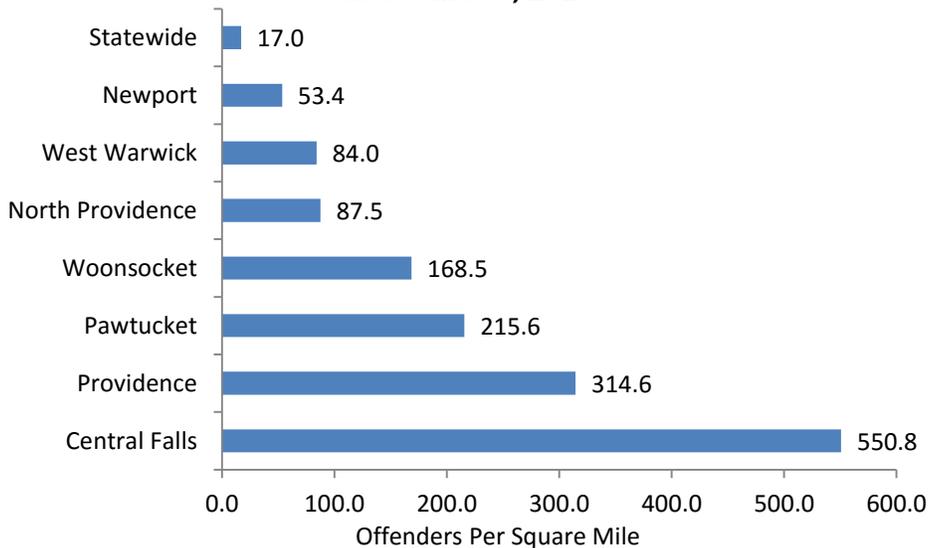
Community Corrections Population Trends



Source: DOC FY2016 Annual Population Report

The number of cases in the State’s urban areas is substantially higher than the statewide average. Statewide there are an average of 17.0 probationers and parolees per square mile. This increases to as high as 550.8 probationers and parolees per square mile in the City of Central Falls.

**Probationers and Parolees by Square Mile
as of June 30, 2016**



Source: DOC FY2016 Annual Population Report

CUSTODY AND SECURITY

The Custody and Security program is responsible for the secure custody and control of the State’s inmate population to ensure the safety of staff, inmates, and the general public. The program represents the core of what currently falls under the Institutional Corrections program. The program manages six correctional institutions and one jail complex, all located in Cranston at the Pastore Center. Men’s facilities include High Security, Maximum Security, the John J. Moran Medium Security Prison, the currently closed Donald Price Medium Security facility, Minimum Security, and the Intake Center. Women are housed in the Gloria McDonald facility. The Budget includes 989.0 FTE positions in both FY2017 and FY2018.

Custody and Security	General Revenue
FY2017 Enacted	\$133,857,240
<i>Target and Other Adjustments</i>	
Correctional Officer Arbitration Award	(731,803)
Closure of Bernadette Guay Facility	6,677,383
Operating Savings	(1,365,827)
Inmate Payroll	(495,959)
State Criminal Alien Assistance Program (SCAAP)	212,655
Correctional Officer Trainee Hiring	(178,861)
Inmate Population	(81,368)
	Informational
FY2018 Governor	\$137,893,460

Correctional Officer Arbitration Award**\$6.7 million**

The FY2018 Budget includes \$6.7 million in general revenue for wage base adjustments for the Rhode Island Brotherhood of Correctional Officers (RIBCO) for the contract years FY2013 through FY2015, and a successor agreement for FY2016 and FY2017. A Board of Arbitration panel issued this award decision in July 2016. This increase in general revenue is the estimated FY2018 amount above and beyond what the State set aside in reserves based on raises negotiated with other state employee unions, which totaled 6.12 percent. The RIBCO award includes wage increases of 2.0 percent per year from FY2013 through FY2016 and an increase of 2.25 percent beginning January 1, 2017. There will be no retroactive payments for FY2013 and FY2014 except for eligible employees who retired between FY2012 and the award execution date. This award impacts 941 correctional officers and 48 nurses.

Closure of Bernadette Guay Facility**(\$1.4 million)**

There is a savings of \$1.4 million in general revenue in FY2018 due to overtime savings across Women's Facilities. The majority of this savings, \$1.1 million, is due to the Bernadette Guay Facility closure in the beginning of FY2017. This facility has a capacity to house 100 inmates, the FY2016 average population was 21 inmates. This small number of female inmates have been reassigned to the Gloria McDonald facility. The staff in the Bernadette Facility have also been reassigned, which will offset overtime costs in the Gloria McDonald Facility.

Operating Savings**(\$495,959)**

The Budget decreases by \$495,959 due to operating savings. The decrease is comprised of a reduction of \$278,936 in office supplies at the Minimum Security Facility, a reduction of \$229,674 in refunds and bad debt expenditures, and offset by an increase in cellular phone costs of \$12,651.

Inmate Payroll**\$212,655**

The Budget is increased by \$212,655 for inmate payroll expenditures over the FY2017 Budget as Enacted, which included \$910,265 in general revenue. The Department compensates inmates for various work including janitorial work, kitchen work, and constructing/repairing items throughout the Department's facilities or on work crews. The pay rate ranges from \$1 to \$3 per day depending on the tasks performed. According the Department, inmate employment increases morale and provides work experience that could potentially reduce recidivism. This increase was requested by the Department based on the FY2016 spent amount of \$1.1 million.

State Criminal Alien Assistance Program (SCAAP)**(\$178,633)**

The State receives funding from the federal Department of Justice to help offset costs associated with housing undocumented aliens who have committed crimes in the State. Funding for State Criminal Alien Assistance Program (SCAAP), which was created in 1990, offsets general revenue personnel costs for providing services while detainees are incarcerated. The Department reports the number of inmates who meet federal eligibility standards under SCAAP. These include “undocumented criminal aliens who have at least one felony or two misdemeanor convictions for violations of state or local law, and who are incarcerated for at least 4 consecutive days during the reporting period.” The final award to the State is based on actual inmate levels as compared to other states during a determined reporting period.

The federal government 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. These federal funds finance personnel, adult inmate education, and other counseling and reentry services for undocumented immigrants. The FY2017 Budget as Enacted includes \$571,759 in federal funds. The FY2018 Budget includes \$750,392 in federal funds, this increase offsets general revenue funds, leading to a savings of \$178,633.

Correctional Officer Trainee Hiring**(\$81,368)**

The Budget includes a net reduction of \$81,368 in general revenue in FY2018 by hiring new correctional officers (COs). Hiring costs are offset by savings due to a reduction in overtime costs by filling current CO vacancies. The Department anticipates that a CO training class will graduate in November 2017 and will fill 24 vacancies.

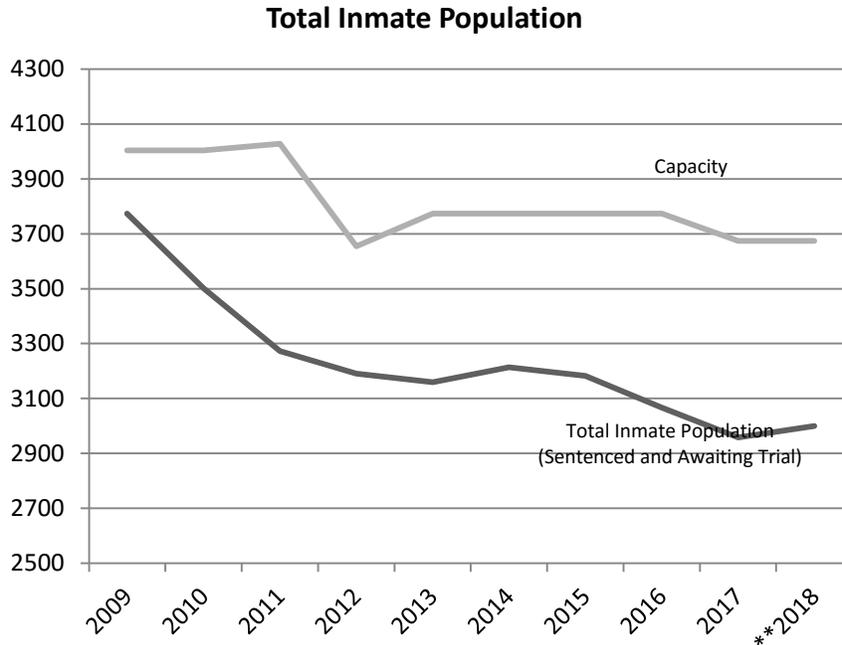
The Department normally conducts training classes on an annual basis due to high turnover rates for Correctional Officers. The average vacancy rate is 3 to 4 COs per month, amounting to 29 to 36 vacancies per year. The Department does not have a target staffing level or minimum roster because needs change 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 Note: The FY2016 revised budget did not fund a training class due to the U.S. Department of Justice (DOJ) lawsuit over bias in testing materials used by DOC. The DOJ allowed the DOC to hold a CO training class in FY2017 and FY2018.

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’ FY2018 budget was based on an average daily population of 3,000, a decrease of 200 inmates from the FY2017 enacted level of 3,200.



*FY2012 capacity change represents the Price Medium Security facility closing. FY2017 capacity change represents the Bernadette Guay Facility closing.
 **FY2018 figures are estimates.

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 83.0 FTE positions in FY2017 and FY2018.

Healthcare Services	General Revenue
FY2017 Enacted	\$21,909,573
<i>Target and Other Adjustments</i>	
Medical Services Contracts	472,512
Mental Health Initiative	1,012,780
FY2018 Enacted	\$23,805,253

Medical Services Contracts **\$1.0 million**

An increase in medical services contracts adds \$1,012,780 in general revenue to the FY2018 Budget (\$420,000 less than the Governor’s Budget added to contracted services). These medical contracts include contracts with doctors, dentists, mental health professionals, and pharmacy services. It is federally mandated that inmates receive the same level of medical care, both physical and mental health care, that they would receive in the community. Medical contracts are used by the Department when medical service needs cannot be met by staff.

Mental Health Initiative **\$405,388**

There is an increase of \$405,388 in personnel within Healthcare Services. This increase is largely comprised of funding to support 3.0 mental health related FTE positions. Though funding is added, the Department-wide FTE cap was not raised. These newly funded positions include, 2.0 Clinical Social Workers (\$108,353 each) and 1.0 Behavioral Health Administrative Assistant (\$68,655). One social worker will be stationed at Maximum Security and the other will work in the Intake Service Center. The

Behavioral Health Administrative Assistant will replace a temporary contract position and will manage scheduling, answering and triaging phone calls, and maintain unit records. The Department is required to accept mentally ill offenders who do not otherwise qualify for admission into a mental health facility. The Department reports that more mental health resources are needed with 15,000 admissions per year and eight clinicians on staff.

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 counseling and other services; and reentry services including discharge planning and reentry assistance.

Correctional Industries provides inmate labor, 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 in FY2017 and FY2018, consistent with the FY2017 Budget as Enacted.

Institutional Based Rehab/Population Management	General Revenue
FY2017 Enacted	\$11,599,533
<i>Target and Other Adjustments</i>	<i>94,987</i>
Medication/Mediation Assisted Treatment Program	Informational
FY2018 Enacted	\$11,694,520

Medication/Mediation Assisted Treatment Program

Informational

The Budget reverses the Governor's transfer of \$2.0 million in general revenue, related to the Medication/Mediation Assisted treatment (MMAT) program, from the DOC to the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH). The expenditures in the DOC budget will meet the maintenance of effort (MOE) requirements of the federal grant that funds the program. Previously, there had been a concern that the funds had to be in the BHDDH budget to meet the MOE requirements.

This program, which is an initiative of the Governor's Overdose Prevention and Intervention Task Force, will utilize contracted staff and services to screen for opioid disorders and conduct assessments of new inmates to determine treatment options. According to the Administration, opioid use disorder affects up to 20.0 percent of the 16,000 individuals committed to the Adult Correctional Institution (ACI) annually.

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 58.0 FTE positions for both FY2017 and FY2018.

Institutional Support	General Revenue
FY2017 Enacted	\$15,822,911
<i>Target and Other Adjustments</i>	<i>(371,199)</i>
Population Per Diem Adjustment	(536,609)
FY2018 Enacted	\$14,915,103

Population Per Diem Adjustment**(\$536,609)**

There is a savings of \$536,609 in general revenue per-diem operating expenses in FY2018 due to a smaller than projected population within the Department of Corrections (DOC) in FY2017. This smaller population leads to a reduction in spending on food within Institutional Support. The Department reported an average of 2,958 individuals in their June 2017 population report. The Governor's Budget projected a population of 3,058 in FY2017 and 3,059 in FY2018. The FY2018 Budget as Enacted assumes an average population of 3,000.

PAROLE BOARD

The Parole Board is a six-member appointed commission that is charged with evaluating and authorizing the early release of inmates who meet certain conditions. The Department determines eligibility criteria, including that inmates must serve at least one-third of their sentence prior to being eligible for parole and must meet defined criteria post-parole and for the duration of their sentence. The Board is supported by an Administrator, an Investigator, and support staff. The Department has budgetary responsibility for the Board; however, it remains autonomous with regard to making parole decisions.

In 2013, the General Assembly passed the "Good Conduct Certificate" legislation, allowing the Parole Board to award a certificate of good conduct to an individual who has not been convicted of more than one felony (that is not a crime of violence) and who has paid all fines and other penalties imposed by the court. It assigns power to the Parole Board to hear petitions from individuals for issuance of a certificate and to establish a minimum period of good conduct for potential applicants. The Certificate is issued to individuals convicted of crimes that may affect their ability to find employment and who have successfully completed rehabilitation. In some cases, it would relieve the petitioner of collateral consequences resulting from the criminal record. Current staff assists the Parole Board in administering the program. The Budget includes 10.0 FTE positions in FY2017 and FY2018, consistent with the FY2017 Budget as Enacted.

Parole Board	General Revenue
FY2017 Enacted	\$1,338,481
<i>Target and Other Adjustments</i>	<i>82,310</i>
FY2018 Enacted	\$1,420,791

CAPITAL PROJECTS

The Budget includes a total of \$50.6 million in capital projects from FY2018 through FY2022, including \$15.8 million in FY2018.

Major items in FY2018 include:

- \$7.3 million for Medium Security Facility infrastructure improvements to accommodate the increase in the inmate population housed in this facility.
- \$3.9 million for asset protection projects at correctional facilities including the Prison Rape Elimination Act (PREA) compliance project, to correct audit findings; repairs to the Maximum security cupola to meet preservation historical society guidelines; security camera installation; security system upgrades; and emergency generator installation.
- \$2.0 million for restoration and repairs to the exterior of the Intake Service Center (ISC), expansion and repairs to the parking lot, and other general repairs and upgrades.

Judiciary

Expenditures By Program	FY2016	FY2017	FY2017			FY2018		
	Spent	Enacted	Revised	Change from Enacted		Enacted	Change from Enacted	
Supreme Court	\$39.7	\$40.0	\$41.5	\$1.5	3.7%	\$43.3	\$3.3	8.2%
Superior Court	22.9	23.2	23.4	0.1	0.6%	23.8	0.6	2.6%
Family Court	23.3	24.3	23.7	(0.5)	-2.3%	23.6	(0.7)	-2.7%
District Court	12.4	12.3	12.9	0.6	5.2%	13.5	1.2	9.8%
Traffic Tribunal	8.4	9.0	8.9	(0.1)	-0.8%	9.5	0.5	5.0%
Worker's Compensation Court	6.7	8.1	8.0	(0.1)	-1.0%	8.1	0.0	0.3%
Judicial Tenure & Discipline	0.2	0.1	0.1	(0.0)	-0.3%	0.1	0.0	16.9%
Total	\$113.5	\$117.1	\$118.6	\$1.6	1.3%	\$122.0	\$4.9	4.2%
Expenditures By Source								
General Revenue	\$95.2	\$96.6	\$97.1	\$0.5	0.5%	\$99.0	\$2.4	2.4%
Federal Funds	3.6	3.3	3.9	0.7	21.3%	3.4	0.2	4.8%
Restricted Receipts	9.8	11.7	13.2	1.5	12.6%	12.5	0.8	7.3%
Operating Transfers from Other Funds	5.0	5.5	4.5	(1.1)	-19.4%	7.1	1.6	28.5%
Total	\$113.5	\$117.1	\$118.6	\$1.6	1.3%	\$122.0	\$4.9	4.2%
Authorized FTE Levels	723.3	723.3	723.5	0.2	0.0%	723.5	0.2	0.0%

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

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

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

MAJOR ISSUES AND TRENDS FOR FY2018

Total general revenue funding is \$2.4 million (2.4 percent) more than the FY2017 Budget as Enacted for a total of \$99.0 million. Article 1 caps the amount the Judiciary may charge five state agencies for public courthouse occupancy costs at \$1.2 million which are based on a March 2014 study of actual occupied space throughout the Courts. There is an increase of \$126,768 reimbursed to the Judiciary from these agencies.

The Judiciary is 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. The final phase of this \$7.7 million project, the conversion of juvenile cases and the jury system, will be completed in FY2018 and funded with restricted receipts and Information Technology Investment Funds.

The Budget does not include a number of increases requested by the Judiciary including \$500,000 to support additional staff at Rhode Island Legal Services, a non-profit organization which provides legal assistance and representation to low income clients; \$517,000 to increase juror fees from \$15 to \$35 per day; and \$100,000 for grants in the Defense of Indigents program. 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. The FY2018 Budget includes \$3.8 million for the Defense of Indigents program, consistent with the FY2017 Budget as Enacted. In addition, the Budget does not provide funding for judge positions that were requested by judiciary but have not been appointed by the Governor or a court reporter position that was requested. The Budget also shifts \$500,000 in general revenue funded positions to the restricted receipt account the Judiciary planned to use to fund the collections unit; consequently, according to the Judiciary the new collection unit will not move forward in FY2018.

Unfunded FTEs Requested by Judiciary		
Court	Position	Cost
Family Court	Associate Justice	\$225,301
	Associate Justice	225,301
Superior Court	Associate Justice	225,301
	Court Reporter	94,215
Total		\$770,119

Source: Judiciary

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 166.2 FTE positions in revised FY2017 and FY2018 for the program, an increase of 6.9 FTEs from the enacted level.

Supreme Court	General Revenue
FY2017 Enacted	\$31,294,471
<i>Target and Other Adjustments</i>	
Personnel	(325,426)
Court Offsets	1,013,655
Collections Unit	126,768
FY2018 Enacted	Informational
	\$32,109,468

Supreme Court	Other Fund Changes
State Justice Institute Grant	\$18,000

Personnel **\$1.0 million**

The Budget includes an increase of \$1.0 million for personnel costs. This increase is based on the Department's \$1.3 million projection for positions filled and an increase for over-time in FY2017 of \$390,000, which is related to the case management system (CMS) conversion. The increase is partially offset by a reduction of \$437,000 for increased turnover and \$277,000 due to the transfer of costs for the new collections unit to restricted receipts. Funding for over-time for the CMS conversion was not requested during last budget cycle because the Criminal Division phase of the conversion was tentatively scheduled for June 2016 and was delayed to December 2016 to allow for additional testing of data and new business processes. The Budget is \$807,000 less than the Judiciary's request. The Judiciary has stated that the enacted budget will prevent the implementation of the collections unit.

Court Offsets **\$126,768**

Article 1 caps the total amount the Judiciary may charge five state agencies for public courthouse occupancy costs at \$1.2 million total. 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.

Court Cost Offsets				
Agency	FY2017	FY2018	Change from FY2017	
Attorney General	\$142,227	\$159,294	\$17,067	12.0%
Children, Youth & Families	42,967	48,123	5,156	12.0%
Corrections	100,212	112,237	12,025	12.0%
Public Defender	97,696	109,419	11,723	12.0%
Public Safety	673,336	754,132	80,796	12.0%
Total	\$1,056,438	\$1,183,205	\$126,767	12.0%

Collections Unit

Informational

In FY2018, the Judiciary is planning to create a collections unit funded with indirect cost recovery restricted receipt dollars. At this time, the Judiciary is not requesting an increase to the full-time equivalent cap and expects to staff the seven-person unit internally. The primary responsibility of this unit is to increase the collections of restitution and court-owed fines, and reduce the number of defendants being incarcerated due to failure to appear at ability to pay hearings. The Budget includes the shift in FTE positions; however, the Budget also shifts expenses from general revenue to restricted receipts and increases turnover. According to Judiciary, these reductions in general revenue will prevent the new collections unit project from moving forward in FY2018.

State Justice Institute Grant

\$18,000

The Budget includes a federal fund increase of \$18,000 annually in FY2017 and FY2018 to reflect a new federal grant from the State Justice Institute. The grant will be used to identify best practices and effective strategies for the transition and implementation of the new case management 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.

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 boards and Ethics Commission appeals, are heard in Superior Court as well as petitions to review disciplinary action imposed upon a state or local police officer by the chief of that department. In addition to conducting trials, the Superior Court administers the Court-Annexed Arbitration Program which accelerates the disposition of certain less complex civil cases in which there is \$100,000 or less at issue. Matters such as contract disputes, personal injury claims, and property damage suits may be certified to this alternative dispute resolution program.

The Budget includes 164.0 FTE positions in FY2017 and 163.7 in FY2018 for the program, reflecting a decrease of 1.7 FTE in FY2017 and 2.0 FTE in FY2018 relative to the enacted level. The positions are transferred to the Supreme Court program to staff the new case management system.

Superior Court	General Revenue
FY2017 Enacted	\$22,807,060
<i>Target and Other Adjustments</i>	
Personnel Expenses	(74,774)
FY2018 Enacted	\$23,379,864

Personnel Expenses **\$647,578**

The Budget includes increase of \$647,578 for personnel expenses. This increase represents \$732,928 for salary and benefits based on the Department's projection of positions filled, including \$233,333 for a Magistrate position, partially offset by a reduction of \$185,350 for a court reporter position that was requested but not funded.

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 169.6 FTE positions in revised FY2017 and 169.6 FTE positions in FY2018, a decrease of 5.1 positions from the enacted level in FY2017 and a decrease of 5.4 in FY2018. The decreases represents positions shifted to the new collections unit.

Family Court	General Revenue
FY2017 Enacted	\$21,495,610
<i>Target and Other Adjustments</i>	
Personnel Expenses	(58,955)
FY2018 Enacted	(740,973)

Personnel Expenses **(\$740,973)**

The Budget includes a decrease of \$740,973 for personnel expenses. This decrease includes a reduction of \$294,860 for salary and benefits based on the Department's projection of positions filled, including \$233,334 for a Magistrate positions, and a reduction of \$446,113 for two associate justice positions that were requested but have not been appointed by the Governor and are therefore not funded in the Budget.

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 provides 94.0 FTEs in FY2017 and FY2018, consistent with the FY2017 Budget as Enacted.

District Court	General Revenue
FY2017 Enacted	\$11,865,905
<i>Target and Other Adjustments</i>	
Personnel	(184,786)
Pretrial Services Staff	344,522
FY2018 Enacted	\$13,165,035

Personnel **\$1.1 million**

The Budget includes an increase of \$1.1 million in personnel costs. The increase represents salary and benefits based on the Department's projection of positions filled, including 2.0 Clerk Magistrate positions.

Pretrial Services Staff **\$344,522**

The Pretrial Services Staff works with defendants to reduce the incidence of bail violation or revocation. Under certain circumstances, a judge may impose additional conditions on the awarding of bail other than keep the peace and be on good behavior. For example, the conditions may include a mental health or substance abuse evaluation and treatment, random drug or alcohol screenings, enrollment in an anger management class, or adherence to a curfew. These conditions are imposed to help assure the defendant returns to court and to minimize the danger to public safety. In every case, the Pretrial Services Unit develops and implements a monitoring plan to encourage compliance and reduce the incidence of bail revocation. The Budget provides \$1.8 million in general revenue to fund personnel costs associated with the program, an increase of \$344,522 relative to the FY2017 Budget as Enacted and \$250,000 relative to the Governor's FY2018 proposal.

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 78.0 FTE positions in FY2017 and 79.0 in FY2018, representing a decrease of 0.3 in FY2017 and an increase of 0.7 in FY2018 relative to the FY2017 enacted level.

Traffic Tribunal	General Revenue
FY2017 Enacted	\$9,018,180
<i>Target and Other Adjustments</i>	<i>(44,185)</i>
Personnel	494,425
FY2018 Enacted	\$9,468,420

Personnel **\$494,425**

The Budget increases \$494,425 in general revenue for personnel costs based on the Department's projection of positions filled.

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 50.0 FTE positions in revised FY2017 and FY2018, consistent with the enacted.

Worker's Compensation Court	Restricted Receipts
FY2017 Enacted	\$8,096,017
<i>Target and Other Adjustments</i>	<i>22,866</i>
FY2018 Enacted	\$8,118,883

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 FY2017 and FY2018 for the program, consistent with the FY2017 enacted level. For the FY2017 Revised Budget, the Judiciary requested an increase of \$278,500 (\$286,000 total) in general revenue for legal costs associated with a matter before the Commission. The Budget does not include funding for Special Counsel investigating and presenting the matter before the Commission. The matter has been particularly involved and the costs significantly exceed the resources that were provided in the enacted budget based on previous fiscal year expenditure.

Judicial Tenure & Discipline	General Revenue
FY2017 Enacted	\$124,865
<i>Target and Other Adjustments</i>	<i>21,143</i>
FY2018 Enacted	\$146,008

CAPITAL PROJECTS

The Budget includes \$4.5 million in expenditures from in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2017 and \$7.1 million in FY2018.

- The Budget includes \$1.8 million in FY2017 (including \$405,069 in carryforward) and \$4.0 million in FY2018 to expand the capacity of the Noel Judicial Complex by finishing courtroom space in the interior shell and adding parking to accommodate the expansion. The Judiciary expects to complete the project in two phases. The first phase of the project adds 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 serves populations in both Washington and Providence counties.

- The Budget includes \$1.1 million in FY2017 (including a \$180,072 carryforward) and \$900,000 in FY2018 for ongoing projects to replace, clean, and restore HVAC systems in judicial buildings and ongoing asset protection projects.
- The Budget includes \$868,614 in FY2017 (including a negative \$6,386 carryforward) and \$950,000 in FY2018 for asset protection projects throughout the court system. Projects include security upgrades, courtroom restorations, restroom renovations, interior renovations to public spaces, elevator upgrades, and exterior courthouse refurbishments.
- The Budget includes \$750,000 annually in FY2017 and FY2018 for restorations to the Licht Judicial Complex. Funds will be used to repair decaying plaster, replace or renovate courtroom benches, and to make other upgrades to the courthouse exterior.

Military Staff

Expenditures By Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
RI National Guard	\$15.4	\$23.2	\$20.8	(\$2.4)	-10.3%	\$38.2	\$15.0	64.7%
Total	\$15.4	\$23.2	\$20.8	(\$2.4)	-10.3%	\$38.2	\$15.0	64.7%
Expenditures By Source								
General Revenue	\$2.2	\$2.7	\$2.6	(\$0.1)	-3.1%	\$2.6	(\$0.0)	-0.9%
Federal Funds	12.1	17.5	17.1	(0.4)	-2.4%	27.7	10.2	58.4%
Restricted Receipts	0.1	0.3	0.1	(0.2)	-70.3%	0.1	(0.2)	-61.7%
Operating Transfers from Other Funds	1.0	2.7	1.1	(1.6)	-60.7%	7.7	5.0	187.0%
Grand Total	\$15.4	\$23.2	\$20.8	(\$2.4)	-10.3%	\$38.2	\$15.0	64.7%
Authorized FTE Levels	92.0	92.0	92.0	-	-	92.0	-	-

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

The mission of the Military Staff (Rhode Island National Guard) is to prepare for immediate mobilization in the event of war or national emergency; to maintain peace, order, and public safety in the state in time of man-made or natural disaster or when otherwise directed by the Governor; and, to participate in the development and establishment of local, regional, and nationwide initiatives and programs.

MAJOR ISSUES AND TRENDS FOR FY2018

The Budget includes \$20.8 million in FY2017, of which \$2.6 million is general revenue. This reflects an all fund decrease of \$2.3 million from the FY2017 Budget as Enacted. This includes decreases of \$417,684 in federal funds, \$83,378 in general revenue, and \$237,300 in restricted receipts, and \$1.6 million in other funds. The decrease in other funds primarily reflects unexpended Rhode Island Capital Plan funds for the new joint force headquarters.

The Budget includes \$38.2 million in FY2018, of which \$2.6 million is general revenue. This reflects an all funds increase of \$15.0 million from the FY2017 Budget as Enacted. The increase includes \$10.2 million in federal funds, \$5.0 million in other funds, which are offset by decreases of \$207,800 in restricted receipts and \$25,662 in general revenue. The increase in federal and Rhode Island Capital Plan other funds reflects funding for the construction for the new joint force headquarters at Camp Fogarty in the Town of East Greenwich.

NATIONAL GUARD

The National Guard program is composed of reserve units of the United States Army and Air Force, the Rhode Island National Guard (RING), and the State Historic Militia. The Guard is authorized to have in excess of 3,300 members (2,178 Army National Guard and 1,136 Air National Guard). The Guard has numerous facilities throughout the state, including 14 armories, 3 air bases, 2 training sites, and 10 maintenance and support buildings, housing equipment valued at \$500.0 million. The Guard is largely financed through federal funds, including drill and training pay for Army and Air Guard personnel, supplies, equipment, facility maintenance, and capital projects. State funds are provided as a match on some projects and primarily pay employee salary and benefit costs, training, travel, and maintenance. The Budget provides 92.0 FTE positions in FY2017 and in FY2018, consistent with the enacted budget. Approximately 72.6 percent of these authorized FTE positions is supported by federal funds.

RI National Guard	General Revenue
FY2017 Enacted	\$2,659,719
<i>Target and Other Adjustments</i>	<i>(2,454)</i>
Quonset Fire Protection	78,180
Operating Expenses	(53,425)
Personnel	(47,963)
FY2018 Enacted	\$2,634,057

RI National Guard	Other Fund Changes
Joint Forces Headquarters	\$10,000,000

Quonset Fire Protection **\$78,180**

The Budget increases general revenue funded personnel costs by \$78,180. The increase reflects the additional State share for firefighters at the Quonset Air Base that exceeds the federal compensation cap for firefighters. Previously, firefighters at Quonset Air Base were financed with 100.0 percent federal funds under the Master Cooperative Agreement Appendix 24 Firefighter program. Subsequently, the federal government adopted new rules that capped the federal contribution rate for the firefighters at a 2012 compensation rate. Firefighters hired before 2012 were “grandfathered” and are not subject to the federal 2012 cap level. The State is required to pay any amounts in excess of the cap on the “grandfathered” amounts.

The additional \$78,180 reflects the amount of compensation for the “grandfathered” firefighters that exceeds the federal cap. As the firefighters move up their wage scale steps, the state share costs increase. New firefighters start with a lower state cost due to the fact that they usually start at the first step of the firefighter wage scale. The first step only has a \$4,000 annual state cost due to the gap between current starting wage (step 1) and the federal General Service Administration (GSA) wage cap from the National Guard Bureau (NGB). Each year, as the firefighter goes up the steps, the change in pay will increase the firefighter's state share costs. The GSA wage scale amount does not change each year; however, new firefighter will continue to move up the wage steps until reaching step 5 where the gap would be close to \$20,000.

Firefighter staffing levels must remain the same as per the federal agreement, so federal turnover cannot be utilized to supplant the State share. There are 30.0 FTE positions assigned to the program, including 2.0 FTE vacant positions.

Operating Expenses **(\$53,425)**

The Budget includes \$1.0 million in general revenue (\$7.0 million in all funds) in FY2018 for operating expenses, reflecting a net decrease of \$53,425 from the FY2017 Budget as Enacted. The largest adjustment is the increase of \$100,464 in general revenue for snowplowing and sanding.

Operating Expenses	FY2017 Enacted	FY2018 Governor	Change
Snowplowing and Sanding	\$4,263	\$104,727	\$100,464
Building Maintenance & Repairs	237,698	161,096	(76,602)
Fuel: Natural Gas	140,428	66,438	(73,990)
CUF: Overhead	121,309	91,342	(29,967)
Fuel: Oil #2 - Home Heating Oil	40,066	20,862	(19,204)
Electricity	217,842	234,113	16,271
All Other Operating Expenses	330,759	360,362	29,603
Total	\$1,092,365	\$1,038,940	(\$53,425)

Personnel**(\$47,963)**

The Budget includes \$861,708 in general revenue in FY2018 for personnel; a net decrease of \$47,963 from the FY2017 Budget as Enacted, reflecting increased turnover savings of \$31,279 and numerous benefit decreases.

Joint Forces Headquarters (federal funds)**\$10.0 million**

The Budget includes \$10.0 million in federal funds in FY2018 for construction costs for a new Joint Force Headquarters Building. Currently the project is in the architectural and engineering design phase. The request for bids is expected to occur in early FY2018 with construction scheduled to begin by late FY2018. This project involves the design and construction of a new \$32.7 million, 80,776 sq. ft. Joint Force Headquarters Building (JFHQ) to house the Rhode Island National Guard (RING). The federal National Guard Bureau will provide \$21.7 million towards the construction of the facility with the State providing \$10.7 million in RICAP funds. In order to receive the federal funds, the State must provide a 33.0 percent state match. 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 36,000 sq. ft. structure located at 1511 New London Avenue in the City of Cranston.

CAPITAL PROJECTS

The Budget includes \$3.6 million (\$1.1 million RICAP) in capital projects for FY2017 and \$20.2 million in FY2018 (\$7.7 million RICAP), including:

- \$75,000 in FY2017 and \$5.9 million in FY2018 for a new Joint Force Headquarters Building project. The project also includes \$10.0 million in federal funds in FY2018. Construction is scheduled to begin in FY2018 when the bulk of the planning and construction will occur.
- \$808,202 in FY2017 and \$700,000 in FY2018 for various asset protection projects.
- \$132,725 in FY2017 and \$949,775 in FY2018 for the Armory of Mounted Commands Rehabilitation project which includes the roof and HVAC replacement project.
- \$37,564 in RICAP funds in FY2017 to complete the Benefit Street Arsenal rehabilitation projects. No further funding is recommended after FY2017.
- \$125,000 in RICAP funds in FY2018 for a Bristol Readiness Center feasibility study. The Military Staff is planning for the design and renovation/construction of a new armory and field maintenance shop to service two Guard units in the East Bay area. The current facilities fail to meet federal operational, logistical, and security standards.

Rhode Island Emergency Management Agency

Expenditures By Program	FY2016 Actual	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Enacted	Change from Enacted	
Central Management	\$18.6	\$24.0	\$21.9	(\$2.1)	-8.9%	\$18.4	(\$5.6)	-23.1%
Expenditures By Source								
General Revenue	\$1.8	\$1.8	\$1.8	-	-	\$1.7	(\$0.1)	-3.9%
Federal Funds	16.7	20.1	17.9	(2.2)	-10.9%	14.8	(5.3)	-26.5%
Restricted Receipts	0.1	0.9	0.4	(0.5)	-50.2%	0.5	(0.5)	-50.0%
Operating Transfers from Other Funds	-	1.2	1.7	0.5	40.3%	1.5	0.3	24.5%
Total	\$18.6	\$24.0	\$21.9	(\$2.1)	-8.9%	\$18.4	(\$5.6)	-23.1%
Authorized FTE Levels	32.0	29.0	29.0	-	-	32.0	3.0	10.3%

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

The Rhode Island Emergency Management Agency (RIEMA) became a stand-alone agency in FY2015, and is the coordinating agency for multi-jurisdiction and multi-agency response in the state for all emergencies including natural and technological hazards such as fires, floods, tornadoes, hurricanes, winter storms, chemical releases, weapons of mass destruction, and terrorism incidents. RIEMA is the official coordinating agency of the State for the federal Department of Homeland Security and the federal Emergency Management Agency in times of state, national, multi-jurisdiction, and multi-agency emergencies and disasters. RIEMA operates and maintains the State Emergency Operations Center as well as the statewide 800 MHz radio system and network.

MAJOR ISSUES AND TRENDS FOR FY2017 AND FY2018

The Budget includes \$21.9 million in FY2017, of which \$1.8 million is general revenue. The general revenue amount is consistent with the enacted appropriation. Federal funds comprising 81.8 percent of the Agency's budget in FY2017, decrease by \$2.2 million, restricted receipts decrease by \$412,934, and other funds increase by \$494,414. The Budget includes \$18.4 million in FY2018, of which \$1.7 million is general revenue. Federal funds comprising 80.1 percent of the Agency's budget in FY2018, decrease by \$5.3 million, restricted receipts decrease by \$410,951, and other funds increase by \$304,664. The Budget includes 29.0 FTE positions in FY2017 and 32.0 FTE positions in FY2017, bringing the number of FTE positions back to the FY2016 level.

Central Management	General Revenue
FY2017 Enacted	\$1,848,876
<i>Target and Other Adjustments</i>	<i>(114,406)</i>
FY2018 Enacted	\$1,734,470
Central Management	Other Fund Changes
Disaster and Emergency Preparedness Grants	(\$6,889,534)
Personnel and Operating	\$1,570,741
Personnel and Operating	(582,951)

Disaster and Emergency Preparedness Grants (federal Funds) (\$6.9 million)

The Budget includes recommends \$8.9 million in federal funds for various federal grants and reimbursements received for storm and natural disaster events. This appropriation is \$6.9 million less than the appropriation in the FY2017 Budget as Enacted. These funds also reimburse preparedness efforts for terrorist threats, active shooters, hazardous material containment, and other emergency events. The preparedness efforts are intended to improve and enhance the State's ability to prevent, deter, respond to, and recover from threats and incidents. The Budget includes a net decrease of \$6.9 million in federal

funds for FY2018. Federal grant funds vary from year to year depending upon the number and severity of natural disasters and the availability of federal funds for non-disaster grants. The following table highlights the more significant changes in FY2018.

RIEMA Federal Grants	FY2017 Enacted	FY2018 Enacted	Change
Blizzard - Juno Disaster #4212	\$4,000,000	\$0	(\$4,000,000)
Hurricane Sandy October 2012	3,191,356	800,000	(2,391,356)
FEMA Flood Reimbursement - Federal Match	743,611	2,300,000	1,556,389
Emergency Management Preparedness Grant 2015	1,655,751	500,000	(1,155,751)
Pre-disaster Mitigation Competitive Grant 2013	1,194,367	200,000	(994,367)
All Other Grants	5,065,439	5,160,990	95,551
Total	\$15,850,524	\$8,960,990	(\$6,889,534)

Personnel and Operating Changes (federal funds) \$1.6 million

The Budget includes \$5.8 million in federal funds for personnel costs, reflecting an increase of \$1.6 million in federal funds from the FY2017 Budget as Enacted. The Budget shifts more salaries and benefits to federal funds, continuing the agency's policy of realigning job duties to maximize personnel expenditures through federal funding.

Personnel and Operating Changes (restricted receipts) (\$582,951)

The Budget includes \$278,095 in restricted receipt funds for personnel costs, reflecting a decrease of \$582,951 from the FY2017 Budget as Enacted. The Budget shifts more salaries and benefits to federal funds, continuing the agency's policy of realigning job duties to maximize personnel expenditures through federal funding and restricted receipts.

CAPITAL PROJECTS

The Budget includes RICAP funding for two capital projects. The projects include:

- \$1.5 million in FY2017 and in FY2018 in RICAP funds to support the Rhode Island Statewide Communications System Network (RISCON). The project enhances and further develops RISCON, the main communications platform used by all public safety agencies in the State for the daily operations.
- \$189,750 in FY2017 in RICAP funds to conduct a RIEMA building feasibility study to evaluate the agency's spatial needs and explore building options to relocate the headquarters and emergency operations center from its present location at 645 New London Avenue in Cranston. The feasibility study will not consider reusing the current headquarter facilities.

Department of Public Safety

Expenditures by Program	FY2016 Actual	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Enacted	Change from Enacted	
Central Management	\$5.4	\$6.8	\$9.4	\$2.6	37.6%	\$11.9	\$5.1	75.3%
E-911	5.2	5.7	5.5	(0.2)	-3.8%	5.9	0.2	3.4%
Fire Marshal	5.3	5.1	7.0	1.9	36.6%	4.2	(0.9)	-17.8%
Security Services	21.9	23.2	23.5	0.3	1.4%	23.9	0.8	3.3%
Municipal Police Training	0.5	0.5	0.6	0.1	23.7%	0.5	0.0	4.7%
State Police	76.0	78.7	95.9	17.2	21.9%	74.5	(4.2)	-5.3%
Total	\$114.3	\$120.0	\$141.9	\$21.9	18.3%	\$121.0	\$1.0	0.8%

Expenditures by Source	FY2016 Actual	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Enacted	Change from Enacted	
General Revenue	\$93.4	\$99.4	\$100.3	\$0.9	0.9%	\$100.3	\$0.8	0.8%
Federal Funds	7.1	9.3	32.2	22.9	246.3%	14.9	5.6	60.1%
Restricted Receipts	7.7	4.5	0.5	(4.0)	-89.4%	0.4	(4.0)	-90.7%
Other Funds	6.0	6.8	8.9	2.1	31.1%	5.4	5.1	-20.4%
Total	\$114.3	\$120.0	\$141.9	\$21.9	18.3%	\$121.0	\$1.0	0.8%

Authorized FTE Levels	633.2	610.2	615.6	5.4	0.9%	611.6	1.4	0.2%
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\$ 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 FY2018

Public safety initiatives and Department of Public Safety operations receive \$121.0 million in total funding in FY2018. Over three quarters of this, or \$103.3 million, comes from general revenue, a 0.8 percent increase (\$836,938) from FY2017 enacted levels. FTE levels for FY2017 and FY2018 are authorized at 615.6 and 611.6, respectively.

The Budget transfers 4.0 FTE human resources positions from DPS to the Department of Administration, reducing general revenue by \$403,733 within the Department. The move brings DPS into alignment with all other state agencies that had their HR resources centralized within DOA back in 2005.

The Budget also includes \$135,070 in new general revenue to cover the lease on the Fire Marshal's new headquarters at 560 Jefferson Boulevard. Except for the Fire Academy and Bomb Squad located in Exeter, the Division's units will now all be situated at the new address.

The Budget provides \$74.5 million in total funding for the State Police, \$65.5 million of which is general revenue, a slight decrease (0.3 percent) in general revenue as compared to the FY2017 Budget as Enacted. The Budget includes \$1.0 million to cover costs associated with the December 2016 labor contract settlement that resulted in retroactive wage and benefit increases to State Troopers. The State Police have \$7.6 million remaining of their \$45.0 million share of the State's Google Forfeiture Award. The largest expenditures have been \$15.0 million to capitalize State Police pensions and \$5.3 million on fleet vehicles.

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 17.0 FTE positions in FY2017 and 13.0 in FY2018 for the Central Management program.

Central Management	General Revenue
FY2017 Enacted	\$1,407,618
<i>Target and Other Adjustments</i>	
Personnel	11,604
	(403,733)
FY2018 Enacted	\$1,015,489

Personnel **(\$403,733)**

The Budget reduces general revenue by \$403,733 within the Central Management program to reflect the transfer of 4.0 FTE human resources positions from DPS to the Department of Administration. In 2005 the State consolidated state agency human resource functions into a centralized group of services centers within the Department of Administration. This consolidation included the transfer of human resource personnel from the various state agencies to DOA. Based upon security reasons put forward at the time, the State Police retained its human resources staff; subsequently, however these staff were absorbed into the Central Management program within DPS. The Budget continues the original consolidation that began in 2005 by moving the staff to DOA.

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 authorizes 47.6 FTEs in FY2018, equal to the FY2017 enacted level.

E-911	General Revenue
FY2017 Enacted	\$5,699,440
<i>Target and Other Adjustments</i>	
Technology and Communication Enhancements	57,382
Next Generation 911	137,700
Surcharge Revenues	Informational
FY2018 Enacted	\$5,894,522

Technology and Communication Enhancements **\$137,700**

The Budget includes an additional \$137,700 for several technology and communication enhancements within E-911. E-911's current telecommunications network consists of a "SONET ring" system (a server system which can switch data across multiple communication lines to allow data to be transmitted uninterrupted) that was part of a multi-agency, state-wide infrastructure overseen by the Division of Information Technology (DoIT) at DOA. The contract for this service is scheduled to be terminated by DoIT in FY2018. The Budget provides \$87,700 to convert to a Verizon T1 network solution based at DPS. Separately, \$25,000 is provided to replace E-911's aging Dell computer equipment in order to meet the National 911 standard that all call center computer equipment be replaced every three years. Lastly,

another \$25,000 is made available to upgrade cybersecurity protections made necessary now that the E-911 is internet-based under the Next Generation 911 protocols.

Next Generation 911

Informational

E-911 has installed and is operating the essential components of the Next Generation 911 platform at both the State's Primary Public Safety Answering Point (PSAP) at 311 Danielson Pike, North Scituate, and the State's Alternate PSAP. These components consist of the routers and other hardware and software associated with the upgraded call-taking equipment. The vendor INdigital has completed construction of a new a new T1 network capable of handling and transferring Text-to-911 messages to the State's E-911 infrastructure. INdigital is working with the five (national) wireless carriers to test the system and ensure that INdigital can receive incoming 911 text messages from the wireless carriers' subscribers. This process began at the end of FY2017 and will take several months. The Department is in the process of hiring four new telecommunicator positions who, once on board, will need to be trained in the processing of Text-to-911 calls. This process is estimated to take six months. The Department estimates that the go-live date will be December 2017.

Surcharge Revenues

Informational

The State levies an E-911 surcharge on both wireline and wireless phone lines, as do most states, to fund the program. The wireline surcharge amounts to \$1.00 per line, per month, while the wireless surcharge amounts to \$1.26 per line, per month. The additional \$0.26 levied on wireless lines was enacted in 2004 to fund the costs of a GIS database development and maintenance, and to fund primary and secondary answering point improvements. All E-911 surcharge collections are deposited as general revenues. The following table is a snapshot of surcharge collections, and general revenue expenditures for E-911. Beginning in FY2016, 10.0 percent of revenue collected through E-911 surcharges has been deposited into the Information Technology Investment Fund (ITIF) established in RIGL 42-11-2.5. The ITIF is used to acquire information technology hardware, software, consulting services, and ongoing maintenance contracts for state departments and agencies.

E-911 Revenues vs. Expenditures

Fiscal Year	E-911		Net to General	
	E-911 Revenue	Expenditures	Deposit to ITIF	Fund
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	17,641,856	5,320,615	-	12,321,241
2016	15,719,923	5,499,050	1,571,992	8,648,881
2017*	16,325,000	5,483,864	1,632,500	9,208,636
2018*	16,651,500	5,894,522	1,665,150	9,091,828

**FY2017 and FY2018 revenue estimates are provided by the Office of Revenue Analysis; expenditures reflect the FY2017 Final and FY2018 Enacted budgets. The general revenue reduction in FY2016, FY2017, and FY2018 reflects the transfer of 10.0 percent (\$1.5 million) of the surcharge revenue to the Information Technology Investment Fund (ITIF).*

FIRE MARSHAL

The State Fire Marshal is responsible for enforcing the Fire Safety Code and other laws and regulations relating to fires, fire prevention, protection, inspection, and investigation. The agency includes a Bomb Disposal Unit, Enforcement Unit, Fire Education and Training Unit, Inspection Unit, Investigation Unit, and the Plan Review Unit.

The Bomb Disposal Unit assists local emergency responders in the proper handling and disposal of hazardous materials suspected to be explosive. The Enforcement Unit is responsible for the criminal prosecution of any person in violation of laws related to fires, fire prevention, fire inspection, and fire investigations. The Fire Education and Training Unit is responsible for operating the Fire Academy, by providing education and training to all fire departments in the state, both public and private. The Inspection Unit is responsible for conducting fire safety inspections of all buildings regulated by the Fire Safety Code. The Investigation Unit investigates suspicious or attempted fires to determine the cause, origin, and circumstances where property has been damaged or destroyed. It also investigates fires where a fatality has occurred in so far as it is possible to determine the cause. The Plan Review Unit is responsible for reviewing architectural drawings of proposed construction plans for compliance with the Fire Safety Code.

The Budget includes 35.0 FTE positions in FY2017 and FY2018 for the program.

Fire Marshal	General Revenue
FY2017 Enacted	\$3,248,953
<i>Target and Other Adjustments</i>	7,624
Operating Expenses	274,843
Personnel	137,941
FY2018 Enacted	\$3,669,361

Operating Expenses **\$274,843**

The Budget includes a net increase of \$274,843 for various operating expense changes, including \$135,070 to finance lease payments at the Division's new 560 Jefferson Boulevard location. The lease is for three years and covers rent, electric, and 40.0 percent of the gas utility cost. The lease was signed in December 2016 between the Council of Postsecondary Education and the State. The new lease enables all Fire Marshal units, except the Exeter-based Fire Academy and Bomb Squad, to be housed in one location. The remaining \$139,773 balance is comprised of in other operating adjustments, including a \$38,383 reduction of in general revenue expenditures for the repayment to the State Fleet Replacement Revolving Loan Fund due to an updated loan repayment schedule.

Personnel **\$137,941**

The Budget includes an additional \$137,941 in general revenue for adjustments to assessed fringe benefits rates, payroll accrual formulas, and other salary and benefit changes.

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 218.0 FTE positions in FY2017 and FY2018 for the program.

Security Services	General Revenue
FY2017 Enacted	\$23,162,912
<i>Target and Other Adjustments</i>	144,842
Personnel - Sheriffs	567,608
Personnel - Capitol Police	62,081
FY2018 Enacted	\$23,937,443

Personnel – Sheriffs**\$567,608**

The Budget increases salaries, wages and benefits within the Sheriffs Division by \$567,608 in FY2018. This 3.0 percent increase over the FY2017 Budget as Enacted is primarily associated with benefit adjustments, including costs associated with overtime, clothing stipends, and a 2.3 percent increase on the assessed fringe benefit rate for non-sworn personnel. An increase of \$88,425 in regular wages are also included in the Sheriffs program, primarily due to the shift of 12.0 FTE positions from 35-hour to 37.5-hour work weeks. In the latest agreed upon labor “mini-contract” (2014), the Sheriffs labor contract stipulated that 12.0 Sheriff positions would be shifted from 35-hour to 37.5-hour work weeks as opposed to 6.0 Sheriff positions moving from 35-hour 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.

Personnel - Capitol Police**\$62,081**

The Budget includes a net increase of \$62,081 in personnel expenditures associated with the Capitol Police. Anticipated labor settlement costs related to raises for Capitol Police Officers total \$300,000 in FY2018. These initiatives are offset by \$232,650 in overtime reduction and other personnel adjustments that net \$5,269 in reduced expenditures.

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 FY2017 and FY2018 for the program, consistent with the FY2017 Budget as Enacted.

Municipal Police Training	General Revenue
FY2017 Enacted	\$263,746
<i>Target and Other Adjustments</i>	<i>5,668</i>
FY2018 Enacted	\$269,414

STATE POLICE

The Rhode Island State Police are a uniformed and investigative law enforcement agency having statewide jurisdiction. The agency is organized into three bureaus: The Administrative Bureau, Uniform Bureau, and Detective Bureau. The Administrative Bureau consists of sworn command staff, as well as civilian personnel, and it provides overall management and support. The Uniform Bureau is responsible for crime prevention and investigates criminal and noncriminal activities. The Uniform Bureau also establishes highway safety through enforcement of motor vehicle laws with emphasis on hazardous moving violations, i.e. drunk driving and speeding. The Detective Bureau is the primary investigative unit, and helps the Attorney General’s Office and other agencies in investigating organized crime and white collar crime, and provides support to police agencies throughout the state.

The Budget includes 285.0 FTE positions in FY2017, and 284.0 in FY2018, a decrease of 1.0 FTE position.

State Police	General Revenue
FY2017 Enacted	\$65,659,479
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<i>Target and Other Adjustments</i>	<i>(973,272)</i>
Contract Settlement	1,000,000
Information Technology Position Transfer	(302,845)
57th State Police Training Academy	109,495
State Police Vehicles	Informational
Pension Trust Fund	Informational
Google Forfeiture Funds	Informational
FY2018 Enacted	\$65,492,857

Contract Settlement**\$1.0 million**

The Budget provides \$1.0 million in additional general revenue in FY2018 for costs associated with a December 2016 labor contract settlement between the DPS and the State Troopers Association (STA). The current contract dates to August 2015 at which time the STA exercised its option to re-open the wage conditions agreed upon in the previous contract. The subsequent settlement resulted in salary increases and a 10.0 percent COLA increase over the three contract years ending April 30, 2014, 2015, and 2016. In December 2016, a subsequent settlement was reached. The settlement provides salary increases retroactive to May 2016 and a 1.25 percent increase, effective July 1, 2017.

Information Technology Position Transfer**(\$302,845)**

The Budget reduces the State Police's Communications and Technology program by \$302,845 in general revenue. The bulk of this reduction results from the transfer of a Data Processing Systems Manager, along with \$203,345 in associated personnel costs, from the State Police to the Department of Administration's Division of Information Technology (DoIT). The recommendation is consistent with the original purpose of DoIT, improving efficiency, effectiveness and security of computer operations and management under the control of a Chief Information Officer responsible for oversight, coordination, and development of all computer resources within the Executive Branch. The remaining \$99,500 is comprised of other personnel adjustments within the program.

57th State Police Training Academy**\$109,495**

The Budget provides \$109,495 in general revenue to begin the recruitment and screening activities associated with the 57th State Police Training Academy. The next formal class is planned to start in FY2019. The most recent academy ended in June of 2016 and resulted in 26.0 new troopers. Recruitment costs in FY2018 total \$46,750, and \$62,745 is available for physical and psychological testing of candidates prior to the start of the next class.

State Police Vehicles**Informational**

The Department currently has 328 vehicles in the State Police vehicle fleet. While more than half of the vehicles are under 100,000 miles, 32.0 percent (105 vehicles) are over 100,000 miles. The average useful life of these vehicles is 6.5 years. The Department intends to request \$4.1 million from the State Revolving Loan Fund for vehicle purchases in FY2018. Since FY2013, the Department has spent \$5.4 million in Google funds on improving its fleet.

Pension Trust Fund**Informational**

The FY2016 Budget as Enacted created a pension trust fund for State Police troopers hired prior to 1987 who are currently receiving benefits through a pay-as-you-go (pay-go) system. Members' benefits will remain unchanged; but the proposal transitions the current system to a more traditional retirement fund whereby contributions are amortized, in this case, over 18 years.

The pension trust fund is capitalized by funding from the Google settlement awarded to the State Police. It is estimated that at a 7.5 percent rate of return, this initial investment will achieve \$157.2 million in

general revenue savings over the 77-year life of the plan. The use of the settlement funds requires approval by the U.S. Department of Justice (DOJ) Asset Forfeiture Program and in FY2016 the State Police sought and received permission to use the money to establish the pension fund. The revised FY2017 Budget includes \$15.0 million for this purpose.

Google Forfeiture Funds

Informational

On August 24, 2011, Google, Inc. reached a settlement agreement with the United States Department of Justice (DOJ) to forfeit \$500.0 million for allowing online Canadian pharmacies to place advertisements through its AdWords program, targeting U.S. consumers. Rhode Island received a \$230.0 million share of this award for State and local law enforcement agencies that helped investigate Google's role in placing the online ads for illegal pharmacies. Of the total award, the State directly received \$110.0 million, of which \$60.0 million was allocated to the Attorney General's Office, \$45.0 million was allocated to the State Police, and \$5.0 million was allocated to the Rhode Island National Guard. The City of East Providence and Town of North Providence each received \$60.0 million.

The State Police received a total of \$45.0 million from the settlement. The Budget includes \$18.2 million in FY2017 and \$390,000 in FY2018 from the balance of its award. Approximately \$18.7 million is has been spent through FY2016, mostly on capital projects. The revised FY2017 Budget includes the one-time \$15.0 million for the Rhode Island State Police to help seed a trust fund for the State Police pay-go pension. The balance of the remaining funds are shown in the following table.

Google Forfeiture Funds - State Police Expenditures						
Expenditures By Program	Budget	Pre-FY2017	FY2017	FY2018 ¹	Total Spent	Balance ²
Fleet	\$5,385,187	\$5,368,085	\$17,102	-	\$5,385,187	\$0
Capital Projects Consolidated Academy	1,130,005	35,829	-	-	35,829	1,094,176
New Buildings and Renovations ³	9,038,652	524,122	3,291,872	441,000	3,815,994	5,222,658
Overtime	4,657,825	2,846,221	1,811,604	-	4,657,825	-
Personnel	1,000,000	-	249,226	-	249,226	750,774
Investigations	4,716	4,716	-	-	4,716	-
recruitment	876,273	432,693	-	-	432,693	443,580
Technology	4,461,446	3,654,703	806,743	-	4,461,446	-
Pension Trust	15,000,000	-	15,000,000	-	15,000,000	-
Training	153,715	93,306	60,409	-	153,715	-
Equipment	2,705,138	2,258,236	446,902	-	2,705,138	-
Accreditation	100,000	56,000	-	-	56,000	44,000
Local Sharing	150,000	150,000	-	-	150,000	-
Assessment Project	225,000	-	225,000	-	225,000	-
Aid to Westerly	64,916	15,563	-	-	15,563	49,353
Community Outreach	684	684	-	-	684	-
Total	\$44,953,557	\$15,440,158	\$21,908,858	\$441,000	\$37,349,016	\$7,604,541

¹ FY2018 Planned Expenditures.

² Balance does not include FY2018 planned expenditures.

³ Includes feasibility studies for new Hope Valley and Lincoln Barracks; a new Supply and Intelligence Building; renovations at the Training Academy; a new Computer Crimes Unit facility; and asset protection costs for various buildings.

Source: Department of Public Safety

CAPITAL PROJECTS

The Budget includes a total of \$33.1 million in capital projects from FY2017 through FY2022, including \$2.8 million in restricted receipts from Google Forfeiture funds.

- 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 \$2.8 million in the revised FY2017 Budget from Google forfeiture funds restricted receipts. It is expected that the project will be completed in FY2017.

- The Budget also includes RICAP funding of \$2.9 million in FY2017 for “Phase 2” construction of the Fire Academy Building, which will incorporate classrooms and administrative offices in the existing portion of the Exeter facilities. These also include a dining area, a turn out gear room, bathrooms, locker rooms, and shower facilities. “Phase 1” of this project was funded by general obligation bonds to construct a new four-acre burn pad, paved parking, outdoor burn props, and other “hands-on” portions of the training academy.
- The Budget includes \$7.5 million in RICAP funding and \$2.5 million in federal funds for Rhode Island State Communications System network (RICON). This project shifts to the DPS with the consolidation of RIEMA into the Department. RICON is an 800MHz interoperable radio system providing public and life safety communications to all 39 communities in the state. The State entered into a lease financing agreement with Motorola for \$10.0 million that pays for system improvements, replacement of antiquated components and increase system reliability.

Office of the Public Defender

Expenditures by Program	FY2016 Actual	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Enacted	Change from Enacted	
Public Defender	\$11.4	\$11.9	\$11.8	(\$0.1)	-0.8%	\$12.1	\$0.2	2.0%
Total	\$11.4	\$11.9	\$11.8	(\$0.1)	-0.8%	\$12.1	\$0.2	2.0%
Expenditures By Source								
General Revenue	\$11.3	\$11.8	\$11.7	(\$0.1)	-0.7%	\$12.0	\$0.3	2.2%
Federal Funds	0.1	0.1	0.1	-	-13.3%	0.1	-	-13.3%
Total	\$11.4	\$11.9	\$11.8	(\$0.1)	-0.8%	\$12.1	\$0.2	2.0%
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 FY2018

The agency's budget is funded almost entirely by general revenues (99.2 percent). The Budget reflects salary and benefit requirements of the existing staff, including increased medical costs and step increases for staff hired within the past two years.

The Budget includes 93.0 FTE positions for the program in FY2017 and FY2018, consistent with the FY2017 Budget as Enacted.

Public Defender	General Revenue
FY2017 Enacted	\$11,784,382
<i>Target and Other Adjustments</i>	53,036
Personnel	193,865
Court Cost Offsets	11,723
FY2018 Enacted	\$12,043,006

Personnel **\$193,865**

An increase of \$193,865 personnel costs is provided in FY2018 for step increases for employees hired during the previous fiscal year.

Court Cost Offsets **\$11,723**

The Budget includes \$109,419 for courthouse fees, an additional \$11,723 over the FY2017 enacted level, which the Public Defender's office pays to the Judiciary while occupying space in the courthouses. Agencies that occupy space in the court buildings around the State incur costs for a share of building related expenses based on the square footage of space that is occupied.

Department of Environmental Management

Expenditures By Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Revised	Enacted	Enacted	Enacted	Enacted	Enacted
Office of Director	\$8.8	\$9.1	\$9.6	\$0.5	6.0%	\$9.6	\$0.5	5.8%
Bureau of Natural Resources	42.7	61.0	60.8	(0.2)	-0.3%	61.8	0.9	1.4%
Bureau of Environmental Protection	27.3	32.7	32.3	(0.4)	-1.4%	32.5	(0.2)	-0.6%
Total	\$78.8	\$102.7	\$102.6	(\$0.1)	-0.1%	\$104.0	\$1.2	1.2%
Expenditures By Source								
General Revenue	\$38.2	\$40.2	\$38.3	(\$1.9)	-4.8%	\$39.3	(\$0.9)	-2.2%
Federal Funds	21.1	29.7	34.2	4.4	14.9%	33.4	3.7	12.3%
Restricted Receipts	13.4	19.0	17.2	(1.8)	-9.4%	17.4	(1.6)	-8.5%
Other Funds	6.1	13.8	13.0	(0.8)	-6.1%	13.9	0.0	0.3%
Total	\$78.8	\$102.7	\$102.6	(\$0.1)	-0.1%	\$104.0	\$1.2	1.2%
Authorized FTE Levels	399.0	399.0	400.0	1.0	0.3%	400.0	1.0	0.3%

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

The Department of Environmental Management (DEM) is responsible for protecting, managing, and restoring the natural resources of the State. The Department is organized into three divisions: the Office of the Director, the Bureau of Natural Resources, and the Bureau of Environmental Protection.

The Department is charged with supervising and controlling the protection, development, planning, and utilization of the natural resources of the state; the promotion of agriculture and animal husbandry; and, providing for the maintenance of waterways and boating facilities.

MAJOR ISSUES AND TRENDS FOR FY2018

The FY2018 Budget includes an all funds increase of \$1.2 million, or 1.2 percent from the FY2017 Budget as Enacted. The Budget includes a \$902,593 (2.2 percent) decrease in general revenue expenditures compared to the FY2017 Budget as Enacted, primarily due to the shift of \$2.0 million in Clean Diesel Program funds from FY2017 into FY2018 and FY2019. The Budget transfers management of the Eisenhower House from the Historical Preservation and Heritage Commission to DEM.

OFFICE OF THE DIRECTOR

The Office of the Director includes the Office of Management Services, Legal Services, Administrative Adjudication, and the two central service offices of Human Resources and Information Technology. The Office is responsible for developing and implementing programs to protect the State's environment, protect citizens from public health threats resulting from pollution, and provide facilities that support outdoor recreational activities. The Budget provides for the transfer of 2.0 FTE positions from other programs within the Department, bringing the program FTE count to 41.5. The transferred positions include the Chief Program Development position from the Bureau of Environmental Protection, and the Property Control and Supply Officer from Natural Resources.

Office of Director	General Revenue
FY2017 Enacted	\$5,165,334
<i>Target and Other Adjustments</i>	
Salaries and Benefits	70,275
Community Service Grants	361,294
Operating Expenses	(200,000)
Conservation Districts	94,970
Volvo Ocean Race	50,000
FY2018 Enacted	Informational
	\$5,541,873

Salary and Benefits **\$361,294**

- **Chief of Program Development:** The Budget includes an additional \$137,803 in general revenue to fund a Chief Program Development position that was transferred from the Bureau of Environmental Protection. This position is the Department's LEAN coordinator and was previously funded with general revenue within the Environmental Protection program. LEAN is a business process improvement method that leads to the elimination of waste, added value, and a culture of continuous improvement. At DEM the process has been used to improve customer service.
- **Property Control and Supply Officer:** There is an increase of \$84,932 in general revenue within the Office of the Director due to the transfer of the Property Control and Supply Officer from Natural Resources where there is a corresponding decrease.
- **Shortfall:** The Budget provides an increase of \$138,559 in general revenue to address a short-fall in salary and benefits funding in the FY2017 Budget as Enacted. In FY2017, a one-time balance forward was used to cover the gap; however, the funds are not available in FY2018.

Community Service Grants **(\$200,000)**

The Budget reduces Community Service Objective (CSO) Grants program by \$200,000 due to the removal of funds for a one-time, line-item grant for the North Providence water drainage project. The FY2017 Budget included major changes to the CSO Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists of two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process.

Operating Expenses **\$94,970**

The Budget includes an additional \$94,970 for an estimated 5.0 percent increase in property taxes that would result in an increase in rental costs. This is an estimate based on past experience of property taxes increasing annually. A final estimate will not be possible until Providence enacts a FY2018 Budget; however, even if tax rates do not increase property values in the City have been increasing.

Conservation Districts **\$50,000**

The Budget provides a \$50,000 line-item grant award for the Conservation Districts. The Districts are not-for-profit, quasi-public subdivisions of state government, administered by volunteers from the community. The Districts were formally created through statute in 1990 to provide an opportunity for citizens to have a voice in shaping soil and water resource planning in their communities. Today, the Districts provide educational and technical assistance to state residents in addressing conservation concerns and providing networking opportunities among local, state, and federal agencies. Recently, the Districts provided free, public education workshops on small forestry operations and on-farm energy options for beginning farmers. The Districts were previously funded through the community service objective grant program; however,

when the grant program changed, the grant was not included as a line-item grant award. This Budget restores funding for the statutorily established Conservation Districts.

Volvo Ocean Race

Informational

The Budget provides \$775,000 in Commerce Corporation Tourism funds for security, waste disposal, and program supply costs for the Volvo Ocean Race in May 2018. The Volvo Ocean Race is a yacht race around the world that generally begins in Europe in October. The race is held every three years and was last in Rhode Island in 2015. The initiative was proposed to be funded under DEM; however, spending was shifted to the Corporation in the enacted budget.

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 184.0 FTE positions in FY2017 for the program, consistent with the FY2017 Budget as Enacted. In FY2018, the Budget adds 1.0 FTE position to reflect the transfer of the management of the Eisenhower House to DEM.

Bureau of Natural Resources	General Revenue
FY2017 Enacted	\$21,124,014
<i>Target and Other Adjustments</i>	
Personnel Costs	(18,527)
Personnel Costs	(197,596)
Minimum Wage Increase	67,770
Beach Parking Fee Payments to Host Communities	62,500
Eisenhower House (1.0 FTE)	50,000
FY2018 Enacted	\$21,088,161

Personnel Costs

(\$197,596)

The Budget decreases general revenue funded personnel costs by \$197,596 relative to the FY2017 Budget as Enacted. The changes include a decrease in the Seasonal Recreation Program to reflect actual expenditures in FY2017 and a decrease due to the transfer of the Property Control and Supply Officer to the Office of the Director.

Minimum Wage Increase

\$67,770

Article 14 of the Budget increases the minimum wage from \$9.60 to \$10.10 per hour effective October 1, 2017. This increase will impact the seasonal workers in DEM for March through June of 2018 and cost an estimated \$67,770. The minimum wage was last increased on January 1, 2016, from \$9.00 to \$9.60 per hour.

Beach Parking Fee Payments to Host Communities**\$62,500**

The Budget includes an increase of \$62,500 (\$502,417 total) for beach parking fees paid to host communities. Article 13 of the FY2017 Budget as Enacted reduced beach parking fees to their pre-2011 level and, in an effort to hold communities harmless from the reduction, simultaneously increased the local share up to the corresponding level of 20.0 percent. It is the increase in the local share that resulted in the increased payment to host communities. For the summer of 2015, beach parking fees totaled \$3.8 million, in 2016 the total is \$3.2 million, reflecting a decrease of (\$707,276) an 18.5 percent reduction. In contrast, the local share payment to host communities for the summer of 2015 was \$441,035 compared to \$502,417 for 2016, an increase of \$61,382 or 1.9 percent.

Beach Parking Fees - Reimbursements to Host Communities

	South				Total
	Summer Charlestown	Westerly Narragansett	Kingstown		
2009	\$21,534	\$211,669	\$234,972	\$25,726	\$493,901
2010	23,801	238,226	266,054	29,866	557,947
2011	15,466	155,051	162,476	11,365	344,358
2012	22,915	181,980	204,614	27,851	437,360
2013	18,233	161,937	188,342	26,328	394,840
2014	18,244	171,464	185,084	29,053	403,845
2015	17,935	194,124	196,868	32,108	441,035
2016	29,099	221,114	214,462	37,742	502,417

Analyst Note: The decrease in parking fees sunset on October 1, 2016; however, fees have traditionally been determined through departmental regulation. On April 24, 2017, DEM filed amended regulations to reflect the pre-2011 level. The change in local share is established by statute; however, the relevant language does not sunset.

Eisenhower House (1.0 FTE)**\$50,000**

The Budget transfers management of the Eisenhower House from the Historical Preservation and Heritage Commission to the Department of Environmental Management (DEM). The transfer includes 1.0 FTE Site Manager position, \$50,000 in general revenue, and \$138,150 in restricted receipts. The restricted receipts represent the revenue, minus the 10.0 percent indirect cost recovery, currently raised through rental fees at the facility and deposited in the general fund. The Site Manager position is projected to cost \$95,365 in FY2018.

Eisenhower House is an 1873 mansion overlooking the East Passage of Narragansett Bay. The house was built as the Commandant's Residence at Fort Adams, and was occupied by President Dwight D. Eisenhower in 1958 and 1960 as the Summer White House. Located within Fort Adams State Park, Eisenhower House is surrounded by broad lawns and commands remarkable views of Newport Harbor to the east and Narragansett Bay to the west. Today the facility is used to host weddings and other functions.

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 176.0 FTE positions in FY2017 and FY2018 for the program, consistent with the FY2017 Budget as Enacted.

Bureau of Environmental Protection	General Revenue
FY2017 Enacted	\$13,917,429
<i>Target and Other Adjustments</i>	<i>(243,279)</i>
Clean Diesel Program	(1,000,000)
FY2018 Enacted	\$12,674,150

Clean Diesel Program**(\$1.0 million)**

The FY2017 Budget as Enacted included \$2.0 million for the new Rhode Island Clean Diesel Fund established within DEM; however, due to implementation delays the funding was not utilized in FY2017. Consequently, \$1.0 million in funding is being shifted into FY2018. The public comment period on the draft regulations closed on January 31, 2017. The regulations were submitted to the Office of Regulatory Reform in February 2017 and filed with the Secretary of State in March 2017.

The program is intended to reduce emissions from heavy-duty engines operating on state roads and help companies improve supply chain efficiency as described in the United States Environmental Protection Agency's SmartWay Program. Grants for up to 50.0 percent of project costs will be awarded by DEM pursuant to rules and regulations promulgated by the Department. To be eligible for funding, equipment must be registered with the Rhode Island Division of Motor Vehicles, garaged in Rhode Island, and certified by DEM that 50.0 percent or more of the vehicle miles traveled or hours operated are in Rhode Island for at least five years following the grant award. Administrative and outreach costs for the program are capped at \$200,000 annually or 10.0 percent of the fund appropriation, whichever is greater.

CAPITAL PROJECTS

The Budget includes a total of \$9.0 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2017 and \$10.4 million in FY2018, including:

- \$5.7 million in FY2017 (including a \$2.6 million carryforward) and \$2.5 million in FY2018 for infrastructure and facility improvements at state parks and management areas. This project includes the design and construction of a new beach facility at Lincoln Woods State Park; 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.
- \$1.5 million in FY2017 (including a \$69,851 carryforward) and \$1.8 million in FY2018 for the Fort Adams Sailing Improvements project including the new Mid-Park Marine and Education center. In FY2017 there is also \$3.6 million in private funding for the center.
- \$12,259 in FY2017 and \$1.0 million in FY2018 for the Natural Resources Offices and Visitors' Center project. This project involves the construction of a new building in the Arcadia Management Area to coordinate staff programming by providing office space, laboratories, storage, and workshop areas for mosquito abatement testing, the state veterinarian, and the administrative office, including the Freshwater Fisheries and Wildlife sections of the Division of Fish & Wildlife.
- \$254,195 in FY2017 (including a \$20,000 carryforward) and \$2.2 million in FY2018 for repairs to "high-hazard" state-owned dams. The Department began design of repairs for the lower J.L. Curran Management Area in Cranston with construction expected to begin in FY2018. The design for the reconstruction of the Wyoming Pond upper dam in Hope Valley began in FY2016 with construction expected to begin in FY2018. The design of the Trestle Trail culvert replacement has begun and the Silver Spring dam reconstruction project is next on the priority list.

Coastal Resources Management Council

Expenditures By Program	FY2016 Spent	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Enacted	Change from Enacted	
Coastal Resources Management Council	\$4.4	\$7.3	\$8.3	\$0.9	12.8%	\$4.8	(\$2.5)	-33.9%
Expenditures By Source								
General Revenue	\$2.4	\$2.5	\$2.5	\$0.0	0.7%	\$2.5	\$0.0	1.4%
Federal Funds	1.8	4.1	5.2	\$1.1	25.8%	\$1.6	(\$2.5)	-60.2%
Restricted Receipts	0.2	0.3	0.3	-	0.0%	0.3	-	0.0%
Other Funds	-	0.5	0.3	(\$0.2)	-31.8%	\$0.5	(\$0.0)	-4.6%
Total	\$4.4	\$7.3	\$8.3	\$0.9	12.8%	\$4.8	(\$2.5)	-33.9%
Authorized FTE Levels	29.0	29.0	29.0	-	-	29.0	-	-

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

The Coastal Resources Management Council (CRMC) is mandated to preserve, protect, develop and, where possible, restore the coastal resources of the State. The CRMC oversees the Coastal Habitat Restoration Program and is charged with developing an Ocean Special Area Management Plan (SAMP) and a Marine Resources Development Plan.

MAJOR ISSUES AND TRENDS FOR FY2018

The FY2018 Budget includes an all funds decrease of \$2.5 million (33.9 percent) from the FY2017 Budget as Enacted, including a general revenue increase of \$35,140, a federal funds decrease of \$2.5 million, and an other funds decrease of \$21,775.

The decrease in federal funds is primarily due to a \$2.6 million federally-funded project to restore 30.0 acres of salt marsh in Ninigret Pond and develop two designs for salt marsh restoration in the same area. The project is scheduled for completion in October 2017 with most of the expenditures occurring in FY2017. The funding from the National Fish & Wildlife Service of the United States Department of the Interior was matched with \$321,775 in RICAP funds through the South Coast Restoration project in the Capital Budget.

The Budget authorizes 29.0 FTE positions in FY2017 and FY2018, consistent with the FY2017 Budget as Enacted.

Central Management	General Revenue
FY2017 Enacted	\$2,452,438
<i>Target and Other Adjustments</i>	<i>35,140</i>
FY2018 Enacted	\$2,487,578

CAPITAL PROJECTS

The Budget provides Rhode Island Capital Plan (RICAP) funding totaling \$321,775 in FY2017 and \$450,000 in FY2018 for capital projects, including the following:

- **South Coast Restoration Project:** The Budget provides RICAP funding of \$321,775 in FY2017 to match the federal National Fish & Wildlife Service grant for sediment removal and habitat restoration in Ninigret Pond.
- **Narragansett Bay SAMP:** The Budget includes \$250,000 in RICAP funds in FY2018 to update the Rhode Island Coastal Resources Management Program (RICRMP) to current federal standards and develop a Narragansett Bay Special Area Management Plan (SAMP) to protect the Bay's fisheries, as well as recreation- and marine-based resources. Due to the creation of the original Ocean SAMP, Rhode Island, through the Council, has legal standing for a role in management of federal waters up to 30 miles offshore, instead of only within the traditional three-mile limit. SAMPs are resource management plans and implementation programs developed to manage specific geographic areas with specific resources. In May 2016, the Council marked the five-year anniversary of the Ocean SAMP: the first SAMP in the nation to venture out into federal offshore waters for future uses and preservation. However, the Ocean SAMP starts at the mouth of the Narragansett Bay, leaving a significant gap in the Council's ability to manage the Bay's resources. The Bay is managed pursuant to the federally-approved RICRMP which was developed in the early 1970's; consequently, some of the policies are outdated and inconsistent with current regulations of the National Oceanic Atmospheric Administration (NOAA), the federal agency that regulates federal coastal waters.
- **Coastal Storm Risk Study:** In response to Hurricane Sandy and other coastal storms, the United States Army Corps of Engineers (USACE) is investigating solutions to reduce future flood risk by developing the long-term resilience and sustainability of coastal ecosystems. The Budget provides RICAP funds totaling \$150,000 in FY2018 as the state share for the cost of the study being conducted by the USACE. Through the North Atlantic Coast Comprehensive Study (NACCS), the USACE identified high-risk areas on the Atlantic Coast for a more in-depth analysis into potential management solutions to reduce the coastal storm risk to the existing shorefront development. The study breaks Rhode Island into two planning reaches (or zones). The first reach covers the Narragansett Bay area, starting at the Massachusetts border and ending at Point Judith. The second reach encompasses the south shore, including South Kingstown, Charlestown, and Westerly.
- **Green Pond Dredging Study:** The Budget provides \$50,000 in RICAP funds in FY2018 for the study of dredging of Green Hill Pond. The study is aimed at lifting the shell fishing ban in Green Hill Pond and Eastern Ninigret. The State funds will be matched by the towns of Charlestown and South Kingstown each contributing \$25,000.

Department of Transportation

Expenditures by Program	FY2016	FY2017	FY2017			FY2018		
	Actual	Enacted	Revised	Change from Enacted		Enacted	Change from Enacted	
Central Management	\$8.1	\$9.2	\$13.2	\$4.0	43.7%	\$11.6	\$2.4	25.5%
Management and Budget	1.4	3.0	4.1	1.1	36.2%	2.9	(0.1)	-2.2%
Infrastructure-Engineering	335.6	367.9	381.9	14.0	3.8%	399.4	31.4	8.5%
Infrastructure-Maintenance	50.0	98.3	124.8	26.5	27.0%	100.2	1.9	1.9%
Total	\$395.1	\$478.5	\$524.0	\$45.6	9.5%	\$514.1	\$35.6	7.4%

Expenditures by Source	FY2016	FY2017	FY2017			FY2018		
	Actual	Enacted	Revised	Change from Enacted		Enacted	Change from Enacted	
Federal Funds	\$254.1	\$272.4	\$273.0	\$0.6	0.2%	\$285.4	\$13.0	4.8%
Restricted Receipts	2.9	0.2	3.6	3.4	1903.2%	3.2	3.0	1657.9%
Other Funds	138.2	205.9	247.5	41.6	20.2%	225.5	19.6	9.5%
Total	\$395.1	\$478.5	\$524.0	\$45.6	9.5%	\$514.1	\$35.6	7.4%

Authorized FTE Levels	701.0	701.0	741.0	40.0	5.7%	775.0	74.0	10.6%
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\$ in millions. Totals may vary due to rounding.

The Rhode Island Department of Transportation (RIDOT) is responsible for over 3,300 “lane miles” (1,100 miles) of highway and 1162 bridges in the state. The Department inspects all State and municipal bridges greater than 20 feet (751 bridges). RIDOT provides services ranging from snow removal to pothole repair and from installation and maintenance of traffic signalization to design of highway and bridge construction. The Department also develops projects in the areas of rail, water, bicycle, and pedestrian transportation, coordinates with RIPTA on transit projects, and engages in air quality planning and coordination.

Established in FY1994, the Intermodal Surface Transportation Fund (ISTF) accounts for the collection of the gasoline tax, federal grants, and bond proceeds that are used for the maintenance, upgrading, and construction of the State’s highway system. It also is funded by the proceeds of the Grant Anticipation Revenue Vehicle (GARVEE) and the RI Motor Fuel Tax (RIMFT) revenue bonds, and related expenditures. The Transportation Investment and Debt Reduction Act of 2011 created the Rhode Island Highway Maintenance Account within the ISTF.

Funds are used to finance all RIDOT personnel, and operating, and ongoing repair and renovation expenditures for RIDOT facilities throughout the state, as well as highway debt service, and motor fuel tax proceeds allocated to the Rhode Island Public Transit Authority (RIPTA), the Rhode Island Turnpike and Bridge Authority, and the Department of Human Services.

MAJOR ISSUES AND TRENDS FOR FY2018

The Budget allocates a total of \$514.1 million to RIDOT, an increase of \$35.6 million in total funds from the FY2017 Budget as Enacted (7.4 percent).

The Budget includes an FTE authorization of 775.0, an increase of 74.0 FTE positions relative to the FY2017 Budget as Enacted, reflecting the restoration of positions eliminated, but not identified, by the General Assembly in the FY2017 Budget as Enacted, plus additional new positions. These include the following new positions: 2.0 Assistant Administrative Officers, 14.0 Bridge Maintenance Workers, 1.0 Chief Civil Engineer for Road Design, 1.0 Civil Engineering Associate, 1.0 Highway Maintenance Operator I, 6.0 Highway Maintenance Operator II, 1.0 Planner, 1.0 Principal Civil Engineer, 3.0 Road Maintenance Supervisors, 1.0 Supervising Environmental Scientist, 2.0 Electrical Inspectors, and 1.0 Engineering Technician. These are in addition to the net 40.0 FTEs recommended to be added by the Governor in the revised FY2017 Supplemental Budget.

RhodeWorks

The General Assembly enacted “The Rhode Island Bridge Replacement, Reconstruction and Maintenance Fund Act of 2016,” in February 2016. The legislation, also known as “Rhode Works”, does the following:

- Allows the Rhode Island Department of Transportation (RIDOT) to establish and collect tolls on large commercial trucks traveling on Rhode Island bridges, raising a minimum of \$45.0 million annually, assuming a 25.0 percent diversion rate. Revenue collected under the tolling provision will be deposited into a newly established Rhode Island Bridge Replacement, Reconstruction, and Maintenance Fund, to be used for the replacement, reconstruction, maintenance, and operations of bridges, and for costs associated with operation and maintenance of toll facilities.
- Allows for the refinancing and restructuring of previously existing GARVEE bonds to realize approximately \$120.0 million in additional resources during the first three years post-refinancing.
- Allows the Rhode Island Commerce Corporation to issue new GARVEE bonds, not to exceed \$300.0 million, for bridge replacement, reconstruction, maintenance, and operations. These bonds would have an expected term of fifteen years and be repaid from future Federal Highway Administration (FHWA) funds. The FAST Act increases federal funding to states for surface transportation infrastructure improvements for five years from FFY2016 through FFY2020. RIDOT estimates future federal funding increases based on these increased FAST Act amounts. The enhanced federal funding allows for the issuance of GARVEE bonds: a federally-approved financing mechanism that uses future federal grants to borrow in order to hasten project completion.

RhodeWorks allows RIDOT to assess tolls on commercial trucks Class 8 or larger. The collection of tolls on other vehicles, including passenger cars, motorcycles, and all other vehicle classes one (1) through seven (7) pursuant to the Federal Highway Administration vehicle classification schedule, is expressly prohibited. The legislation states that no act authorizing tolls on passenger vehicles can take effect until it has been approved by the majority of voters in a statewide referendum.

This legislation authorizes the Rhode Island Turnpike and Bridge Authority (RITBA) to enter into contracts with the state to operate or manage toll facilities on state roads or bridges that are not owned, leased, or under the control of the Authority. However, the legislation provides clarity that any revenue generated by facilities under the control of RITBA shall only be used for the purposes of RITBA, effectively restating that tolls collected on the Newport/Pell Bridge may only be used for project costs associated with maintaining bridges under RITBA control: Newport/Pell; Mt. Hope; Jamestown/Verrazano; and Sakonnet River.

The truck-only tolling plan received formal federal approval in September 2016 at which time the RIDOT executed a series of Memoranda of Understanding with the Federal Highway Administration regarding which bridge locations toll revenue could be used to maintain. In December 2016 RIDOT issued the RFP for the Design-Build-Operate-Maintain (DBOM) contract for the tolling program, including gantry design and construction, all operational elements, testing and acceptance, and long-term maintenance of the tolling equipment and facilities. RIDOT has awarded the Toll Facilities Design-Build-Operate-Maintain (DBOM) contract to Kapsch TrafficCom Incorporated for the implementation of the tolling program. This contract

RhodeWorks Proposal - 5 years

Maximum Toll Through State	\$20 one way
Number of Tolling Locations	14 locations
Projected Annual Toll Revenue	\$45.0 million
Projected Annual Operating Cost	\$4.4 million
Toll Revenue (FY2016-FY2020)*	\$135.0 million
Operating Cost (FY2016-FY2020)*	\$13.2 million
Toll Gantry Pay-go Construction	\$38.0 million
Pay-Go (FY2016-FY2020)	\$83.8 million
Anticipated Federal Increase	\$102.7 million
Anticipated GARVEE Debt Service	\$64.0 million
Anticipated Unallocated Federal Funds	\$38.7 million
Federal GARVEE Bond - New Money	\$300.0 million
Federal GARVEE Bond - Refinance	\$120.0 million
Benefits - First 5 years	\$542.5 million

*Tolling begins in FY2018

includes gantry design and construction, all operational elements, testing and acceptance, and long-term maintenance of the tolling equipment and facilities. The toll system and gantries are currently in design and construction is expected to begin in late 2017. It is anticipated that all toll locations will be operational and collecting revenue by the end of 2018. The ten year Operate and Maintain phase begins at the end of 2018.

Refinancing of the existing GARVEE bonds was completed in June 2016 and produced approximately \$130.0 million in savings and, since September 2016, \$300.0 million in new federal GARVEE bonds (2.8 percent interest rate) have been issued.

Reorganization

Article 15 of the FY2016 Budget as Enacted changed the organizational functions of RIDOT by establishing a project management-based program and an asset management system.

The amendment also allowed the Director to establish divisions that are deemed necessary to carry out the responsibilities of the department.

Article 15 also required the Director of RIDOT to appoint a chief operating officer, and repealed the requirement that the deputy director of the Department of Transportation be a highway engineer.

RIDOT is now required to report annually on the status of its 10-year transportation plan to the Speaker of the House, the President of the Senate, and the House and Senate fiscal advisors no later than March 31.

The reorganization is being implemented in three phases. The first phase is to transition the Department to a project-management orientation and to develop new job descriptions accordingly. Phase I is complete and RIDOT has begun working on the second phase which will look to define and establish new performance metrics. The third phase will focus on defining goals and training.

Sustainable Transportation Funding

The FY2015 Budget as Enacted provided a long-term solution to funding of road and bridge maintenance by making several changes to transportation funding. These changes are currently estimated to yield more than \$60.0 million annually in additional transportation funding once fully implemented in FY2019.

- Transfers existing revenue from inspection stickers, motor vehicle title, and car rental surcharges from the general fund to the Rhode Island Highway Maintenance Account (HMA), beginning in FY2015.
- Imposes a surcharge of \$25 on all dismissals based upon a good driving record, in addition to the current \$35 administration fee. The additional funds will be deposited into the HMA, beginning in FY2015.
- Increases the vehicle inspection fee from \$39 to \$55, with the additional revenue directed to the HMA, beginning in FY2015.
- Transfers a percentage of the proceeds annually allocated to the Rhode Island Public Transit Authority for operational support, beginning in FY2016.
- Adjusts the gasoline tax every two years according to the consumer price index to the nearest cent beginning in FY2016; however, the tax cannot go below 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.
- Removes the authority of the Rhode Island Turnpike and Bridge Authority (RITBA) to toll the Sakonnet River Bridge and transfers 3.5 cents of the gasoline tax to the RITBA for operations and debt service in lieu of tolls on the Sakonnet River Bridge.
- Debt service expenses, which were being shifted to general revenue funds under the Department of Administration (DOA) budget, will be paid from the increased general revenue transferred to RIDOT.
- Allows more flexible use of the HMA, which was established in 2011 to provide the non-bonded match to the State federal program.

- Phases in the transfer of all vehicle license and registration fees, beginning in FY2016, to the HMA. This revenue was previously deposited into the general fund.

Rhode Island Highway Maintenance Account (HMA)

The Transportation Investment and Debt Reduction Act of 2011 created the Rhode Island Highway Maintenance Account within the Intermodal Surface Transportation Fund (ISTF).

State Matching Funds (Federal Program): To eliminate the State's reliance on borrowing for the federal funds match, the FY2012 Budget as Enacted included surcharges on driver's licenses and registrations for all vehicles, phased-in over a 3-year period beginning on July 1, 2013 (FY2014). The surcharges are deposited into the HMA and used as part of the state match towards the department's federal highway program funds. Two-year registrations and driver's license fees are each increased by \$30 (\$10 per year for three years), while one-year registrations are increased by \$15 (\$5 per year for three years).

Prior to FY2013, the State matched Federal highway fund with general obligation bonds, which were approved by the voters as referenda questions at the November general election every two years. Debt service on the general obligation bond issues was paid with gas tax revenue, and as a result of continued borrowing, less gas tax revenue remained available each year for operations and maintenance expenditures.

State Matching Funds	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Increase Two-Year Registrations by \$30	\$7.4	\$10.9	\$10.9	\$10.9	\$10.9	\$10.9
Increase One-Year Registrations by \$15	1.5	2.3	2.3	2.3	2.3	2.3
Increase License Fees by \$30	2.5	3.6	3.6	3.6	3.6	3.6
Total Additional Revenue	\$11.4	\$16.8	\$16.8	\$16.8	\$16.8	\$16.8
2010 G.O. Bonds - Issued	7.6	-	-	-	-	-
RICAP	21.0	23.2	23.2	23.2	23.2	23.2
Total State Match for Federal Funds	\$40.0	\$40.0	\$40.0	\$40.0	\$40.0	\$40.0

\$ in millions. Totals may vary due to rounding

Analyst's Note: In addition to the fee increases, RICAP funding and funds from previously issued General Obligation bonds are used to supplement the revenue generated by the new fees so that bond borrowing to match federal highway funding is eliminated.

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.
- The transfer of existing revenue from inspection stickers (\$16.00 per inspection), motor vehicle title (\$50.00 per title), and car rental surcharges (8.0 percent of gross receipts per rental vehicle for the first thirty days) from the general fund to the Rhode Island Highway Maintenance Account (HMA), beginning in FY2015.
- The phased-in transfer of all vehicle license and registration fees, beginning in FY2016, to the HMA. This revenue was previously deposited into the general fund.

Rhode Island Highway Maintenance Account

New Fees and Surcharges	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Motor Vehicle Registration and License	\$11.4	\$16.8	\$16.8	\$16.8	\$16.8	\$16.8
Inspection Sticker Increase	4.8	5.9	6.0	6.1	6.2	6.2
Good Driving Surcharge (Increase of \$25)	0.4	0.4	0.4	0.4	0.4	0.4
Total New Fees Charges	\$16.6	\$23.1	\$23.2	\$23.3	\$23.4	\$23.5
Existing General Revenue being Transferred to the Highway Maintenance Account						
Motor Vehicle Registration and License	\$0.0	\$13.0	\$38.8	\$49.6	\$48.8	\$48.3
Motor Vehicle Title	9.2	9.3	8.8	8.4	8.3	8.4
Inspection Sticker Increase	4.8	5.9	6.0	6.1	6.2	6.2
Rental Car Surcharge	2.9	2.9	3.0	3.0	3.0	3.1
Total Revenue Transferred from General Fund	\$17.0	\$31.2	\$56.6	\$67.0	\$66.3	\$66.1
Total Revenue to Highway Maintenance Account	\$33.6	\$54.3	\$79.9	\$90.3	\$89.7	\$89.5

\$ in millions.

Source: Office of Revenue Analysis and State Budget Office

The above table provides a snapshot of the revenues at the time of the changes were made to the funding sources of HMA in FY2015. Article 4 of the FY2018 Budget makes significant adjustments to the phase-in schedule of the transfer of motor vehicle fees to the HMA from the General Fund. The details of these changes are discussed in the Department of Transportation Infrastructure-Maintenance section of this report.

Despite these improvements, a shortfall still exists between the funding necessary to meet transportation needs and funding available. A report issued in 2008 by the Governor's Blue Ribbon Panel estimated the State would need to spend \$640.0 million annually to maintain its transportation infrastructure in a state of good repair, representing a \$285.0 million gap annually between needs and the funds received from federal, state, and other sources. A report completed in 2011 by the Senate Commission on Sustainable Transportation Funding reached a similar conclusion.

Motor Fuel Tax Funding

A portion of the Intermodal Surface Transportation Fund (ISTF) is currently provided by 32.5 cents of the State's 34.0 cent per gallon gasoline tax. In FY2014, RIDOT received 21.75 cents of this tax, with RIPTA/DHS receiving 10.75 cents. Beginning in FY2015, 3.5 cents of the gasoline tax is transferred to the Rhode Island Turnpike and Bridge Authority to be used for maintenance operations, capital expenditures and debt service on any of its projects in lieu of a toll on the Sakonnet River Bridge. This reduced RIDOT's share of the gasoline tax to 18.25 cents per gallon.

Beginning July 1, 2015 and every other year after, the tax will be adjusted by the percentage of increase in the Consumer Price Index for all Urban Consumers (CPI-U), to the nearest 1.0 cent increment (1.0 cent increase in FY2016). The Department of Revenue's Office of Revenue Analysis (ORA) is responsible for both estimating the gas tax yield as well as determining the impact of the CPI-U. ORA does not believe that inflation will change significantly enough in FY2018 to warrant a change in the 34.0 cent per gallon tax rate.

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	4,397,823
2016	4,367,305
2017*	4,549,836
2018*	4,545,480

* Dept. of Revenue estimate

According to ORA the motor fuel tax is expected to generate \$4.5 million per penny in revenue in both FY2017 and FY2018, with RIDOT receiving 19.25 cents per gallon of gasoline sold (\$78.4 million in FY2018).

The following table shows the distribution of motor fuel tax proceeds in cents per gallon.

Motor Fuel Tax Distribution: Cents per Gallon

	General Revenue	DOT / Highway	RIPTA / Transit	RI Turnpike and Bridge Authority	Underground Storage Tank (UST) Fund	Total
FY2009	\$0.0100	\$0.2075	\$0.0875	\$0.0000	\$0.0050	\$0.3100
FY2010	-	0.2175	0.1075	-	0.0050	0.3300
FY2011	-	0.2175	0.1075	-	0.0050	0.3300
FY2012	-	0.2175	0.1075	-	0.0050	0.3300
FY2013	-	0.2175	0.1075	-	0.0050	0.3300
FY2014	-	0.2175	0.1075	-	0.0050	0.3300
FY2015	-	0.1825	0.1075	0.0350	0.0050	0.3300
FY2016	-	0.1925	0.1075	0.0350	0.0050	0.3400
FY2017	-	0.1925	0.1075	0.0350	0.0050	0.3400
FY2018	-	0.1925	0.1075	0.0350	0.0050	0.3400

The following table shows the use of motor fuel tax revenue in FY2018:

Motor Fuel Tax Use (FY2018)	Revenue	Percent of total revenue
DOT	\$78.4	53.1%
Transit Operations (RIPTA/DHS)	42.0	28.5%
GARVEE Debt Service (DOT)	9.1	6.2%
Turnpike and Bridge	2.3	1.5%
UST Fund	15.9	10.8%
Total - Estimated¹	\$147.7	100.0%

\$ in millions.

¹ Includes \$8.7 million Carry Forward Balance

Source: Budget Office

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, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) was a multi-year federal transportation funding authorization bill that mapped out the federal allocations and priorities for the distribution of Highway Trust Fund dollars. According to the Government Accounting Office (GAO), since FY2005, Rhode Island received the third highest amount of Federal Highway funding for each dollar in federal fuel tax collected (\$2.96), behind only Washington D.C. and Alaska.

Ten extensions of SAFETEA-LU were enacted, ranging from three to six months at a time, and in June 2012, Congress approved a new two-year transportation authorization called "Moving Ahead for Progress in the 21st Century (MAP-21)." Although an improvement over the short-term extensions of SAFETEA-LU, the two-year authorization was still too short to do effective long-term planning based on the availability of future federal resources.

An impending shortfall of the fund was expected to occur in September 2014, however the United States Congress and ultimately the President approved a nearly \$11.0 billion short-term fix to address the looming

shortfall and extend surface transportation programs through May 31, 2015. Congress approved an additional 2-month extension, extended the program through July 31, 2015.

On December 4, 2015, the Fixing America's Surface Transportation (FAST) Act was signed into law authorizing Federal Highway, highway safety, transit, and rail programs for five-years from FFY2016 through FFY2020. The FAST Act provides Rhode Island with an average of \$229.8 million annually, an additional \$102.7 million in Federal Highway funding over the next five years, relative to the MAP-21.

Providence to Newport Ferry

In FY2017, RIDOT piloted a nine-week ferry service from Providence to Newport that ran seven days a week through Labor Day. The pilot was made possible through a \$500,000 federal Congestion Mitigation and Air Quality Improvement grant (CMAQ). RIDOT contracted with New Jersey-based SeaStreak, the operator of the New Bedford-to-Martha's Vineyard ferry, to be the ferry operator. Over 30,000 trips were made during the pilot. According to the Department, RIDOT will once again use CMAQ funding to expand upon the pilot in the summer of 2017 (FY2018). The new season will run from June 16th to September 30th, 40 days longer than the 2016 season. Also in the 2017 season, the ferry will offer 4 trips on weekdays and 5 trips on weekends, as compared to 3 trips on weekdays and 4 trips on weekends in 2016.

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	FY2016 Actual	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Enacted	Change from Enacted	
Federal Funds	\$6.0	\$6.6	\$8.7	\$2.1	31.6%	\$6.8	\$0.1	2.2%
Other Funds	2.2	2.6	4.6	2.0	77.6%	4.8	2.2	85.0%
Total	\$8.1	\$9.2	\$13.3	\$4.1	44.6%	\$11.6	\$2.4	25.5%

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

Other funds increase by \$2.2 million due primarily to personnel salaries and benefits (\$389,505).

Federal funds within Central Management increase by a net of \$145,757 in FY2018, reflecting changes in several federal grants. The table on the following page summarizes these changes.

Federal Grant	FY2017	FY2018	Change from Enacted	
	Enacted	Enacted		
Fatality Analysis Reporting System	\$40,000	\$40,000	\$0	0.0%
Min. Penalties for Repeat Offenders DWI or DUI	898,483	912,981	14,498	1.6%
NHTSA ¹ - Alcohol Impaired Driving Countermeasures	300,000	300,000	-	0.0%
NHTSA - Child Safety and Booster Seat Incentive	50,000	50,000	-	0.0%
NHTSA - Fatality Report/Seatbelt Use/Repeat DUI	-	-	-	0.0%
NHTSA - Grant to Prohibit Racial Profiling	-	-	-	0.0%
NHTSA - Map-21 405 Funds	2,090,068	2,205,490	115,422	5.5%
NHTSA - Motorcyclist Safety Grant	50,000	5,000	(45,000)	-90.0%
NHTSA - Occupant Protection Incentive Grant	54,040	-	(54,040)	-100.0%
NHTSA - State and Community Highway Safety Program	2,053,031	2,167,908	114,877	5.6%
NHTSA - State Traffic Safety Infm. Syst.	500,000	500,000	-	0.0%
Primary Seat Belt Law	575,000	575,000	-	0.0%
Total	\$6,610,622	\$6,756,379	\$145,757	2.2%

¹ NHTSA - National Highway Traffic Safety Administration

The grant for Minimum Penalties for Repeat Offenders DWI or DUI is now begin managed by the FHWA, instead of the NHTSA; consequently, the funding now appears in a different account. These funds continue to be used for structural safety projects and data collection.

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	FY2016 Actual	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Enacted	Change from Enacted	
Federal Funds	\$248.1	\$265.8	\$264.3	(\$1.5)	-0.6%	\$278.6	\$12.8	4.8%
Other Funds	84.6	102.0	114.0	12.1	0.1	117.6	15.6	15.3%
Restricted Receipts	2.9	0.2	3.6	3.4	1903.2%	3.2	3.0	1657.9%
Total	\$335.6	\$367.9	\$381.9	\$14.0	3.8%	\$399.4	\$31.4	8.5%

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

The Budget provides \$399.4 million in total funding for the Infrastructure-Engineering Program in FY2018, a 8.5 percent increase over the FY2017 Budget as Enacted. This increase includes a net \$12.8 million increase in federal funds, a \$15.6 million increase in other funds, and \$3.0 million in additional restricted receipts.

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. In the first quarter of FY2017, both the Federal Highway Administration and the Federal Transit Administration gave final approval to Rhode Island's 10 Year Plan, making it one of only three states with one.

On December 4, 2015, the President signed the Fixing America's Surface Transportation Act (FAST Act) providing long-term funding certainty for surface transportation. Under the FAST Act, Rhode Island is projected to receive an average of \$20.5 million more annually from FFY2016-FFY2020 than under the previous federal authorization.

The Budget allocates \$136.0 million in federal funds for highway improvement projects, ranging from the bridge engineering and construction to pedestrian and bicycle improvement projects.

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-way; coordinates and schedules paving and crack-sealing; works with local communities to advance joint projects; and maintains all highway lighting and signage.

	FY2016	FY2017	FY2017	Change from	FY2018	Change from	
Infrastructure-Maintenance	Actual	Enacted	Revised	Enacted	Enacted	Enacted	
Other Funds	\$50.0	\$98.3	\$124.8	\$26.5	\$100.2	\$1.9	1.9%

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

The FY2018 Budget provides a \$1.9 million increase within the Infrastructure-Maintenance Program. This is the result of adjustments, made under Article 4 of the Budget, to the phase in schedule of the transfer of DMV fees to the State's Highway Maintenance Account (HMA). The HMA was established under the Transportation Investment and Debt Reduction Act of 2011 and is funded via surcharges associated with licenses, vehicle registrations, inspection stickers, titles, and other related fees. These funds pay for projects that appear in the State's Transportation Improvement Program (TIP).

Article 4 adjusts the phase-in schedule for transferring of all vehicle license and registration fees from the general fund to the State Highway Maintenance Account (HMA). The original schedule called for 25.0 percent of the fees to be transferred during FY2016, 75.0 percent during FY2017, and all fees in FY2018 and beyond. Article 4 retains 25.0 percent more of the fees in FY2017 for the general fund and 20.0 percent more in FY2018. The complete transfer of funds is delayed until FY2019. These adjustments result in \$13.0 million less in the HMA in FY2017 and \$9.4 million less in FY2018.

Rhode Island Highway Maintenance Account Fee Deposit Schedule

Fiscal Year	Current law % of fees deposited	Article 4 % of fees deposited
FY2016	25%	25%
FY2017	75%	50%
FY2018	100%	80%
FY2019 and thereafter	N/A	100%

The Budget provides \$26.1 million in personnel costs in FY2018, an increase of \$2.7 million than the FY2017 Budget as Enacted. This recommendation includes a change in both the number and classification mix of the staff within the infrastructure and maintenance

program. These include 14.0 additional Bridge Maintenance Workers, 2.0 Electrical Inspectors, 3.0 new Road Maintenance Supervisors, 6.0 Highway Maintenance Operator II FTE positions, and 1.0 Chief Civil Engineer to support design efforts for road and bridge maintenance.

The Budget includes \$17.2 million in total other funds for winter maintenance in FY2018, a decrease of \$1.7 million as compared to the enacted level. This appropriation remains above the \$14.5 million average cost of the winter maintenance operations from FY2012 to FY2016.

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.

	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
Management and Budget	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Other Funds	\$1.4	\$3.0	\$4.1	\$1.1	36.2%	\$2.9	(\$0.1)	-2.2%
Total	\$1.4	\$3.0	\$4.1	\$1.1	36.2%	\$2.9	(\$0.1)	-2.2%

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

The Management and Budget program is funded through motor fuel tax proceeds, without federal funding. The Budget includes \$2.9 million in gas tax revenues for the program, representing a \$66,843 reduction as compared to the enacted level. This decrease is associated with the shifting of personnel costs to the Infrastructure and Maintenance program.

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.

T.F. Green Airport Improvements: The Budget includes \$2.0 million of RICAP funds for FY2018 for improvements at T.F. Green Airport. These funds will be used to expand the Federal Inspection Services Facility to support new international flights and for improvement to Runway 16/34

Maintenance Facility Improvements: The Budget includes \$2.0 million in Rhode Island Capital Plan (RICAP) funding through FY2022 to repair and renovate existing state highway maintenance facilities. Projects include the conversion of the Belleville maintenance facility's heating system from oil to natural gas, bathroom renovations at the Glocester Maintenance Facility, and roof repairs at the Little Compton Maintenance Facility. Additionally, funds will be used to move an existing fuel pump from the Lincoln to the Smithfield facility.

Portsmouth Facility: The Budget shifts \$1.1 million in RICAP funds from FY2018 and FY2019 to FY2017 based on the anticipated completion of the Portsmouth Maintenance Facility.

Salt Storage Facilities: The Budget includes \$2.0 million of RICAP funding in FY2017 and \$1.8 million in FY2018 to construct covered salt storage facilities across the state where salt is currently stored uncovered. Demolition of the old facilities is underway (five locations have been closed to date) and construction of new salt storage facilities at Dillon's Corner (Narragansett) and the former Lincoln Maintenance Facility

have begun. Future projects include salt storage facilities in East Providence, Pawtucket, Newport, and Portsmouth.

Vehicle Equipment Replacement Plan: The Budget includes \$14.0 million in RICAP funds, along with \$14.5 million in motor fuel tax revenue through FY2022 for the purchase or lease of heavy trucks, sweepers, loaders, backhoes, and tractors to replace aging equipment in the Maintenance Division. This funding will allow RIDOT to follow a structured replacement plan, which has been developed by the Department, to replace its aging fleet. According to the Department, more than 50.0 percent of its fleet and equipment was purchased before 2003.

Train Station Maintenance and Repairs: The Budget includes \$2.0 million in RICAP funds through FY2022 for major capital repairs, including HVAC and roofing repairs at train stations in Woonsocket, South Kingstown, and Westerly.

Rhode Island Public Transit Authority

Revenues by Source	FY2016	FY2017	FY2017	Change from		FY2018	Change from FY2017	
	Actual	Enacted	Revised ¹	FY2017 Enacted		Board	Enacted	
Motor Fuel Tax	\$44.1	\$44.0	\$43.5	(\$0.5)	-1.2%	\$43.4	(0.0)	-0.1%
Passenger Revenue	20.9	23.8	22.6	(1.2)	-5.0%	25.8	3.2	14.2%
Special Revenue	0.8	1.2	0.9	(0.3)	-28.6%	0.8	(0.1)	-10.6%
Other Revenue	10.4	11.0	11.0	0.0	0.1%	14.4	3.4	30.5%
Federal Funds	23.8	24.7	33.4	8.7	35.3%	43.9	10.5	31.5%
Department of Human Services	0.8	-	1.0	1.0	-	1.0	(0.0)	-0.3%
State Highway Fund Revenues	2.7	4.0	4.5	0.5	11.7%	4.3	(0.2)	-4.5%
General Revenue Appropriation	2.0	-	0.9	0.9	-	-	(0.9)	-100.0%
Total	\$105.5	\$108.7	\$117.8	\$9.1	8.4%	\$133.6	\$15.8	13.4%
Expenditures by Category								
Salaries, Wages, and Benefits	\$73.5	\$74.9	\$74.9	(\$0.0)	0.0%	\$75.8	\$0.9	1.2%
Contract Services	8.9	11.2	12.6	1.4	12.1%	19.2	6.6	52.9%
Operating Costs	15.1	15.4	21.2	5.8	37.7%	29.7	8.5	40.3%
Utilities	1.8	2.0	1.8	(0.2)	-9.1%	1.8	(0.0)	-1.0%
Insurance and Settlements	4.4	5.1	6.0	0.9	17.4%	6.4	0.4	6.7%
Capital Match	-	0.1	0.4	0.3	297.5%	0.3	(0.1)	-16.9%
Revolving Loan Fund	-	0.7	0.5	(0.2)	-34.3%	0.7	0.2	43.8%
Debt Service	-	-	-	-	-	1.6	1.6	-
Self-Insurance Reserve	-	0.3	0.3	(0.1)	-16.7%	0.3	-	-
Other	0.0	-	0.0	0.0	-	0.0	-	-
Total	\$103.7	\$109.7	\$117.6	\$7.9	7.2%	\$135.8	\$18.2	15.5%
Surplus/(Deficit)	\$1.8	(\$1.0)	\$0.2			(\$2.2)		
Authorized FTE Levels	817.0	818.0	831.0	13.0	1.6%	838.0	7.0	0.8%

¹ The FY2017 Revised Budget and FY2018 Recommended Budget was approved by the Board on September 26, 2016, and assumes that the Senior/Disabled fare revenue does not commence until January 2017, with general revenues offsetting the delay.
\$ 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 FY2018

The FY2018 Budget approved by the Board for submission to the State Budget Office reflected a deficit of \$2.2 million.

Passenger revenue increases by \$3.2 million in FY2018 from the FY2017 Revised Budget, and reflects the implementation of the new fare structure that started on July 1, 2017.

Article 4 of the Budget provides RIPTA with \$5.0 million in Rhode Island Highway Maintenance Funds in both FY2018 and FY2019 to fund the free-fare program for low-income seniors and disabled persons. A coordinating council must be created to develop recommendations for the sustainable funding of the

program while maximizing the use of federal funds available to support the transportation needs of this population.

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, 2016, is \$55.5 million.

Article 21 Funding: The FY2015 Budget as Enacted included a provision that RIPTA would receive 5.0 percent of available proceeds from revenue deposited into the Rhode Island Highway Maintenance Account (HMA) beginning in FY2016. RIPTA's share of this account was \$4.0 million in FY2017. For FY2018, RIPTA expects its share of this account to increase by \$353,750 to \$4.3 million as the percentage of motor vehicle related fees transferred into the HMA increases from 75.0 percent to 100.0 percent.

Fare Changes/Reduced Fare Program

In 2015 RIPTA conducted a comprehensive study that reviewed all fare products offered to customers as well as the rates that are charged. The goals of the fare study were to simplify fare products; improve reliability of fare media; introduce needed products; make boarding a bus fast, convenient and reliable; implement new fare technologies; and maximize revenue and ridership. Without the new fare structure, RIPTA faced projected operating deficits of approximately \$2.6 million in FY2016 and \$4.4 million in FY2017, and each year thereafter.

New Fare Structure: Based on the study's recommendations, the RIPTA Board adopted a new fare structure in December 2016. Implementation of the changes is being done in phases. The changes and their implementation dates are summarized here:

New Fare Structure - Implementation						
Fare Product	Full Fare			Reduced Fares¹		
	Previous	New	Effective Date	Previous	New	Effective Date
Cash						
Base Fare	\$2.00	\$2.00	7/1/2016	\$0.00	\$0.50	February, 2017
Transfer	0.50	1.00	7/1/2016	0.00	0.25	February, 2017
Smart Card	n/a	n/a		n/a	n/a	
Trip-Based						
RIPTIKs	20.00	discontinue	7/1/2016	n/a	n/a	
15-Ride Pass	26.00	discontinue	7/1/2016	n/a	n/a	
10-Ride Ticket	n/a	n/a		0.00	5.00	February, 2017
Time-Based						
Day Pass	6.00	6.00	3/1/2016	n/a	n/a	n/a
7-Day Pass	23.00	25.00	3/1/2016	n/a	n/a	n/a
Monthly Pass	62.00	70.00	3/1/2016	n/a	n/a	n/a

¹ The Reduced Fare program was originally supposed to take effect in July 2016. The General Assembly appropriated \$900,000 to RIPTA to extend the Free Fare program until January 2017. RIPTA delayed implementation until February 2017.

Free Fare Program Changes: The Reduced Fare program was originally supposed to begin in July 2016. Previously, eligible low-income seniors and disabled persons had their rides fully subsidized under RIPTA's Free Fare program. RIPTA indicated that the program supported approximately 5.0 million trips per year at an unsubsidized cost of around \$3.4 million. \$2.5 million from the State's fuel tax revenue annually went towards the program. The Free Fare program contributed significantly to the operating deficits noted above. With an estimated \$1.7 million in direct fare box revenue if fully in place in FY2017, the Reduced Fare model was expected to help alleviate the operating deficit. However, transitioning the Free Fare program was effectively delayed for seven months when the General Assembly appropriated

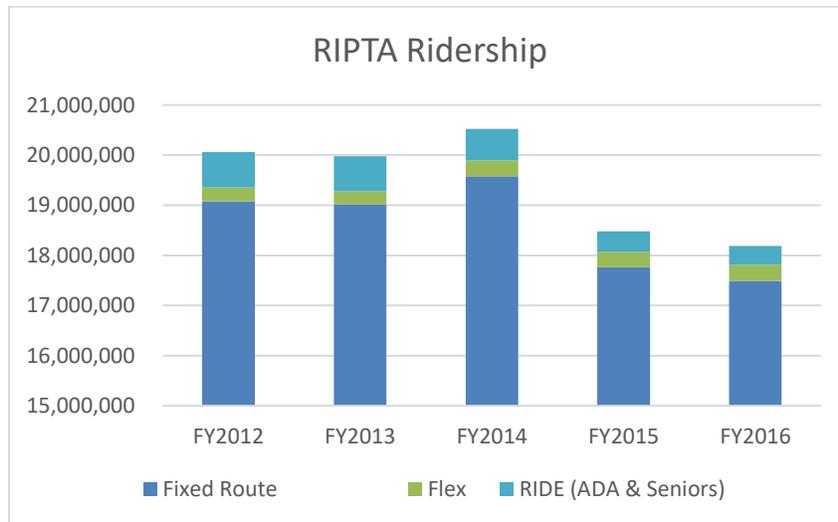
\$900,000 to RIPTA for the program in the FY2017 Budget as Enacted. These funds are not available in FY2018. The Reduced Fare program began in February 1, 2017.

Under Article 4, the Budget provides the Rhode Island Public Transit Authority (RIPTA) with \$5.0 million in Rhode Island Highway Maintenance Funds in both FY2018 and FY2019 to fund the free-fare program for low-income seniors and disabled persons. The free fare program is estimated by RIPTA to cost \$3.4 million. Additionally, the Budget shifts \$1.6 million in RIPTA debt service payments back to the Authority. RIPTA also must establish a coordinating council to develop recommendations for the sustainable funding of the program while maximizing the use of federal funds available to support the transportation needs of this population. The recommendations are to be provided to the Governor and General Assembly by November 1, 2018.

Ridership

RIPTA offers three types of transit service: fixed route service, which consists primarily of regular bus service on established routes; Flex service, which provides van transportation within a limited geographic area; and the RId program, which provides transportation to eligible senior citizens and individuals with disabilities.

In FY2016, RIPTA’s total ridership was 18.2 million passengers, a net decrease of 1.6 percent from FY2015. The largest decrease, 7.2 percent, was in RId senior and disabled transportation program. The following table shows ridership, by category, for RIPTA for FY2012 through FY2016.



Analyst Note: According to RIPTA, the 11.0 percent decline in ridership between FY2014 and FY2016 is related to the hiring of LogistiCare by the State in 2014, which had a strong impact on both the fixed route and RId. Prior to this RIPTA served as both the broker of ADA services and as a provider. LogistiCare has been the designated broker since FY2014 and shifted trips away from RId as a provider. For business reasons RIPTA decided to cease being a LogistiCare provider in FY 2017. Also, impacting ridership during FY2016 was the requalification of Senior/Disabled Pass holders as part of the implementation of the new fare structure. The process identified riders who either no longer were interested in the program or who were no longer eligible.

SELECTED CAPITAL PROJECTS

The Governor recommends \$105.3 million in capital expenditures, of which \$9.1 million is Rhode Island Capital Plan (RICAP) funded and \$96.2 million is funded by the Federal Transit Administration (FTA) and other federal funds, between FY2017 and FY2022, including the following:

Bus Purchases: RIPTA has a fixed route fleet of 235 fixed route vehicles, including 206 fixed route buses, 10 fixed route trolleys, and 19 flex zone buses (less than 30 feet long). During FY 2017, RIPTA has retired 15 buses that were put into service in 2004 and 9 buses that were put into service in 2005. These vehicles were replaced with 24 new, fuel-efficient buses, which are equipped with emission control devices devised to meet EPA guidelines for Clean Air standards.

In FY 2018, RIPTA will purchase 29 buses and will retire the remaining 2005 fleet. The local required match of 20.0 % for this vehicle purchase is currently budgeted to come from RIDOT using the Highway Maintenance account. Prior budgets funded this match using RICAP after RIPTA's portion of the State Fleet Replacement Revolving Loan fund became exhausted. Vehicles were determined to be an ineligible use of RICAP funds and was pulled from the budget resulting in the replacement of the remaining 2005 fleet to be delayed.

The Budget includes \$11.6 million in FY2017, including \$9.4 million in FTA funds and \$2.2 million from the State Fleet Replacement Fund; in FY2018 the Budget includes \$12.8 million for bus purchases including \$12.5 million in FTA funds and \$273,496 from the State Fleet Replacement Fund.

Paratransit Vehicles: RIPTA maintains a fleet of 111 vehicles for the paratransit program, also known as RId. FTA guidelines recommends that Paratransit vehicles should be retired at the end of their 5-year useful life. In spite of uncertainties within the paratransit program, the age of the Paratransit fleet requires the continued replacement of vehicles that are past their useful life.

Paratransit vehicles are funded via a fee charged for all trips provided by the paratransit program. The proceeds from this fee are put into the Paratransit Revolving Loan fund, an internal RIPTA mechanism which funds the match for paratransit vehicles. Proceeds from this fee have fallen as the trip volume under the program have been reduced. RIPTA continues to review this funding mechanism to determine the long-term impact on paratransit fleet replacement.

The Budget includes \$1.4 million in both FY2017 and FY2018 for Paratransit bus purchases. The FTA pays 80.0 percent of each vehicle replacement cost and RIPTA pays a 20.0 percent local match from its revolving loan fund.

Farebox Upgrade: The Budget provides \$5.5 million in FY2018 to upgrade RIPTA's vehicle fareboxes from a mechanical process to a digital process. The project is an extension of the recommendations of the fare study conducted by RIPTA in FY2015. The project will be financed using \$4.4 million in Federal Transit Administration Funds and \$1.1 million in RIPTA operating funds.

Mass Transit Hub Infrastructure

RIPTA, in partnership with the Rhode Island Department of Transportation (RIDOT) is combining state and federal dollars to improve transit capacity, improve rail services at Providence Station, establish intermodal connections, and support economic development. These funds include a \$35.0 million general obligation bond authorization approved by the voters in the November 2014 general election and a \$650,000 Transportation Investment Generating Economic Recovery (TIGER) awarded in FY2014 from the U.S. Department of Transportation.

The infrastructure improvements will consist of three major transit projects:

- Decentralization of RIPTA layovers by transitioning from one downtown Providence hub (Kennedy Plaza) into two planned transit centers: the Providence Station Transit Center (north downtown), adjacent to Providence Train Station, serving over 20+ routes; and the Hospital hub (south downtown), serving an additional 20+ routes. By decentralizing route termini, routes will be simplified and cover more ground

within downtown, making it easier for riders to get to more places without transferring. Kennedy Plaza, while remaining an important transit center, is planned to become a pedestrian-focused urban space and gateway for visitors, residents and businesses.

- Reprogramming Kennedy Plaza into a “superstop” that would continue to serve most RIPTA routes, but eliminates layovers. Superstops are locations where multiple transit services meet that provide for a convenient transfer between routes and that connect passengers with community activity centers.
- Developing Transit Emphasis Corridors that feature frequent headways, transit signal priority technology, superstops, and potential for dedicated bus and bike lanes.

The funds for these projects have been allocated within the State’s 10-year plan. The plan calls for the State to contribute these funds to a public-private partnership responsible for the planning and construction of the intermodal facility in tandem with complimentary, secondary uses (residential, office, commercial, etc.). The Department of Administration, through its Division of Capital Asset Management and Maintenance, advertised a request for qualifications (RFQ) in July, 2016, as a part of a multi-stage process to identify a public-private partner for the development of the Providence Station Transit Centers. Four responses were received by the September 1, 2016, due date. RIDOT planned to announce the award in the Summer 2017, however, the announcement has been delayed. A new timetable for the announcement is not clear, however, construction was to begin in Fall 2018.



SPECIAL REPORTS

Personnel

The FY2018 Budget as Enacted includes a total of \$1,979.7 million for personnel expenditures, a decrease of \$5.9 million compared to the FY2017 Budget as Enacted, and \$18.3 million less than the FY2017 Revised Budget. Salaries and benefits total \$1,650.9 million and comprise 83.4 percent of FY2018 personnel expenditures (52.1 percent of the salaries and benefits costs are supported by general revenue).

The FY2017 Revised Budget includes \$1,997.9 million for personnel expenditures, an increase of \$12.4 million compared to the FY2017 Budget as Enacted. Salaries and benefits total \$1,625.4 million and comprise 81.4 percent of FY2017 personnel expenditures (53.1 percent of the salaries and benefits costs are supported by general revenue).

PERSONNEL EXPENDITURE TRENDS

Expenditures for salaries in FY2018 total \$1,116.5 million, comprising 56.4 percent of total personnel costs, an increase of \$3.7 million (0.3 percent) from the FY2017 Budget as Enacted, reflecting an increase in the number of filled FTE positions and salary inflation. Total benefit costs, excluding assessed fringed benefits and other costs, amount to \$534.4 million and comprise 27.0 percent of total personnel costs. Benefits increase \$10.3 million (2.0 percent) from the FY2017 Budget as Enacted, reflecting the 11.2 percent year over year increase in medical plan costs. Purchased services costs are \$279.6 million (14.1 percent) of the total personnel costs. Purchased services decrease \$21.5 million (-7.1 percent) from the FY2017 Budget as Enacted.

Expenses by Description	FY2016	FY2017	FY2017	FY2018	% of		
	Actual	Enacted	Revised	Enacted	Total	Change to Enacted	
Salaries	\$1,066.8	\$1,112.8	\$1,103.4	\$1,116.6	56.4%	\$3.8	0.3%
Benefits	480.9	524.1	522.0	534.4	27.0%	10.3	2.0%
Purchased Services	339.5	301.1	324.9	279.6	14.1%	(21.5)	-7.1%
Assessed Fringe Benefits	39.6	42.5	41.6	41.3	2.1%	(1.2)	-2.8%
Other	5.3	5.0	6.0	7.8	0.4%	2.8	56.0%
Total	\$1,932.1	\$1,985.5	\$1,997.9	\$1,979.7	100.0%	(\$5.8)	-0.3%

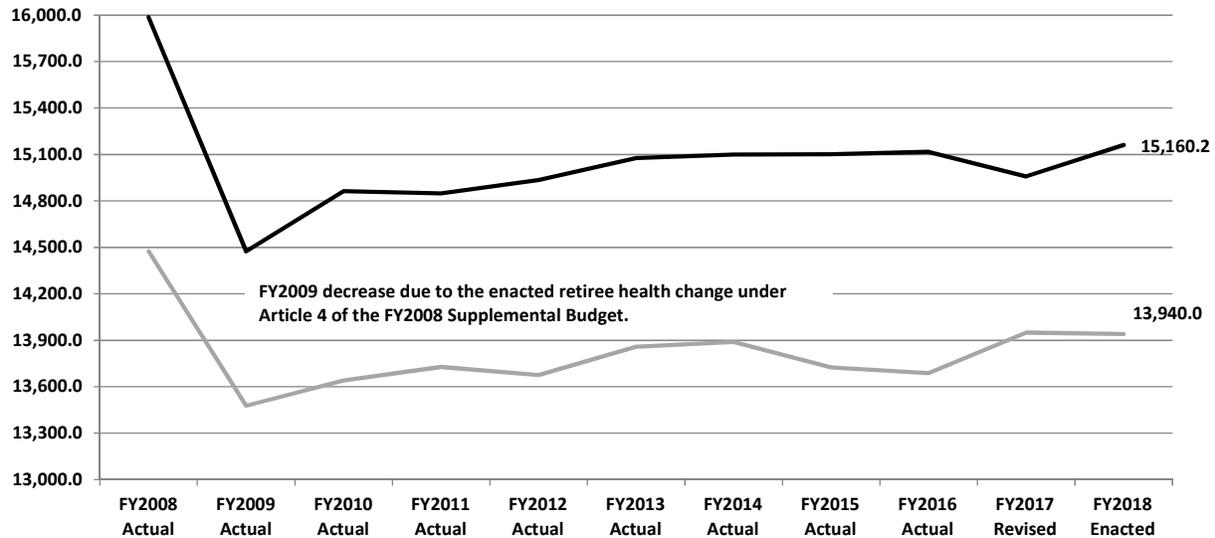
\$ in millions. Totals may vary due to rounding.

Expenses by Function	FY2016	FY2017	FY2017	FY2018	% of Pers.	FY2018	FY2018
	Actual	Enacted	Revised	Enacted	Budget	General Revenue	General Revenue %
General Government	\$273.0	\$285.9	\$295.7	\$266.1	13.4%	\$149.9	56.3%
Human Services	518.6	489.4	492.6	472.1	23.8%	202.2	42.8%
Education	577.9	611.8	611.5	627.0	31.7%	167.0	26.6%
Natural Resource	54.7	63.5	66.7	63.0	3.2%	32.9	52.2%
Public Safety	400.2	415.6	420.9	425.8	20.6%	389.7	91.5%
Transportation	107.7	119.3	110.6	125.7	6.3%	-	-
Total	\$1,932.1	\$1,985.5	\$1,998.0	\$1,979.7	100.0%	\$941.7	47.6%

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

FTE POSITIONS

The FY2018 Budget as Enacted authorized 15,160.2 FTE positions. At the end of FY2017, 13,940.0 FTE positions (93.2 percent of the original enacted authorized amount) were filled, leaving 1,012.6 FTE positions vacant.



The following table illustrates the number of FTE positions by government function.

Government Function	FY2017 Enacted	FY2017 Revised	Change to Enacted	FY2018 Enacted	% of Total	Change to Enacted
General Government	2,342.7	2,344.7	2.0	2,365.9	15.6%	23.2
Human Services	3,619.6	3,618.6	(1.0)	3,715.6	24.5%	96.0
Education	3,909.9	3,908.9	(1.0)	3,924.9	25.9%	15.0
Public Safety	3,205.6	3,211.0	5.4	3,210.0	21.2%	4.4
Natural Resources	428.0	429.0	1.0	429.0	2.8%	1.0
Transportation	701.0	701.0	-	775.0	5.1%	74.0
Subtotal	14,206.8	14,213.2	6.4	14,420.4	95.1%	213.6
Sponsored Research	745.8	745.8	-	739.8	4.9%	(6.0)
Total FTE Positions	14,952.6	14,959.0	6.4	15,160.2	100.0%	207.6

FY2017: The FY2017 Revised Budget authorizes 14,959.0 FTE positions, a net increase of 6.4 FTE positions from the FY2017 Budget as Enacted. Major FTE changes include:

- An increase of 5.4 FTE positions in the Department of Public Safety:** The FY2017 Budget as Enacted authorized a total of 610.2 FTEs across all divisions at the Department of Public Safety. This is 23.0 FTE positions less than the Department was authorized for in FY2016. DPS did not fully implement this reduction, however, and only identified 17.6 FTE positions for elimination during FY2017. The Budget does not include the 1.0 Commissioner of Public Safety position, recommended to be added by the Governor in the FY2017 supplemental budget.
- An increase of 4.0 FTE positions in the Department of Business Regulation:** The Budget includes a net increase of 4.0 FTE positions. The increase is associated with several personnel changes that were recommended by the Governor. These positions include 1.0 Senior Management & Methods Analyst FTE position in Central Management, 3.0 Bank Examiner FTE positions in Banking Regulation, 3.0 Insurance Examiner, 1.0 Senior Insurance Examiner and 1.0 Licensing Aide position in Insurance

Regulation. However, the Budget eliminates 5.0 vacant but unspecified FTE positions in the Department of Business Regulation.

- **A decrease of 1.0 FTE position in the Office of the General Treasurer:** The Budget includes a decrease of 1.0 FTE position reflecting the elimination of the Director of Member Services position for the CollegeBoundSaver Program, which was not funded in the enacted budget.
- **A decrease of 1.0 FTE position in the Office of Health and Human Services:** The Budget transfers 1.0 FTE position, an Interdepartmental Manager, to a vacant position within the Governor's Office.
- **A decrease of 1.0 FTE position in the Department of Children, Youth, and Families:** The Budget transfers 1.0 FTE position, an Interdepartmental Manager, to a vacant position within the Governor's Office.
- **An increase of 1.0 FTE position in the Office of Child Advocate:** The Budget adds 1.0 federally-funded Case Management Coordinator position in FY2017.
- **A decrease of 1.0 FTE position in the Historical Preservation and Heritage Commission:** The Budget includes a decrease of 1.0 FTE position to account for the transfer of the Eisenhower House Events Coordinator to the Department of Environmental Management.
- **An increase of 1.0 FTE position at the Department of Environmental Management:** The Budget includes 1.0 FTE position transferred from the Historical Preservation and Heritage Commission for the management of the Eisenhower House.

FY2018: The FY2018 Budget as Enacted authorizes 14,999.2 FTE positions, a net increase of 46.6 FTE positions from the FY2017 Budget as Enacted, and an increase of 40.2 FTE positions from the FY2017 Revised Budget. The major changes include:

- **An increase of 106.0 FTE positions in the Office of Health and Human Services:** The Budget transfers 90.0 FTE positions from the Department of Human Services (DHS), Department of Children, Youth, and Families (DCYF), the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH), and the Department of Health (DOH) to consolidate finance staff within the Executive Office of Health and Human Services. The consolidation will allow for coordination among finance departments by centralizing staff at EOHHS office space. The financing for the FTE positions will remain in the respective departments to maximize federal financing participation. The Budget also adds 16.0 FTE positions to the Office of Health and Human Services to support the Unified Health Infrastructure Project (UHIP).
- **An increase of 74.0 FTE positions in the Department of Transportation (DOT):** The Budget increases DOT's authorized level of FTE positions in FY2018 to 775.0, 74.0 positions more than the FY2017 enacted level. This increase consists of the following new positions: 2.0 Assistant Administrative Officers, 14.0 Bridge Maintenance Workers, 1.0 Chief Civil Engineer for Road Design, 1.0 Civil Engineering Associate, 1.0 Highway Maintenance Operator I, 6.0 Highway Maintenance Operator II, 1.0 Planner, 1.0 Principal Civil Engineer, 3.0 Road Maintenance Supervisors, 1.0 Supervising Environmental Scientist, 2.0 Electrical Inspectors, 1.0 Engineering Technician, 1.0 State Traffic Safety Engineer, 1.0 Communications Director, 1.0 Legislative Director, 1.0 Policy Director, 1.0 Administrative Assistant Officer, 28.0 Project Managers, 1.0 Administrator of Transit (New Starts), 1.0 Administrator of Stormwater Management, 1.0 Manager (Construction Management), 1.0 Manager (In-House Design), 1.0 Chief Engineer for Infrastructure, 1.0 Administrator (Division of Planning), and 1.0 State Highway Maintenance Operations Engineer.
- **An increase of 44.0 FTE positions in the Department of Human Services:** The Budget includes a net increase of 44.0 FTE positions in FY2018. There is an increase of 83.0 FTE positions to support the Unified Health Infrastructure Project (UHIP). The Budget shifts 39.0 finance positions to EOHHS.

This consolidation of finance staff will allow for coordination among finance departments by centralizing staff at EOHHS office space; however, the financing for the FTE positions will remain in the Department of Human Services to maximize federal financing participation.

- **A decrease of 33.0 FTE positions in the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH):** The Budget transfers 33.0 FTE positions from BHDDH to consolidate finance staff within the Executive Office of Health and Human Services. The consolidation will allow for coordination among finance departments by centralizing staff at EOHHS office space. The financing for the FTE positions will remain in BHDDH to maximize federal financing participation.
- **An increase of 19.2 FTE positions in the Department Labor and Training:** There is a net increase of 19.2 FTE positions within the Department of Labor and Training. The following positions are added in the FY2018 Budget: 14.2 FTE positions within the Income Support Program associated with claims processing services; 1.0 FTE position associated with the Real Jobs Rhode Island workload within Workforce Development Services; 1.5 FTE positions within Central Management, including 1.0 Administrative Officer and 0.5 Legal Counsel; 1.0 Investigative Auditor and 1.0 Senior Monitoring and Evaluation Specialist to augment existing staff to create the Compliance and Integrity Unit; 1.0 Principal Research Technician to meet the demands of the State Workforce and Education Alignment Project (SWEAP) funded by a grant from the National Skills Coalition; 1.0 Assistant Coordinator of Employment and Training Programs for the LEAP (Linking to Employment Activities Pre-release) program, which provides employment services for formerly incarcerated individuals; 1.0 Assistant Chief of Planning, a new position created to meet the demands within the Governor's Workforce Board. Additionally, in FY2018 there is a decrease of 2.5 FTE positions within the Board of Review, including 2.0 Referees and 0.5 Lawyer.
- **An increase of 16.0 FTE positions in Public Higher Education:** The Budget includes 10.0 new FTE positions for the administrative staff at the newly created Nursing Education Center. The Budget also shifts 6.0 FTE positions from Sponsored Research to Rhode Island College (RIC). The College Access Grant for the Learning for Life program has expired; however, RIC is continuing the program with college funds. Since the sponsored research positions will no longer be supported with third-party funds, the positions are reflected in the college cap.
- **A decrease of 13.0 FTE positions in the Department of Children, Youth, and Families:** The Budget transfers 13.0 FTE positions from the Department of Children, Youth, and Families (DCYF) to consolidate finance staff to the Executive Office of Health and Human Services. The consolidation will allow for coordination among finance departments by centralizing staff at EOHHS office space. The financing for the FTE positions will remain in DCYF to maximize federal financing participation.
- **A decrease of 12.0 FTE positions in the Department of Administration:** The Budget removes 18.0 FTE positions, including 4.0 FTE position in the Division of Capital Asset Management and Maintenance, 4.0 FTE positions proposed for Human Resources, 3.0 FTE positions in the Contractors' Registration Board, 2.0 FTE position with the State Building Code Commission, 2.0 FTE positions within the Office of Management and Budget, 1.0 position in the Office of Regulatory Reform, 1.0 FTE position in the Office of Energy Resources, and the 1.0 Administrator position. Offsetting the reductions, the Budget merges 5.0 FTE positions from the Department of Public Safety into the information technology (1.0 FTE position) and human resource (4.0 FTE positions) service centers consolidated in the Department of Administration, and restores the 1.0 Director for Cybersecurity position that the Governor intended to transfer to the Department of Public Safety.
- **An increase of 10.0 FTE positions in the Department of Revenue:** The Budget includes a net increase of 10.0 FTE positions, reflecting an increase of 6.0 FTE positions to reduce wait times at the Registry

of Motor Vehicles. Additionally, the Division of Taxation adds 4.0 FTE positions related to the implementation of State Tax Administration and Revenue System (STAARS).

- **A decrease of 10.0 FTE positions in the Department of Health:** The Budget includes a reduction of 10.0 FTE positions in the Department of Health. The reduction includes 1.0 FTE position to reflect the consolidation of the heads of the Center for Professional Boards and Commissioner and the Center for Professional Licensing into one position; 2.0 FTE positions are transferred to the Office of the Health Insurance Commissioner as part of the consolidation of the utilization review process; Additionally, there is a shift of 7.0 FTE positions to reflect the centralization of finance and human services functions. This consolidation will allow for coordination among finance departments by centralizing staff at EOHHS office space; however, the financing for the FTE positions will remain in the Department of Health to maximize federal financing participation.
- **An increase of 4.0 FTE positions in the Department of Business Regulation:** The Budget includes a net increase of 4.0 FTE positions. The increase is associated with several personnel changes that were recommended by the Governor. These positions include 1.0 Senior Management & Methods Analyst FTE position in Central Management, 3.0 Bank Examiner FTE positions in Banking Regulation, 3.0 Insurance Examiner, 1.0 Senior Insurance Examiner and 1.0 Licensing Aide position in Insurance Regulation. However, the Budget eliminates 6.0 vacant but unspecified FTE positions in the Department of Business Regulation and adds 1.0 FTE position to support the Office of the Health Insurance Commissioner's rate review responsibilities.
- **An increase of 3.0 FTE positions in the Rhode Island Emergency Management Agency:** The Budget adds 3.0 Coordinator Civil Protection relocation positions.
- **An increase of 2.0 FTE position in the Office of the Child Advocate:** The Budget adds a 1.0 Case Management Coordinator position to support the Victims of Crime Act (VOCA) program which provides assistance to victims and their families seeking support through the VOCA. In addition, the Budget adds another 1.0 unidentified FTE position to enhance staffing of the agency.
- **An increase of 1.4 FTE positions in the Department of Public Safety:** The Budget includes a net increase of 1.4 FTE positions for the Department of Public Safety, reflecting the transfer of 4.0 FTE positions to the Department of Administration, the restoration of 4.0 FTE vacant positions, the addition of 2.0 Capitol Police positions funded through rotary accounts, and an offset of 0.6 FTE position for program reduction.
- **An increase of 1.0 FTE position in the Executive Office of Commerce:** The increase reflects the addition of 1.0 Assistant Administrator Financial Management FTE position, within the Central Management program.
- **An increase of 1.0 FTE position in the Office of the General Treasurer:** The Budget includes a net increase of 1.0 FTE position reflecting the addition of 2.0 Retirement Counselors, offset by the elimination of the 1.0 Director of Member Services position for the CollegeBoundSaver Program, which was not funded in the enacted budget.
- **A decrease of 1.0 FTE positions at the Historical Preservation and Heritage Commission:** The Budget shifts a 1.0 FTE position for the management of the Eisenhower House at Fort Adams State Park, from the Historical Preservation and Heritage Commission to the Department of Environmental Management.
- **An increase of 1.0 FTE positions at the Department of Environmental Management:** The Budget adds a 1.0 FTE position for the management of the Eisenhower House at Fort Adams State Park, transferred from the Historical Preservation and Heritage Commission to the Department of Environmental Management.

Revenue

The Budget increases general revenue collections by an estimated \$224.2 million above the November 2015 revenue estimate, including the annually-enacted hospital license fee. The Budget includes \$181.0 million for the fee. New revenue initiatives include a tax amnesty program, an increase in the excise tax on cigarettes, transfers from quasi-public agencies, and an initiative that promotes remote seller sales tax collections.

FY2018 GENERAL REVENUE ADJUSTMENTS

Revenue Changes	FY2018
Hospital Licensing Fee	\$181.0
May 2017 Revenue Estimating Conference	(58.3)
Remote Sellers Sales Tax Collection	37.3
Transfers from Quasi-Public Agencies	29.0
Tax Amnesty	12.5
Motor Vehicle Fund	9.4
Increase Excise Tax on Cigarettes	8.7
Medicaid Adjustments	2.4
Delay in License Plate Reissuance	(1.8)
Sales and Use Tax on Documentation Fees for Vehicles	1.8
Commercial Truck Registrations	0.8
Medical Marijuana Restricted Receipt Surplus	0.7
Attorney General Settlements	0.6
Department of Labor and Training Fee and Penalty Change	0.3
Corporate Tax Payment Schedule	(0.2)
Rent Increase - Public Utilities Commission	0.2
Historic Homeowner Tax Credit	(0.2)
Eisenhower House Revenue	(0.1)
Registration Refunds	0.1
E-Procurement Indirect Cost Recovery	0.1
Seeds - Exemption from Sales Tax	0.0
Total	\$224.2

\$ in millions

Hospital Licensing Fee

\$181.0 million

The Budget increases the hospital licensing fee from 5.625 percent to 5.856 percent upon net patient services revenue of all hospitals except those located in Washington and Newport County, where the license fee is discounted by 37.0 percent.

The fee increase results in an additional \$13.0 million, for total licensing fee revenue in FY2018 of \$181.0 million.

The hospital license fee is a provider tax that the State levies on hospitals. In past fiscal years, it has been used as a mechanism to generate state funds that are then matched with federal Medicaid funds and returned to hospitals for their care for uninsured and indigent individuals through the Disproportionate Share Hospital (DSH) program. The fee is federally-limited to 6.0 percent.

Hospital Licensing Fee Revenue		
Fiscal Year	Rate	Revenue
2008	3.480%	\$73.9
2009	5.473%	121.5
2010	5.314%	124.9
2011	5.465%	135.8
2012	5.430%	138.0
2013	5.331%	138.5
2014	5.418%	145.9
2015	5.703%	155.3
2016	5.862%	169.1
2017	5.625%	168.0
2018	5.856%	181.0

\$ in millions

May 2017 Revenue Estimating Conference**(\$58.3 million)**

The May 2017 Revenue Estimating Conference (REC) decreased FY2018 available general revenues by \$58.3 million. The Conference significantly revised down its November consensus estimates for several of the major tax categories. FY2018 personal income tax collections were down by \$18.9 million from November estimates. FY2018 business taxes were revised down by \$23.8 million and sales and use taxes were reduced by \$3.1 million. These decreases, along with revised adjustments in other revenue sources (i.e. excise taxes, departmental receipts) yielded the overall revenue reduction of \$58.3 million.

Remote Sellers Sales Tax Collections**\$37.3 million**

The Budget includes \$37.3 million in additional revenue based on a new framework designed to capture sales and use taxes by encouraging remote sellers to register, collect, and remit the sales and use tax. Article 8 creates a new statutory framework designed to accomplish this. Rhode Island is adopting a program similar to a Colorado initiative that has withstood U.S. Supreme Court review and is being replicated in states across the country. In January 2017, the major e-commerce company Amazon agreed to collect and remit sales tax to Rhode Island beginning February 1, 2017, essentially complying with the requirements detailed in Article 8. Tax revenue that is being collected from Amazon is included in the estimated \$37.3 million fiscal impact of this article.

The proposal specifically requires remote sellers and other online marketplace retailers to either register, collect, and remit sales/use tax for each transaction, or to do each of the following: post a notice on its website informing Rhode Island purchasers that sales or use tax is due on certain purchases; notify RI purchasers at the time of sale that sales or use tax is due on the product or service purchased; email RI purchasers that sales or use tax is due; and send Rhode Island purchasers an annual notice detailing their cumulative annual purchases from the seller.

These requirements are applicable to those remote sellers that have made a minimum of \$100,000 in annual gross revenue from Rhode Island sales or those that have had 200 or more annual Rhode Island sales transactions.

A minimum penalty of \$20,000 is established for failing to comply with the above requirements. The article also exempts online marketplace retailers that facilitate sales for a seller or retailer that is registered to collect and remit taxes in Rhode Island.

The table below shows the estimated annual impact of the initiative.

Projected Revenue - Remote Sellers Sales Tax Collection

	FY2018	FY2019	FY2020	FY2021	FY2022
Sales/Use Tax from Remote Sellers	\$37.3	\$43.0	\$47.0	\$49.0	\$50.0
\$ in millions					

Source: Office of Revenue Analysis

Transfers from Quasi-Public Agencies**\$29.0 million**

Article 1 transfers \$29.0 million in reserves from five quasi-public agencies to support the General Fund.

Agency	FY2018 Enacted
Electric and Gas Distribution	\$12.5
Health and Educational Building Corporation	6.0
Narragansett Bay Commission	5.0
Infrastructure Bank	3.5
Quonset Development Corporation	1.0
RI Housing	1.0
Total	\$29.0

\$ in millions

Electric and Gas Distribution: The article requires Electric and Gas Distribution Company to transfer \$12.5 million from the 2018 System Reliability and Energy Efficiency and Conservation Procurement Programmatic Budget Plan to State general revenues by June 30, 2018. This fund is generated by a surcharge approved by the Public Utilities Commission and assessed on each Rhode Island National Grid electricity bill. The fund finances several programs that help businesses and homes achieve greater energy efficiency.

Health and Educational Building Corporation: The article requires the Rhode Island Health and Educational Building Corporation (RIHEBC) to transfer \$6.0 million to the State Controller by June 30, 2018. RIHEBC has indicated that the transfer of these funds would severely limit its ability to continue its Financial Assistance program in any significant way.

The Financial Assistance program provides fixed rate loans to institutions for equipment, facility improvements, and real estate. The maximum amount of loans per institution is \$800,000 with a maximum loan term based on the useful life of the project, but in no case, will the term exceed ten (10) years. The program also provides grants to nonprofit institutions for innovative educational or technological projects, feasibility studies, and other healthcare initiatives. In addition, the program provides other assistance such as \$1.0 million to fund the assessment by the School Building Authority to document the conditions of the schools and to help defray the costs associated with administering the School Building Authority Capital Fund, as well as the costs associated with financing school projects for communities.

Narragansett Bay Commission: The article requires the Narragansett Bay Commission (NBC) to transfer \$5.0 million to the State Controller by the end of FY2018. In a letter to the Fiscals Advisors of the House and Senate, dated June 21, 2017, the Chairman of the NBC states that prior analysis presumed that a transfer would have been from current revenues which would have resulted in the need for a rate increase. The Chairman further explains that “[u]pon further consultation with bond counsel and consideration of alternative funding mechanisms, NBC believes that it could utilize certain restricted funds after meeting bonds covenant. In this instance, the specific act of transferring these restricted funds will not trigger a rate increase. However, as we continue with our capital improvement program over time, rate increases will be necessary to accomplish all of the projects we have identified.” The NBC must obtain permission from the Public Utility Commission (PUC) to transfer the funds to the State. According to documents submitted to the Public Utility Commission, the transfer will come from the NBC’s Operating Capital Account and may result in modification to the timing of certain capital improvements.

Infrastructure Bank: The article requires the Rhode Island Infrastructure Bank (RIIB) to transfer \$3.5 million to the State Controller by June 30, 2018. According to the RIIB, since agency leverages its capital with private sector capital in the bond market by four to five times, transferring \$3.5 million would reduce its capacity to invest in local infrastructure projects by \$3.5 million and impair its ability to fully execute its new programs.

RIIB requires capital to execute new programs in Municipal Roads & Bridges, the Efficient Building Fund, and Brownfield Remediation. RIIB is currently focused on funding FY2017 projects in advance of the

Spring/Summer construction period. The State did not contribute capital to RIIB in FY2017 for Municipal Roads & Bridges despite project demand of over \$10.0 million nor has RIIB received state capital to execute the new Brownfield Remediation Fund which is ready to launch. Demand from municipalities, especially schools, for energy efficient and renewable energy projects through the Efficient Building Fund has been strong and RIIB requires capital to make these environmental investments. RIIB continues to see increased demand in the Community Septic System Loan Program (CSSLP) which provides 1.0 percent, long-term loans to homeowners to remediate cesspools or damaged septic systems. The proposed transfer would have a negative impact on RIIB programs and the homeowners and municipalities that benefit from these programs.

Quonset Development Corporation: The Budget requires the transfer of \$1.0 million from the Quonset Development Corporation (QDC). The QDC is a quasi-public agency, established as a subsidiary of the Rhode Island Commerce Corporation which is responsible for the development and management of the Quonset Business Park.

QDC indicates that the transfer will have definite impacts on the Quonset Business Park, particularly as it relates to the maintenance of its aging infrastructure. Most immediately affected will be the repair of Pier 2 at the Port of Davisville. In FY2017 voters approved \$50.0 million in bonds to support this work. The overall costs are \$70.0 million. The \$20.0 million shortfall was to be addressed with \$15.0 million in RICAP funds and \$5.0 million in QDC revenues, spread out over the next five years. The transfer means that QDC will not entirely meet the pier financing shortfall in FY2018.

RI Housing: The article requires Rhode Island Housing and Mortgage Finance Corporation (RI Housing) to transfer \$1.0 million to the State Controller by the end of FY2018. RI Housing is a self-supporting agency that raises capital through the tax-exempt municipal market to fund loans and programs to help Rhode Islanders purchase homes and to finance housing development and preservation.

Investors in RI Housing bonds rely heavily on credit ratings received from Standard & Poor's and Moody's Rating Services. Any reduction to RI Housing's profitability will likely have a negative effect on the rating agencies' review. The rating agencies have noted that prior transfers required by the State limit RI Housing's ability to pay future debt service on bonds and put RI Housing at a risk for downgrade which could impair our ability to issue bonds in the future and result in higher interest rates for homebuyers and housing developers. Additionally, the transfer further limits RI Housing's ability to focus on its core mission of investing in housing production, thus exacerbating the housing crisis the state is currently facing.

Tax Amnesty

\$12.5 million

The Budget includes a tax amnesty program for a 75-day period ending February 15, 2018. Under the program, civil, and criminal penalties for non-compliance with state tax laws would be forgiven, and interest owed will be reduced by 25.0 percent. It is estimated that \$12.5 million of additional one-time revenue collections would result from the amnesty period.

When calculating the estimated FY2018 revenue impact, collection rates from the 2012 amnesty period were applied against accounts receivable as of June 30, 2016, (\$135 million) then adjusted for an 89.0 percent accrual rate. This approach yields estimated revenue of \$7.9 million. Estimated revenue from "new" taxpayers (entities or persons owe tax, but have not been discovered through audit) who take advantage of the amnesty was similarly based on 2012 experience participation rates, however a 100.0 percent accrual rate was assumed. The revenue estimated to come from the new taxpayers is \$4.7 million.

The Budget assumes \$500,000 in expenditures to administer the amnesty program.

Motor Vehicle Fund

\$9.4 million

The Budget adjusts the phase-in schedule for transferring of all vehicle license and registration fees from the general fund to the State Highway Maintenance Account (HMA). The transfer of these fees to the HMA is part of the sustainable transportation funding reforms adopted by the General Assembly in the FY2015

Budget as Enacted. The original schedule called for 25.0 percent of the fees to be transferred during FY2016, 75.0 percent during FY2017, and all fees in FY2018 and beyond. Article 4 retains 25.0 percent more of the fees in FY2017 for the general fund and 20.0 percent more in FY2018. The complete transfer of funds is delayed until FY2019. These adjustments result in \$13.0 million more in general revenue in FY2017, and \$9.4 million in FY2018.

Increase Excise Tax on Cigarettes

\$8.7 million

The Budget includes a \$0.50 increase on the excise tax levied per pack of cigarettes, which raises the tax from \$3.75 to \$4.25 per pack of twenty, or to the equivalent of \$0.21 per cigarette. According to the Budget Office documents, total retail price will increase by \$0.58, from \$9.49 to \$10.07 per individual pack. This amount is \$0.22 less than the total retail price in Massachusetts, and \$0.07 per pack below Connecticut. The additional excise tax would generate an additional \$8.7 million (combined excise and sales taxes) in revenue above the projections from the November 2016 Revenue Estimating Conference.

Impact of Cigarette Excise Increase and Regional State Comparison

	Rhode Island		Massachusetts		Connecticut		
	Current	Proposed					
Base Price per Pack in \$	\$4.39	\$4.39		\$4.16		\$4.39	
Excise Tax in \$	3.75	4.25		3.51		3.90	
<i>Subtotal base price + Excise</i>	8.14	8.64		7.67		8.29	
Wholesale Markup	2.0%	0.16	0.17	2.0%	0.15	6.5%	0.54
Wholesale Cartage	0.75%	0.06	0.07	0.75%	0.06	0.0%	0.00
Retail Markup	6.0%	0.50	0.53	25.0%	1.97	8.0%	0.71
<i>Total Base Cost</i>	8.87	9.41		9.85		9.54	
Sales Tax	7.0%	0.62	0.66	6.25%	0.62	6.4%	0.61
Total Price per Pack	\$9.49	\$10.07		\$10.47		\$10.14	

Note: The Office of Revenue Analysis calculated base price per pack using available data on states' websites. No base price for CT was available, so it was assumed that CT would have the same base price as RI.

Medicaid Adjustments

(\$2.4 million)

The Budget reduces revenue by \$2.4 million due to proposed reductions in payment rates related to Medicaid as provided in Article 9. Payment rates are reduced for institutional long-term care facilities providing nursing and/or hospice care to Medicaid beneficiaries through both the traditional "per diem" reimbursement system and the new managed long-term care program. It is anticipated that this initiative will generate an all-funds expenditure savings of \$11.8 million. However, reduced payments equate to reduced taxable revenue subject to the health care provider tax. These changes result in \$2.4 million less in revenues from healthcare related sources.

Delay in License Plate Reissuance

(\$1.8 million)

The Budget shifts license plate reissuance from April 1, 2017, to January 1, 2019. This delay saves \$3.0 million in expenditures in the FY2017 and FY2018 Budgets. Under current law, individuals are charged \$6.00 above

Cigarette Tax Revenue Impact	
Revenue Item	FY2018
Cigarette Excise Tax	\$6.5
Cigarette Floor Tax	1.0
Sales and Use Tax	1.1
Total	\$8.7

\$ in millions

Source: Office of Revenue Analysis

the regular registration fee per license plate. Delaying the reissuance results in a loss of \$935,975 in revenue in FY2017 and \$1.8 million in FY2018.

Sales and Use Tax on Documentation Fees for Vehicles **\$1.8 million**

There is a revenue increase of \$1.8 million due to document and title preparation fees associated with motor vehicle sales being newly included as part of the sales price and therefore subject to sales tax. Currently, these fees are not included in the sales price and are not subject to tax. According to the Department of Revenue, other states that treat document and title preparation fees as taxable include MA, CT, VT, and FL.

Commercial Truck Registrations **\$840,000**

The Budget adds \$840,000 of general revenue by reversing the reductions to annual registration fees for commercial trucks, truck tractors, and truck trailers that were to take effect on July 1, 2017. The FY2017 Budget as Enacted provided a new sliding scale fee schedule for commercial truck vehicles beginning in FY2018. Owners of vehicles at the lowest weights were to receive a 30.6 percent reduction of registration fees. Registration savings increased with the weight of the vehicle, topping out between 50.6 to 52.4 percent for those trucks above 26,000 pounds. The Budget maintains the fee schedule currently in effect for FY2017. The change also generate \$4.2 million in additional State Highway Maintenance funds.

Medical Marijuana Restricted Receipt Surplus **\$670,641**

The Budget includes an increase of \$670,641 in general revenue by authorizing the transfer of the end of fiscal year end surpluses within the medical marijuana restricted receipt accounts within the Departments of Health and Business Regulation, through Article 7. These accounts were established to finance the administration of the medical marijuana program within each department. Collections from patient, cardholder, cultivator, and compassion center fees are estimated to exceed estimated departmental expenses through the end of FY2018.

Attorney General Settlement **\$580,000**

The Attorney General has received a total award of \$580,000 related to two national settlements with Target Corp., and Johnson and Johnson Consumer, Inc. Rhode Island will receive \$180,000 from the Target settlement for a data breach and \$400,000 from Johnson and Johnson related to quality-control failures.

Department of Labor and Training Fee and Penalty Changes **\$305,000**

Through Article 21, the Budget includes \$305,000 in net additional departmental revenue associated with a series of proposed fee and penalty changes. The increases fines are estimated to yield \$350,000 in new revenue and \$125,000 in restricted receipts. In order to advance the use of apprenticeship for workforce development training, the article eliminates the \$120/year fee for apprentice sponsors and the \$20-\$24/year fee for registered apprentices depending on the trade. This change is estimated to reduce revenue by \$45,000. Several penalties are increased within the programs of the Workforce Regulation and Safety Division including: violations of wage and hour law (from 15.0 to 25.0 percent of back wages; 25.0 to 50.0 percent for subsequent violations); the misclassification of employees (from \$500 to \$1,000 for each employee misclassified); violation of payroll records law (from \$10 to \$25 for late filings, max fine for report from \$100 to \$200); and electrical trade license violations (from \$500 to \$1,500 for first, \$950 to \$2,000 for subsequent).

Corporate Tax Payment Schedule **(\$200,000)**

The Budget changes the current corporate tax estimate payment schedule to allow for a more equal and ratable payment schedule that will negate the need to defer half of the estimated payments received to the following fiscal year. The purpose is to account for carryforward balances in the State's overall financial reporting process. Carry forward balances result when taxpayers have an overpayment relative to their tax liability but elect to apply the balance to future tax liabilities rather than request a refund. Because 100.0 percent of estimated payments are made in the first 6 months of the tax year, 50.0 percent of those payments

are deferred for financial reporting purposes since they apply to a full calendar year. It is estimated that there will be \$200,000 in revenue in FY2018 and a \$2.2 million reduction in revenue in FY2019. Although there is a reduction in revenue this article allows carryforwards to be recognized in the revenue financial reporting process and avoids the negative revenue recognition impact that is associated with deferring half of the received estimated tax payments to the following fiscal year.

Rent Increase – Public Utilities Commission **\$160,380**

The Budget includes an additional \$160,380 in revenue from increased rent from the Public Utilities Commission and the Division of Public Utilities and Carriers for their office space at 89 Jefferson Boulevard, Warwick. According to the Warwick Tax Assessor's Office, the current rental rate of \$13.81 per square foot is below the market rent for similar space. Based on this input the Division of Capital Asset Management is recommending an increase to \$19.75 per square foot.

Historic Homeowner Tax Credit **(\$160,276)**

The Budget reduces general revenue by \$160,276 to accommodate outstanding tax credits that were issued under the Historic Homeowner Assistance Tax Credit Program prior to the personal income tax reform that began January 1, 2011. The Historic Homeowner Tax Credit program was designed to encourage homeowners to invest in preserving the historic elements of their property. At the time the program was terminated in 2010, 115 taxpayers had \$797,911 in unused carryforward tax credit amounts. The outstanding credit amounts range from \$20 to \$70,397. Credits of \$10,000 or less represent 80.0 percent of the total remaining. Revenue losses are estimated to diminish by an average of 23.0 percent each year.

Eisenhower House Revenue **(\$138,150)**

The Budget decreases general revenue by \$138,150 by establishing a restricted receipt account into which proceeds from the rental of the Eisenhower House for private events are deposited. All of the rental fees collected, minus the 10.0 percent indirect cost recovery, must be deposited into this account and can only be used by the Department of Environmental Management to improve and maintain the historic property within Fort Adams, Newport.

The indirect cost recovery will be deposited into the general fund. The Budget transfers management of the facility from the Historic Preservation and Heritage Commission to DEM. The transfer is estimated to decrease departmental general revenue receipts by \$153,500 in FY2018. The net general revenue impact is a decrease of \$138,150, due to the recapture of the 10.0 percent indirect cost recovery.

Registration Refunds **\$107,800**

Article 4 eliminates the ability for an individuals to obtain a refund on a multi-year motor vehicle registration in the event they move out of the state within the first year of the registration. General revenue receipts increase by \$107,800.

E-Procurement Indirect Cost Recovery **\$60,000**

The Budget authorizes the State's Chief Purchasing Officer to establish and collect from contractors listed on the master price agreement (MPA), an administrative fee not to exceed 1.0 percent of the total value of the annual expense against a contract awarded to a state contractor. Proceeds of the fee shall be deposited into a restricted receipt account and shall be used to implement and support a new online e-procurement system.

Based on a projected annual MPA contract awards of \$60.0 million in FY2018, the State's will receive \$60,000 in general revenue from the assessment of 10.0 percent indirect cost recovery fee on all accounts.

Seeds - Exemption from Sales Tax **\$6,000**

The Budget adds seeds and plants that are used to grow food and food ingredients to the list of goods and services exempted from the State's sales and use tax.

FY2017 SUPPLEMENTAL CHANGES***May 2017 Revenue Estimating Conference******(\$59.6 million)***

The May 2017 Revenue Estimating Conference (REC) decreased FY2017 net available general revenues by \$59.6 million. The Conference significantly revised down its November consensus estimates for several of the major tax categories. FY2017 personal income tax collections were down by \$900,000 million from November estimate. FY2017 business taxes were revised down by \$57.6 million and sales and use taxes were reduced by \$13.2 million. These reductions were offset by other reductions and minor increases in other revenue sources (i.e. excise taxes, departmental receipts) that net to the overall \$59.6 million revenue reduction.

Motor Vehicle Fund***\$13.0 million***

The Budget adjusts the phase-in schedule for transferring of all vehicle license and registration fees from the general fund to the State Highway Maintenance Account (HMA). The transfer of these fees to the HMA is part of the sustainable transportation funding reforms adopted by the General Assembly in the FY2015 Budget as Enacted. The original schedule called for 25.0 percent of the fees to be transferred during FY2016, 75.0 percent during FY2017, and all fees in FY2018 and beyond. Article 4 retains 25.0 percent more of the fees in FY2017 for the general fund and 20.0 percent more in FY2018. The complete transfer of funds is delayed until FY2019. These adjustments result in \$13.0 million more in general revenue in FY2017, and \$9.4 million in FY2018.

Attorney General Settlement***\$580,000***

The Attorney General received \$580,000 from national settlements after the May 2017 Revenue Estimating Conference.

Historic Homeowner Tax Credit***(\$160,276)***

The Budget reduces general revenue by \$160,276 to accommodate outstanding tax credits that were issued under the Historic Homeowner Assistance Tax Credit Program prior to the personal income tax reform that began January 1, 2011. The Historic Homeowner Tax Credit program was designed to encourage homeowners to invest in preserving the historic elements of their property. At the time the program was terminated in 2010, 115 taxpayers had \$797,911 in unused carryforward tax credit amounts. The outstanding credit amounts range from \$20 to \$70,397. Credits of \$10,000 or less represent 80.0 percent of the total remaining. Revenue losses are estimated to diminish by an average of 23.0 percent each year.

Municipal Aid

For FY2018, Distressed Community Relief Aid is funded at the FY2017 Enacted level. Library construction aid is reduced by \$59,822 as compared as to FY2017 Enacted level. Under Article 11, the Motor Vehicle Excise Tax decreases each year from FY2018 through FY2023, fully eliminating the tax in FY2024. Article 11 increases State reimbursements to municipalities by \$26.0 million in FY2018 (explained further below). The Budget includes an additional \$3.2 million for the Payment in Lieu of Taxes (PILOT) program allowing for a full 27.0 percent reimbursement rate. The increase is due primarily to a higher assessed value for property in Providence due in large part to the City's full revaluation as of the December 31, 2015, assessment date. Meal and Beverage Tax and Hotel Tax collections are projected to increase by a total of \$1.9 million for FY2018 based on historic collection rates.

Tables showing impacts by community are included at the end of this analysis.

Municipal Aid FY2016 - FY2018

Program	FY2016	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Enacted	Change from Enacted	
Payment in Lieu of Taxes	\$40.1	\$42.0	\$42.0	\$0.0	0.0%	\$45.2	\$3.2	7.7%
Distressed Communities	10.4	12.4	12.4	-	0.0%	12.4	-	-
Motor Vehicle Excise Tax	10.0	10.0	10.0	-	0.0%	36.0	26.0	260.0%
Municipal Incentive Aid	5.0	-	0.1	0.1		-	-	-
State Aid to Libraries								
Grant-in-Aid	8.8	9.4	9.4	-	-	9.4	-	0.0%
Library Construction	2.7	2.2	2.2	-	-	2.2	(0.1)	-2.7%
Property Revaluation Program	1.4	0.6	0.6	-		0.9	0.4	67.4%
Total Direct Aid	\$78.3	\$76.5	\$76.6	\$0.1	0.2%	\$106.1	\$29.5	38.6%
Public Service Corporations Tax	\$14.3	\$13.6	\$13.6	\$0.0	0.0%	\$13.6	\$0.0	0.0%
Meals & Beverage Tax	25.2	27.2	27.2	(0.0)	-0.2%	28.9	1.7	6.1%
Hotel Tax	9.0	9.8	10.5	0.8	7.7%	10.7	0.9	9.3%
Airport Impact Fees	1.0	1.0	1.0	-	0.0%	1.0	-	-
Total Indirect Aid	\$49.5	\$51.6	\$52.3	\$0.7	1.4%	\$54.1	\$2.6	5.0%
Total Aid	\$127.7	\$128.1	\$128.9	\$0.8	0.7%	\$160.2	\$32.1	25.1%

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

DIRECT AID TO LOCAL GOVERNMENT

Payment in Lieu of Taxes (PILOT)

The Payment in Lieu of Taxes (PILOT) program was established in 1986 to reimburse cities and towns for property taxes that would have been due on real property owned by nonprofit higher education institutions and nonprofit hospitals if it were subject to taxation. The objective is to offset the costs to the community for providing public safety or other municipal services to the properties and facilities covered by the statute.

For FY2018, PILOT increases by \$3.2 million from the FY2017 level, to \$45.2 million. The increase in FY2018 is primarily due to an increased assessed value for property in Providence due in large part to the City's full revaluation as of the December 31,

Fiscal Year	PILOT Funding Trends		
	Total Funding	% Change	% Reimbursed
*2008	\$27.8	0.0%	27.0%
2009	27.6	-0.7%	25.2%
2010	27.6	-	23.9%
2011	27.6	-	21.1%
2012	33.1	20.0%	23.4%
2013	35.1	6.0%	22.7%
2014	35.1	-	22.0%
2015	40.1	14.2%	25.4%
2016	40.1	-	23.7%
2017	42.0	4.7%	27.0%
2018	45.2	7.7%	27.0%

\$ in millions.

*In FY2008 the reimbursement rate was 26.95%

2015, assessment date. 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 FY2017 Budget represented a reimbursement rate of 27.0 percent for the first time since FY2007.

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 FY2017, \$12.4 million was appropriated and distributed to eight eligible municipalities. Funds are distributed to each eligible community on the basis of the community's tax levy relative to the total tax levy of all eligible communities.

Municipality	Distressed Community Relief Fund Distribution		Change
	FY2017 Enacted	FY2018 Enacted	
Central Falls	\$223,894	\$225,398	\$1,504
Cranston	1,341,001	1,341,001	-
East Providence	817,097	-	(817,097)
Johnston	-	601,333	601,333
North Providence	1,032,992	1,030,137	(2,855)
Pawtucket	1,523,936	1,539,903	15,967
Providence	5,604,286	5,797,634	193,348
West Warwick	891,916	924,370	32,454
Woonsocket	949,336	924,681	(24,655)
Total	\$12,384,458	\$12,384,458	\$0

For FY2018, the Distressed Community Relief Fund is maintained at the FY2017 level of \$12.4 million. The City of Johnston is newly qualified as a distressed community and will receive a 50.0 percent appropriation of \$601,333. In the year that a newly qualified community enters the program, it receives 50.0 percent of the current law requirement for the first year it qualifies. The remaining 50.0 percent of Johnston's appropriation will be divided among the remaining seven distressed communities. East Providence exited the program in FY2017. Cranston entered the program in FY2017 and will exit in FY2018; therefore, the City will receive a 50.0 percent payment in each fiscal year.

Any community classified as "distressed" is mandated to participate in the Division of Taxation's income tax refund offset program, allowing the Division to recover unpaid state taxes and/or fines through an intercept of an individual's income tax refund.

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 FY2017.

Article 11 decreases the motor vehicle excise tax each year from FY2018 through FY2023, fully eliminating the tax in FY2024. The tax is reduced over a seven-year

period by decreasing tax rate caps and assessment ratios, while raising exemption floors and exempting vehicles that are more than 15 years old. Additionally, to ensure taxpayer relief, the bill removes the motor vehicle excise tax from the levy calculation related to the 4.0 percent cap on municipal property tax levy increases.

Additionally, the article changes the sales tax escalator calculation language that was in place from the 1998 motor vehicle excise tax phase-out language. The language previously rounded the changes so that it could

Fiscal Year	Motor Vehicle Excise Tax	
	Total Funding	% Change
2009	\$135.4	0.0%
2010	117.2	-13.4%
2011	10.0	-91.5%
2012	10.0	-
2013	10.0	-
2014	10.0	-
2015	10.0	-
2016	10.0	-
2017	10.0	-
2018	36.0	260.0%

\$ in millions.

significantly and negatively impact the levy reimbursements to cities and towns. The article changes the rounding of the sales tax received from the nearest tenth of one cent to the nearest thousandth of one cent, reducing the impact of the rounding. Additionally, the article shifts the authority to make this calculation from the Director of Administration to the Director of Revenue.

In FY2018, municipalities will lose an estimated \$25.2 million in forgone motor vehicle excise tax levy; therefore, the Budget is increased by \$26.0 million in general revenue to reimburse municipalities for the lost tax revenue. By FY2024, the estimated cost of eliminating the motor vehicle tax is \$220.6 million in general revenue.

Article 11 Statewide Revenue Impact

Fiscal Year	Assessment		Exemption Drop After			Total Levy	Forgone Levy	Taxed Car Cars "Dropped"	
	Ratio	Rate Cap	Floor	Age	Count			From Tax Roll	
FY2017	100%	N/A	\$500	25	\$220,611,139	\$0	746,965	-	
FY2018	95%	\$60	1,000	15	195,441,325	(25,169,814)	594,445	152,520	
FY2019	90%	50	2,000	15	170,426,882	(50,184,257)	581,512	165,454	
FY2020	85%	35	3,000	15	136,701,951	(83,909,188)	543,391	203,574	
FY2021	80%	35	4,000	15	104,600,455	(116,010,684)	483,393	263,573	
FY2022	75%	30	5,000	15	75,327,058	(145,284,081)	409,317	337,649	
FY2023	70%	20	6,000	15	43,407,790	(177,203,349)	339,844	407,121	
FY2024	N/A	N/A	N/A	N/A	-	(220,611,139)	N/A	N/A	

Source: Department of Revenue

Additional information on the Motor Vehicle Excise Tax phase-out can be found in the Article 11 analysis.

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 sunset of the program was technically in FY2016; however, \$137,340 has been reappropriated to FY2017 for Johnston as the municipality did not meet eligibility criteria for FY2016. Current law allows for deferred payments in the following fiscal year if eligibility criteria are met.

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 FY2018 at the FY2017 level of \$9.4 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 \$835,533.

Fiscal Year	Library Aid		Total Aid	% Change
	Grant in Aid	Construction		
2008	\$8.7	\$2.7	\$11.4	-0.4%
2009	8.7	2.6	11.3	-1.0%
2010	8.8	2.7	11.5	1.9%
2011	8.7	2.5	11.2	-2.4%
2012	8.7	2.8	11.5	2.6%
2013	8.7	2.5	11.2	-3.0%
2014	8.7	2.5	11.2	0.3%
2015	8.7	2.3	11.0	-1.8%
2016	8.8	2.7	11.5	4.5%
2017	9.4	2.2	11.6	0.7%
2018	9.4	2.2	11.5	-0.5%

\$ in millions.

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 FY2017, the Budget includes \$2.2 million for Library Construction Aid, and for FY2018, the Budget includes \$158,661 less than the FY2017 Budget due to a delay in the Barrington project. The Barrington project costs will shift to FY2019.

The moratorium on the acceptance of new applications for library construction projects, enacted in 2011 by the General Assembly, ended on July 1, 2014. In 2017, public library construction reimbursement was approved for Barrington Public Library (\$1.4 million); reimbursement will begin in FY2018. The Providence Public Library has submitted a preliminary application for the reimbursement of a \$20.0 million renovation project; the state share of the project has not yet been determined but is estimated at approximately \$7.0 million. If approved, reimbursement would begin in FY2020. Letters of intent to apply for public library construction reimbursement have been received from Providence Community Library (Olneyville) and libraries in Jamestown and Narragansett, which approved a bond referendum for library construction in 2016. Timelines and costs for these projects have not been determined.

Property Revaluation Program

In 1997, the General Assembly enacted legislation requiring municipalities to conduct full property revaluations every nine years and statistical updates at year three and year six. 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. If a municipality is determined to be a distressed community, the State incurs 80.0 percent of the cost of the second update and subsequent updates thereafter.

Property Revaluation Program		
Fiscal Year	State Reimbursement	% Change
2008	\$0.7	-66.5%
2009	1.1	61.9%
2010	1.5	35.2%
2011	0.7	-53.1%
2012	0.9	25.3%
2013	1.6	79.0%
2014	0.5	-69.0%
2015	0.6	26.6%
2016	1.4	118.6%
2017	0.6	-59.6%
2018	0.9	67.4%

\$ in millions.

The Budget includes \$937,228 for the Property Revaluation program in FY2018, an increase of \$377,327 from the FY2017 Budget as Enacted, and is based on anticipated reimbursements. The following communities will be reimbursed for statistical updates in FY2018: Barrington, Cranston, East Greenwich, Exeter, Narragansett, Newport, and Tiverton. The following communities will be conducting full property revaluations in FY2018: Foster, Middletown, Pawtucket, and Woonsocket; however, only statistical updates are reimbursed.

INDIRECT AID TO LOCAL GOVERNMENT

Public Service Corporation Tax

The tangible personal property of telegraph, cable, and telecommunications corporations and express corporations is exempt from local taxation, and instead is subject to taxation by the State. The State Tax Administrator applies the average assessment ratio and the average tax rate to the value of tangible personal property of each company to calculate the amount of tax due. The “average assessment ratio” is the total assessed valuation divided by the full market value of the valuation. The “average property rate” is the total statewide property levy divided by the total statewide assessed valuation.

The revenue from this tax flows through the State: it is not appropriated. The State is allowed to keep 0.75 percent of this tax for administrative fees. The remainder of the revenue is deposited into a restricted receipt account and apportioned to the cities and towns based on the ratio of each municipality's population relative to the total population of the State.

Collections from this tax decreased from \$18.0 million in FY2003 to \$9.2 million in FY2009. The average property tax rate decline as the total assessed valuation increased dramatically due to the more frequent revaluations together with a dramatic increase in real estate values, resulting in a reduced tax rate being applied to Public Service Corporation Tax assets, which now carry a lower value. In 2009, the General Assembly passed legislation freezing the tax rate on telecommunications tangible personal property at a rate equal to or greater than the rate that applied in FY2008. For each year thereafter, the tax rate applied to telecommunications tangible property can be no less than the rate that applied in FY2008.

The FY2018 Budget provides \$13.2 million be distributed to municipalities on July 31, 2017. This is \$396,083 less than FY2017, and is based on final valuation numbers.

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 FY2017, the Office of Revenue Analysis anticipates \$27.2 million in collections, increasing to \$28.9 million in FY2018.

Hotel Tax

The State levies a 5.0 percent gross receipts tax on charges for occupancy of any space furnished in buildings or structures with a minimum of three rooms that are kept, used, maintained, advertised, or held out to the public to be a space where living quarters are supplied for pay to transient use (30 days or less). This tax is collected by the hotel and remitted to the Division of Taxation on a monthly basis.

This tax is in addition to all other taxes and fees currently imposed. The Division of Taxation collects the tax and is responsible for distribution, except for the City of Newport, which is authorized to collect and disburse taxes from all hotels physically located in the City. Twenty-five percent of the original 5.0 percent hotel tax is distributed to the city or town where the hotel which generated the tax is physically located.

The FY2016 Budget as Enacted expanded the hotel tax to include vacation home rentals, small bed and breakfasts, hotel room resellers, and unlicensed lodging rentals (such as those listed on the Airbnb.com website).

Public Service Corporation		
Fiscal Year	Total Funding	% Change
2008	\$10.3	0.0%
2009	9.2	-11.1%
2010	10.2	10.9%
2011	11.4	11.8%
2012	11.8	3.5%
2013	12.7	7.6%
2014	13.2	3.9%
2015	14.3	8.3%
2016	13.0	-9.0%
2017	13.6	4.2%
2018	13.2	-2.9%

\$ in millions.

Meals & Beverage Tax		
Fiscal Year	Total Funding	% Change
2009	\$18.8	0.3%
2010	19.0	0.9%
2011	19.5	2.6%
2012	21.0	7.8%
2013	21.4	1.7%
2014	22.3	4.4%
2015	23.6	6.0%
2016	25.2	6.5%
2017	27.2	8.2%
2018	28.9	6.1%

\$ in millions.

Hotel Tax		
Fiscal Year	Total Funding	% Change
2009	\$5.6	-3.4%
2010	5.7	1.8%
2011	5.9	2.7%
2012	6.3	8.0%
2013	6.7	5.3%
2014	6.5	-2.2%
2015	7.4	13.5%
2016	9.7	30.6%
2017	10.5	8.7%
2018	10.7	1.5%

\$ in millions.

An additional 1.0 percent tax, which was enacted in FY2005, is distributed entirely to the city or town where the occupancy occurred. Total distribution to municipalities is estimated at \$10.5 million for FY2017 and \$10.7 million for FY2018.

OTHER AID TO LOCAL GOVERNMENT

Warwick Rental Car Tax Revenue

The RI Airport Corporation levies a \$5.00 per rental vehicle, per day, customer facility charge (CFC) for all vehicle rentals from companies operating at T.F. Green Airport. Revenues from the CFC are to be used to pay for the construction, expansion, reconfiguration, operation and maintenance of the Warwick Intermodal Transit Station. The CFC is applied prior to the application of the sales tax and rental vehicle surcharge. Since 2003, per RIGL 1-2-17.1, all sales taxes (7.0 percent) and rental vehicle surcharges (6.0 percent) collected from the application of the CFC are deposited into a restricted receipt account for the City of Warwick. These payments totaled \$631,132 in FY2010 and reached \$940,513 in FY2016. The FY2017 and FY2018 budgets include \$922,013 in CFCs for the benefit of the City of Warwick.

Airport Impact Fees

Airport impact aid payments to municipalities that have airports are level funded at approximately \$1.0 million for FY2017 and FY2018. The funding is provided annually through Article 1 of the budget and flows through the Rhode Island Commerce Corporation. The aid is distributed based upon a statutory formula that provides 60.0 percent of the first \$1.0 million (\$600,000) for communities with airports serving more than 1.0 million passengers per year. T.F. Green is the only airport in the State that meets this threshold. The remaining 40.0 percent is distributed to communities based on each airport's share of total landings in a calendar year, including T.F. Green. No community that hosts an airport receives less than \$25,000.

FY2016 Actual	1.0 Million Passengers	Distribution on Landings	All Airports and Communities to \$25,000	Total
Warwick T.F. Green	\$600,000	\$162,513	\$0	\$762,513
Block Island	-	38,261	-	38,261
Middletown-Newport Airport ¹	-	59,063	-	59,063
North Central	-	45,825	-	45,825
Smithfield	-	-	2,087	2,087
Lincoln	-	-	2,087	2,087
North Kingstown-Quonset	-	49,120	-	49,120
Westerly	-	45,217	-	45,217
Total	\$600,000	\$400,000	\$4,174	\$1,004,173

¹ Located in Middletown

Municipal Road and Bridge Fund

The FY2014 Budget as Enacted transferred \$7.0 million of bond premium proceeds derived from the sale of 2013 general obligation bonds from the Rhode Island Capital Plan Fund (RICAP) to capitalize a Municipal Road and Bridge Revolving Fund. The FY2014 Revised Budget increased this amount by \$3.3 million, for a total of \$10.3 million. The FY2015 Budget included an additional \$5.0 million in funding made available from the sale of Tobacco Settlement Bonds, and the Clean Water Finance Agency (now the Rhode Island Infrastructure Bank) contributed \$3.5 million from its board designated administrative fund to capitalize this program in FY2015. The Budget did not include any additional funding for the Municipal Road and Bridge Fund in FY2017 or FY2018; however, the RI Infrastructure Bank indicated that it has \$8.0 million in funding for projects in FY2017 and expects to have \$15.0 to \$20.0 million in project funding available in FY2018.

These funds are available for municipalities to borrow for road and bridge projects. Loans began in FY2014, and future capitalizations combined with the revolved funds allow state-sponsored financing on an ongoing basis. This fund is administered by the Rhode Island Infrastructure Bank (RIIB) Applications are submitted to the Rhode Island Department of Transportation (RIDOT), based on regulations development 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 RIIB has approved applications from municipalities for road and bridge projects as follows:

Municipal Road and Bridge Fund					
Borrower	Program Year	Amount Requested	Amount Borrowed	Loan Outstanding	Credit Limit Remaining
East Providence	2014	\$1,215,000	\$1,215,000	\$991,000	\$0
Newport	2014	4,000,000	1,500,000	1,215,000	-
Warwick	2014	1,600,000	1,600,000	1,008,700	459,300
Burrillville	2014	680,000	680,000	127,055	484,945
New Shoreham	2014	255,000	255,000	158,469	65,531
Westerly	2014	625,000	225,000	-	210,094
Pawtucket	2014	7,000,000	3,500,000	3,222,000	-
Cumberland	2014	500,000	500,000	324,899	133,101
Coventry	2014	340,000	340,000	276,000	-
West Warwick	2015	150,515	150,515	134,515	-
Bristol	2015	500,000	500,000	472,000	-
Hopkinton	2015	253,000	253,000	157,104	67,896
Pawtucket	2015	5,000,000	5,000,000	4,789,000	-
East Greenwich	2015	2,000,000	2,000,000	1,789,000	-
Coventry	2015	900,000	900,000	775,009	66,991
Bristol	2016	1,175,000	1,175,000	580,682	594,318
Cranston	2016	1,755,000	1,755,000	51,850	1,703,150
New Shoreham	2016	296,000	296,000	2,960	293,040
Pawtucket	2016	3,000,000	3,000,000	1,636,754	1,363,246
TOTAL		\$31,244,515	\$24,844,515	\$17,711,997	\$5,441,612

Central Falls Retiree Payments

The FY2012 Revised Budget included a \$2.6 million Stabilization Payment to the City of Central Falls that was deposited into a restricted account to provide transition payments over five years to municipal retirees who sustained significant pension reductions as a result of a “Settlement and Release Agreement.” Parties to the agreement include the Receiver for the City of Central Falls, the Department of Revenue, and the negotiating team for the Central Falls retirees. The Agreement was reached to avoid protracted litigation in federal court.

The payments ensure that retirees receive a reduction of no greater than 25.0 percent of their pre-bankruptcy annual pension benefits, as opposed to the reduction of up to 55.0 percent implemented by the City Receiver earlier in the year. The transition payments also include annual cost of living adjustments of up to 2.0 percent annually, not compounded.

Legislation passed by the 2014 General Assembly requires the State to appropriate sufficient funds to the City of Central Falls for payment to Central Falls’ city retirees so that those retirees continue to receive 75.0 percent of their base pension benefit as of July 31, 2011, for their lifetime, and to the extent applicable, up to 67.5 percent for the lives of their beneficiaries. An actuarial study estimates that the State will need to contribute an additional \$4.8 million to the Central Falls pension fund, beginning with \$333,674 on July 1, 2016, and ending with a payment of \$3,393 on July 1, 2044. The FY2018 payment is \$305,018.

Fire Districts in the 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 state appointment of a Fiscal Overseer, Budget Commission, or Receiver. 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 FY2016 Revised Budget included \$352,242 in general revenue to provide funds for the Division of Municipal Finance within the Department of Revenue to pay for legal costs

associated with oversight of the Central Coventry Fire District. The Budget includes an additional \$50,000 in FY2017. No funding is provided in FY2018.

Under RIGL 45-9, the State, acting primarily through the Department of Revenue, in consultation with the Auditor General, has the power to exercise varying levels of support and control, depending on the circumstances. The Director of Revenue, in consultation with the Auditor General, is authorized to appoint a receiver in the event of a fiscal emergency.

The law does the following:

- 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
- Includes fire districts in the Fiscal Stability Act and provides financially distressed fire districts with assistance through the state appointment of a Fiscal Overseer, Budget Commission, or Receiver.
- 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 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.

OTHER MUNICIPAL ISSUES***Main Street RI Streetscape Improvement Program***

Article 19 of the FY2016 Budget as Enacted created a statewide Main Street Rhode Island (Main Street RI) Streetscape Improvement Fund. The purpose of the program is to provide loans, matching grants, or other forms of financing, with recipients providing 30.0 percent match, to upgrade streetscapes in local business districts (lighting, street furniture, medians). The law does not delineate who or what entity may receive funding, or set individual award or community award limits, but it does include language requiring the Commerce Corporation to promulgate the rules and regulations of the program. The Budget includes \$800,000 for the Main Street RI in FY2018, a \$250,000 decrease below the FY2017 Budget as Enacted. Seven awards totaling \$999,400 have been made to date and are listed in the following table:

Main Street RI Streetscape		
Recipient	Project	Award
Central Falls	Building façade improvements Dexter St.	\$300,000
Pawtucket	Municipal garage improvements	245,000
One Neighborhood Builders (Providence)	Bus stop and pedestrian safety issues in Olneyville	196,000
Bristol	Wayfinder signage	80,000
The Providence Foundation (Providence)	Wayfinder signage downtown	76,000
Woonsocket	Lanscaping, handicap accessibility upgrades	70,000
East Greenwich	Main Street sidewalk repairs	32,400
Total		\$999,400

Tax Stabilization Incentive

Article 19 of the FY2016 Budget created the Tax Stabilization Incentive Program whereby municipalities can apply to the Rhode Island Commerce Corporation for partial reimbursement of personal and/or real estate tax revenue forgone due to the granting of a tax stabilization agreement by that community for a qualified construction or rehabilitation project. The Corporation will provide a partial reimbursement of no more than 10.0 percent of the property tax revenue that would have otherwise been collected.

Under this program a community can grant a stabilization agreement for the rehabilitation of an existing structure where the total cost of the development budget exceeds 50.0 percent of the adjusted basis in the property, or for a new construction project that begins within twelve months of the approval of the tax stabilization agreement and is completed within 36 months. The qualifying property must be used or intended to be used for offices or commercial enterprises or residential purposes. The terms of the stabilization agreements must be for a minimum of twelve years; and, reimbursements will cease upon any termination of the underlying tax stabilization agreement or upon exhaustion of funds appropriated to the reimbursement fund.

Article 17 of the FY2017 budget modifies the Tax Stabilization Agreement incentive program to allow the Commerce Corporation to reimburse municipalities up to 50.0 percent of foregone revenue for up to five projects statewide in any given year. The current reimbursement rate is 10.0 percent. The city or town council of any qualifying community must pass a resolution designating a qualifying project as the most important project to the municipality's economic development for that fiscal year. Designated "Hope Communities" may select two projects for potential qualification annually. The total amount of funding to be awarded is subject to appropriation.

In January 2016, the City of Providence was awarded \$246,597 for reimbursement over 12 years, corresponding to 10.0 percent of the forgone revenue from the tax stabilization agreement approved by the City Council. The project is with PRI, a division of the Procaccianti Group, and is for an internationally-branded, upscale, 154-room extended-stay hotel in downtown Providence. The new 112,160 square foot, 9-story building will occupy the site of the currently vacant John E. Fogarty Memorial Building, and is estimated to cost \$40.0 million in total. The new hotel will employ up to 80 full and part-time positions.

FY2017 Direct Municipal Aid to Cities and Towns

Municipality	FY2017 Enacted	Payment In Lieu of Taxes	Distressed Communities Relief Fund	Municipal Incentive Aid	Motor Vehicle Excise Tax	Library Grant-in- Aid ¹	Library Construction Aid	Total FY2017 Municipal Aid	Change from FY2017 Enacted
Barrington	\$607,756	\$15,995	\$0	\$0	\$217,477	\$374,284	\$0	\$607,756	\$0
Bristol	1,511,676	954,792	-	-	94,294	185,859	276,731	1,511,676	-
Burrillville	780,612	145,198	-	-	200,798	165,414	269,202	780,612	-
Central Falls	375,132	24,507	223,894	-	96,208	30,523	-	375,132	-
Charlestown	95,319	-	-	-	44,097	51,221	-	95,319	-
Coventry	489,165	-	-	-	244,791	244,374	-	489,165	-
Cranston	8,263,498	5,322,139	1,341,001	-	1,005,084	595,274	-	8,263,498	-
Cumberland	746,351	135	-	-	247,485	287,647	211,083	746,351	-
East Greenwich	709,944	434,980	-	-	81,417	134,295	59,252	709,944	-
East Providence	2,052,991	248,601	817,097	-	501,297	422,447	63,549	2,052,991	-
Exeter	220,165	-	-	-	92,110	52,087	75,968	220,165	-
Foster	107,416	-	-	-	72,955	34,462	-	107,416	-
Glocester	181,183	-	-	-	102,420	78,763	-	181,183	-
Hopkinton	105,592	-	-	-	69,295	36,298	-	105,592	-
Jamestown	137,097	-	-	-	22,042	115,055	-	137,097	-
Johnston	682,187	-	-	137,340	422,637	122,211	-	682,187	-
Lincoln	409,124	-	-	-	198,583	210,541	-	409,124	-
Little Compton	49,293	-	-	-	12,896	36,397	-	49,293	-
Middletown	263,857	-	-	-	63,006	147,598	53,254	263,857	-
Narragansett	213,889	-	-	-	60,810	153,079	-	213,889	-
Newport	2,063,682	1,357,719	-	-	77,989	417,539	210,435	2,063,682	-
New Shoreham	158,478	-	-	-	6,714	88,318	63,446	158,478	-
North Kingstown	511,567	1,737	-	-	185,691	293,678	30,461	511,567	-
North Providence	1,614,996	-	1,032,992	-	389,770	192,234	-	1,614,996	-
North Smithfield	256,780	-	-	-	177,990	78,789	-	256,780	-
Pawtucket	3,257,863	554,958	1,523,936	-	794,500	384,468	-	3,257,863	-
Portsmouth	201,600	-	-	-	84,669	116,931	-	201,600	-
Providence ³	38,908,536	30,137,743	5,604,286	-	1,882,415	1,284,092	-	38,908,536	-
Richmond	92,955	-	-	-	65,687	27,268	-	92,955	-
Scituate	173,151	-	-	-	68,633	104,517	-	173,151	-
Smithfield	1,264,851	710,097	-	-	255,759	298,995	-	1,264,851	-
South Kingstown	563,601	198,218	-	-	139,730	225,653	-	563,601	-
Tiverton	502,954	-	-	-	59,170	116,085	327,699	502,954	-
Warren	149,967	-	-	-	92,183	57,784	-	149,967	-
Warwick	3,580,976	1,712,951	-	-	964,536	739,844	163,644	3,580,976	-
Westerly	947,752	159,333	-	-	216,507	318,145	253,767	947,752	-
West Greenwich	86,702	-	-	-	54,390	32,312	-	86,702	-
West Warwick	1,286,324	-	891,916	-	231,779	162,630	-	1,286,324	-
Woonsocket	1,697,549	-	949,336	-	402,183	181,300	164,730	1,697,549	-
Total	\$75,322,533	\$41,979,103	\$12,384,458	\$137,340	\$10,000,000	\$8,598,411	\$2,223,221	\$75,322,533	\$0

¹ Providence Library Aid includes \$1.0 million for the Statewide Reference Library Resource Grant.

FY2018 Direct Municipal Aid to Cities and Towns

Municipality	FY2017 Enacted	Payment In Lieu of Taxes	Distressed		Library Grant- in-Aid	Library		Total FY2018 Municipal Aid	Change from FY2017
			Communities Relief Fund	Motor Vehicle Excise Tax		Construction Aid			
Barrington	\$607,756	\$16,157		\$637,198	\$380,070			\$1,033,425	\$425,669
Bristol	1,511,676	1,035,981		401,639	187,103	282,400		1,907,123	395,446
Burrillville	780,612	97,322		694,828	170,118	261,561		1,223,829	443,217
Central Falls	375,132	25,295	225,398	408,231	27,075			685,999	310,868
Charlestown	95,318			153,869	50,815			204,684	109,366
Coventry	489,165			946,836	238,140			1,184,976	695,811
Cranston	8,263,498	5,287,952	1,341,001	3,431,469	582,746			10,643,168	2,379,670
Cumberland	746,350	135		836,977	285,364	207,771		1,330,247	583,897
East Greenwich	709,944	459,869		274,902	132,321	57,240		924,332	214,388
East Providence	2,052,991	243,053		1,670,002	415,613	61,766		2,390,434	337,443
Exeter	220,165			339,178	52,931	75,968		468,077	247,912
Foster	107,417			312,994	34,371			347,365	239,948
Glocester	181,183			429,132	77,938			507,070	325,887
Hopkinton	105,593			288,401	35,323			323,724	218,131
Jamestown	137,097			72,145	126,828			198,973	61,876
Johnston	681,286		601,333	1,723,782	124,168			2,449,283	1,767,997
Lincoln	409,124			620,593	203,414			824,007	414,883
Little Compton	49,293			44,361	35,067			79,428	30,135
Middletown	263,858			218,789	145,593	51,353		415,735	151,878
Narragansett	213,889			199,464	191,652			391,116	177,227
Newport	2,063,682	1,405,248		258,929	411,403	203,310		2,278,890	215,207
New Shoreham	158,478			28,561	74,303	64,335		167,199	8,722
North Kingstown	511,567	1,712		613,200	282,085	29,206		926,203	414,636
North Providence	1,614,996		1,030,137	1,820,112	202,114			3,052,363	1,437,367
North Smithfield	256,779			610,666	78,305			688,971	432,191
Pawtucket	3,257,862	554,958	1,539,903	3,231,534	409,155			5,735,550	2,477,687
Portsmouth	201,600			301,276	113,853			415,129	213,529
Providence	39,672,196	33,303,459	5,797,634	5,797,450	1,265,199			46,163,742	6,491,546
Richmond	92,955			256,116	26,001			282,117	189,162
Scituate	173,150			233,537	104,815			338,352	165,202
Smithfield	1,264,851	718,669		829,903	294,639			1,843,211	578,360
South Kingstown	563,601	204,036		465,978	218,810			888,824	325,222
Tiverton	502,954			208,862	123,043	321,483		653,388	150,434
Warren	149,967			362,400	56,598			418,998	269,031
Warwick	3,580,975	1,690,561		3,067,281	739,962	126,341		5,624,145	2,043,170
Westerly	947,752	161,199		820,003	318,791	253,767		1,553,760	606,008
West Greenwich	86,702			223,181	33,299			256,480	169,779
West Warwick	1,286,325		924,370	711,086	162,506			1,797,962	511,638
Woonsocket	1,697,549		924,681	1,624,947	186,880	166,898		2,903,406	1,205,856
Total	\$76,085,291	\$45,205,606	\$12,384,457	\$35,169,814	\$8,598,411	\$2,163,399		\$103,521,688	\$27,436,397

FY2017 Revised Indirect Local Aid to Cities and Towns

Municipality	FY2017 Enacted Indirect Aid	Public Service Corp. Tax	Meals and Beverage Tax	Hotel Tax	FY2017 Total Indirect Aid	Change from FY2017 Enacted
Barrington	\$398,042	\$209,719	\$182,745	\$1,131	\$393,595	(\$4,447)
Bristol	797,373	289,577	472,049	49,785	811,411	14,038
Burrillville	434,507	207,376	201,219	-	408,595	(25,912)
Central Falls	385,751	249,834	129,109	125	379,068	(6,683)
Charlestown	358,714	100,263	167,344	59,564	327,171	(31,543)
Coventry	1,007,788	450,490	412,792	113,054	976,336	(31,452)
Cranston	3,007,373	1,038,680	1,898,481	19,411	2,956,572	(50,801)
Cumberland	949,027	436,817	501,532	-	938,349	(10,678)
East Greenwich	861,602	168,882	717,530	1,750	888,162	26,560
East Providence	1,691,296	607,219	1,016,671	59,733	1,683,623	(7,673)
Exeter	190,516	85,909	106,243	62	192,214	1,698
Foster	78,080	59,761	18,993	174	78,928	848
Glocester	212,484	126,732	79,817	2,689	209,238	(3,246)
Hopkinton	160,711	104,846	55,281	1,189	161,316	605
Jamestown	234,613	70,086	97,881	24,558	192,525	(42,088)
Johnston	1,004,463	373,181	619,224	9,784	1,002,189	(2,274)
Lincoln	1,318,677	274,218	830,688	120,139	1,225,045	(93,632)
Little Compton	136,094	44,943	60,643	7,586	113,172	(22,922)
Middletown	1,857,988	207,028	768,356	975,936	1,951,320	93,332
Narragansett	1,235,200	203,230	704,121	203,610	1,110,961	(124,239)
Newport	5,122,274	316,689	2,399,673	2,872,545	5,588,907	466,633
New Shoreham	756,296	11,497	382,472	702,190	1,096,159	339,863
North Kingstown	1,036,627	339,927	588,906	94,827	1,023,660	(12,967)
North Providence	787,403	414,648	368,893	28	783,569	(3,834)
North Smithfield	436,483	155,854	332,869	3,742	492,465	55,982
Pawtucket	1,844,060	918,089	860,137	50,975	1,829,201	(14,859)
Portsmouth	467,287	223,391	243,377	23,632	490,400	23,113
Providence	10,081,211	2,298,821	5,570,941	2,270,366	10,140,128	58,917
Richmond	260,577	98,461	149,928	4,579	252,968	(7,609)
Scituate	219,430	134,071	67,860	7,829	209,760	(9,670)
Smithfield	1,232,126	276,509	833,263	196,653	1,306,425	74,299
South Kingstown	1,496,271	393,252	883,165	210,758	1,487,175	(9,096)
Tiverton	454,161	203,475	239,276	1,290	444,041	(10,120)
Warren	450,382	135,886	377,395	2,109	515,390	65,008
Warwick	5,341,634	1,056,511	2,872,428	1,369,291	5,298,230	(43,404)
Westerly	1,862,488	292,589	924,908	706,203	1,923,700	61,212
West Greenwich	343,951	78,764	145,540	120,834	345,138	1,187
West Warwick	890,273	372,833	368,425	151,535	892,793	2,520
Woonsocket	1,156,381	529,588	547,126	67,917	1,144,631	(11,750)
Total	\$50,559,616	\$13,559,647	\$27,197,299	\$10,507,585	\$51,264,530	\$704,916

FY2018 Indirect Local Aid to Cities and Towns

Municipality	FY2017 Enacted Indirect Aid	Public Service Corp. Tax	Meals and Beverage Tax	Hotel Tax	FY2018 Total Indirect Aid	Change from FY2017 Enacted
Barrington	\$398,042	203,389	\$194,161	\$1,131	\$398,681	\$639
Bristol	797,373	279,397	501,539	53,444	834,380	37,007
Burrillville	434,507	202,015	213,789	-	415,804	(18,703)
Central Falls	385,751	242,093	137,175	125	379,393	(6,358)
Charlestown	358,714	97,097	177,798	59,523	334,418	(24,296)
Coventry	1,007,788	437,024	438,580	116,310	991,914	(15,874)
Cranston	3,007,373	1,008,961	2,017,085	19,577	3,045,623	38,250
Cumberland	949,027	426,317	532,865	-	959,182	10,155
East Greenwich	861,602	163,835	762,356	1,160	927,351	65,749
East Providence	1,691,296	590,502	1,080,186	59,170	1,729,858	38,562
Exeter	190,516	83,592	112,880	28	196,500	5,984
Foster	78,080	58,356	20,180	182	78,718	638
Glocester	212,484	123,645	84,803	2,805	211,253	(1,231)
Hopkinton	160,711	101,482	58,735	1,209	161,426	715
Jamestown	234,613	68,263	103,996	24,426	196,685	(37,928)
Johnston	1,004,463	363,489	657,909	10,256	1,031,654	27,191
Lincoln	1,318,677	267,304	882,583	125,321	1,275,208	(43,469)
Little Compton	136,094	43,776	64,431	7,593	115,800	(20,294)
Middletown	1,857,988	200,603	816,358	987,413	2,004,374	146,386
Narragansett	1,235,200	196,380	748,109	206,281	1,150,770	(84,430)
Newport	5,122,274	305,570	2,549,588	2,876,320	5,731,478	609,204
New Shoreham	756,296	11,319	406,366	716,245	1,133,930	377,634
North Kingstown	1,036,627	328,695	625,697	98,053	1,052,445	15,818
North Providence	787,403	403,417	391,939	12	795,368	7,965
North Smithfield	436,483	151,904	353,664	3,925	509,493	73,010
Pawtucket	1,844,060	891,950	913,872	49,731	1,855,553	11,493
Portsmouth	467,287	216,894	258,582	24,415	499,891	32,604
Providence	10,081,211	2,232,279	5,918,974	2,314,376	10,465,629	384,418
Richmond	260,577	95,248	159,294	4,803	259,345	(1,232)
Scituate	219,430	130,554	72,100	7,866	210,520	(8,910)
Smithfield	1,232,126	268,766	885,319	202,292	1,356,377	124,251
South Kingstown	1,496,271	382,004	938,339	215,664	1,536,007	39,736
Tiverton	454,161	197,617	254,224	1,290	453,131	(1,030)
Warren	450,382	131,578	400,972	937	533,487	83,105
Warwick	5,341,634	1,022,628	3,051,877	1,386,595	5,461,100	119,466
Westerly	1,862,488	283,383	982,690	731,517	1,997,590	135,102
West Greenwich	343,951	76,421	154,633	124,254	355,308	11,357
West Warwick	890,273	360,940	391,441	156,602	908,983	18,710
Woonsocket	1,156,381	514,881	581,307	69,712	1,165,900	9,519
Total	\$50,559,616	\$13,163,568	\$28,896,396	\$10,660,564	\$52,720,528	\$2,160,913

Education Aid

The Education Adequacy Act (2010-S-2770, Substitute A as Amended) provided a new school funding formula that creates a single methodology for distributing state aid to all public schools. The core principle behind the formula is that state funding should follow the student; therefore, the distribution of state funds changes annually based on shifts in enrollment. This formula applies to all public schools, charter schools, the Davies Career and Technical School, and the Metropolitan Career and Technical Center. The Act does not change the funding methodology for the School for the Deaf, since it is an education program that already has a state, federal and local share.

Beginning in FY2012, the formula established a per-pupil spending amount and allocated this funding based on student enrollment, adjusting for poverty (as measured by the number of families who income is below 185.0 percent of the federal poverty guidelines). The formula also adjusts for local revenue generating capacity and overall poverty level, as well as the concentration of children living in poverty.

The Act includes a multi-year transition plan to ease districts into the new formula, allowing time for school districts and municipal governments to adjust for gains or losses in education aid. The plan provides a transition period of ten years from the formula implementation in FY2012 for those districts projected to receive less school aid than they did in the previous year, and seven years for those districts projected to receive more. FY2018 represents the seventh year of the transition period; consequently, the formula is fully phased in for communities receiving an increase in aid.

HOW THE FORMULA WORKS

Step 1 - Student Enrollment: Student enrollment is based on resident average daily membership (RADM), which refers to the average number of students who are residents of the community and were enrolled in the school district during the prior school year. The Budget is based on enrollment data as of March 2017 with projected charter school enrollments.

Step 2 - Core Instruction Amount: The core instruction amount provides a base level of funding per pupil (\$9,163 in FY2018, a 2.0 percent increase from the FY2017 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 \$3,665 based on the FY2018 core instruction amount of \$9,163 ($\$9,163 \times 0.40 = \$3,665$), for each student whose family income is at or below one hundred eighty-five percent (185%) of federal poverty guidelines.

Step 4 - Total Foundation Budget: The total foundation budget for each school district is calculated by adding the product of the total core amount and the total student success factor weight.

$$\text{Total Foundation Budget} = (\$9,163 \times \text{RADM}) + (0.40 \times \$9,163 \times \text{students in poverty})$$

Step 5 - State Share Ratio: The Education Adequacy Act creates a new share ratio by adding a wealth measure, based on the concentration of children living in poverty, to the single equalized weighted assessed valuation (EWAV) previously used to determine a district's ability to pay for the cost of education. The total foundation budget equals the student enrollment and the high-need student weight of the district multiplied by the core foundation amount. The State's share of the total foundation budget is the state share ratio calculated as follows:

$$\text{State Share Ratio (SSR)} = \sqrt{\frac{EWAV^2 + \%PK - 6\text{poverty}^2}{2}}$$

By squaring each factor, the formula amplifies the greater of the two variables. Consequently, school districts with less capacity to raise revenue than the State as whole and a higher concentration of child poverty look relatively poorer, while districts with a higher capacity to raise revenue and lower concentrations of poverty look relatively wealthier. Those poorer districts with the higher SSR will receive a greater portion of the calculated education costs as state aid than the wealthier districts.

The EWAV share ratio is based on each community's total assessed property value and median family income, relative to districts across the State. The total community property value includes motor vehicles, personal property and State payments in lieu of taxes. These values are brought to full market value based on market experience and then adjusted by the median family income. The higher the EWAV share ratio, the less capacity the community has relative to the rest of the state for generating locally derived revenue to support schools and the more state aid the community will receive. While similar to the share ratio used in the school construction formula to determine the state's share of debt service obligations, the Education Adequacy Act adjusted the EWAV calculation to increase the State share of total education budget.

The distribution includes an update to the median family income component of the EWAV based on the socio-economic data from the American Community Survey (ACS) provided by the United States Census Bureau. The index used to adjust for MFI is the ratio of the median family income of the municipality relative to the median family income statewide as reported in the American Community Survey (ACS) provided by the United States Census Bureau.

Step 6 - State Share of Foundation Budget: The State's share of the total foundation budget equals the state share ratio, discussed above, times the total foundation budget. Unlike many foundation formulas, the statute neither requires a minimum nor sets a maximum local spending level beyond the limits in the maintenance of effort requirements found in RIGL 16-7-23 and 16-7-23.1. Nonetheless, a municipality is responsible, to some degree, for the difference between the state share and the total foundation amount.

TABLE

The table on the following page provides a step-by-step calculation of each district's recommended formula distribution for FY2018.

FY2018 Enacted Education Aid Calculator¹

Districts	PK-12 RADM (Projected based on March 2017 Data)		Poverty RADM (Projected based on March 2017 Data)		Core Instruction Funding (C = \$9,163)		Student Success Factor Funding (F = 0.4*\$9,163 = \$3,665)		FY2018 Enacted (excludes group home and categorical)		FY2017 Enacted (excludes group home and categorical)		Change in State Funding		FY2018 (Year 7) formula change	
	A	B	A*C=D	B*F=G	D+G=H	% Poverty PK6	EAWAV	State Share Ratio	State Share of Budget	H*J=K	K	J-K=L	If + is U/; If - is L/4	U/4	L/4	
Barrington	3,355	169	\$30,741,865	\$619,419	\$31,361,284	5.5%	21.8%	15.9%	\$4,985,803	\$5,215,104	(\$229,301)	(\$57,325)				
Burrillville	2,321	745	21,267,323	2,730,574	23,997,897	35.8%	68.0%	54.3%	13,040,423	12,982,040	58,383	58,383				
Charlestown	862	188	7,898,506	689,058	8,587,564	26.0%	0.0%	18.4%	1,578,804	1,687,921	(109,117)	(27,279)				
Coventry	4,619	1,362	42,323,897	4,992,002	47,315,899	34.1%	59.9%	48.7%	23,060,907	22,704,444	356,463	356,463				
Cranston	10,185	4,187	93,325,155	15,346,192	108,671,347	43.6%	60.5%	52.7%	57,303,969	54,827,149	2,476,820	2,476,820				
Cumberland	4,503	955	41,260,989	3,500,266	44,761,255	24.7%	54.6%	42.4%	18,967,499	17,659,354	1,308,145	1,308,145				
East Greenwich	2,477	170	22,696,751	623,084	23,319,835	9.5%	9.9%	9.7%	2,262,505	2,626,313	(363,808)	(90,952)				
East Providence	5,214	2,676	47,775,882	9,808,075	57,583,957	55.7%	65.0%	60.5%	34,854,923	32,245,114	2,609,809	2,609,809				
Foster	266	57	2,437,358	208,916	2,646,274	25.4%	51.8%	40.8%	1,079,537	1,163,998	(84,461)	(21,115)				
Glocester	545	80	4,993,835	293,216	5,287,051	15.8%	52.5%	38.8%	2,049,675	2,502,877	(453,202)	(113,300)				
Hopkinton	1,116	255	10,225,908	934,626	11,160,534	25.7%	57.0%	44.2%	4,934,351	5,386,069	(451,718)	(112,930)				
Jamestown	629	59	5,763,527	216,247	5,979,774	10.7%	0.0%	7.6%	452,432	438,902	13,530	13,530				
Johnston	3,218	1,428	29,486,534	5,233,906	34,720,440	47.2%	57.3%	52.5%	18,225,966	15,770,318	2,455,648	2,455,648				
Lincoln	2,949	770	27,021,687	2,822,204	29,843,891	30.9%	49.6%	41.3%	12,332,011	10,906,917	1,425,094	1,425,094				
Little Compton	373	49	3,417,799	179,595	3,597,394	13.7%	0.0%	9.7%	348,493	413,267	(64,774)	(16,194)				
Middletown	2,207	720	20,222,741	2,638,944	22,861,685	32.8%	28.7%	30.8%	7,045,573	8,134,323	(1,088,750)	(272,188)				
Narragansett	1,287	294	11,792,781	1,077,569	12,870,350	22.7%	0.0%	16.1%	2,065,862	2,114,201	(48,339)	(12,085)				
Newport	2,122	1,357	19,443,886	4,973,676	24,417,562	65.9%	0.0%	46.6%	11,378,178	10,720,594	657,584	657,584				
New Shoreham	116	22	1,062,908	80,634	1,143,542	15.1%	0.0%	10.7%	122,100	110,826	11,274	11,274				
North Kingstown	3,863	847	35,396,669	3,104,424	38,501,093	26.1%	27.3%	26.7%	10,282,387	10,846,006	(563,619)	(140,905)				
North Providence	3,460	1,542	31,703,980	5,651,738	37,355,718	46.3%	67.0%	57.6%	21,512,305	19,547,302	1,965,003	1,965,003				
North Smithfield	1,698	303	15,558,774	1,110,556	16,669,330	23.0%	40.5%	32.9%	5,489,818	5,960,086	(470,268)	(117,567)				
North Attleborough	8,813	6,719	80,753,519	24,626,479	105,379,998	79.8%	87.4%	83.7%	88,188,641	82,687,909	5,500,732	5,500,732				
Pawtucket	2,338	372	21,423,094	1,363,454	22,786,548	17.3%	10.1%	14.2%	3,227,737	4,019,920	(792,183)	(198,046)				
Providence	22,790	19,541	208,824,770	71,621,673	280,446,443	87.9%	86.9%	87.4%	245,114,202	230,869,652	14,244,550	14,244,550				
Richmond	1,178	195	10,794,014	714,714	11,508,728	19.6%	47.5%	36.3%	4,181,653	4,840,982	(659,329)	(164,832)				
Scituate	1,341	240	12,287,583	879,648	13,167,231	16.3%	28.5%	23.2%	3,056,868	3,711,978	(655,110)	(163,777)				
Smithfield	2,382	360	21,826,266	1,319,472	23,145,738	16.5%	32.8%	26.0%	6,009,184	5,536,267	472,917	472,917				
South Kingstown	3,136	572	28,735,168	2,096,494	30,831,662	20.8%	8.9%	16.0%	4,932,343	6,994,271	(2,061,928)	(515,482)				
Tiverton	1,848	523	16,933,224	1,916,900	18,850,124	34.4%	34.1%	34.3%	6,456,229	6,230,844	225,385	225,385				
Warwick	9,063	3,165	83,044,269	11,600,358	94,644,627	36.4%	44.0%	40.4%	38,216,746	37,368,197	848,549	848,549				
Westerly	2,837	1,007	25,995,431	3,690,856	29,686,287	40.9%	0.0%	28.9%	8,585,472	8,724,889	(139,417)	(34,854)				
West Warwick	3,440	1,827	31,520,720	6,696,320	38,217,040	51.2%	73.9%	63.6%	24,295,114	23,016,375	1,278,739	1,278,739				
Woonsocket	5,773	4,392	52,897,999	16,097,558	68,995,557	80.9%	90.9%	86.0%	59,367,500	56,033,685	3,333,815	3,333,815				
Bristol-Warren ²	3,199	1,089	29,312,437	3,991,403	33,303,840				12,584,376	14,731,387	(2,147,011)	(536,753)				
Exeter-West Greenwich ²	1,639	241	15,018,157	883,313	15,901,470				4,103,823	5,231,063	(1,127,240)	(281,810)				
Charlton	-	-	-	-	-	-	-	-	-	153,282	(153,282)	(88,321)				
Foster-Glocester	1,093	209	10,015,159	766,027	10,781,186	19.8%	52.3%	39.5%	4,263,226	4,743,256	(480,030)	(120,007)				
Central Falls	2,530	2,244	23,182,390	8,224,709	31,407,099	90.5%	97.5%	94.1%	29,543,131	34,316,653	(4,773,522)	(1,193,381)				
District Total	130,785	60,931	\$1,198,382,955	\$223,324,301	\$1,421,707,256				\$795,499,766	\$773,173,735	\$22,326,031	\$35,013,337				
Charter School Total	8,885	817	81,413,255	22,742,566	104,155,821				82,330,410	75,177,727	7,152,683	7,152,683				
Davies	817	538	7,486,171	1,971,878	9,458,049				7,641,216	11,043,048	(3,401,832)	(850,458)				
Met School	799	570	7,321,237	2,089,164	9,410,401				6,700,371	9,209,491	(2,509,120)	(627,280)				
Urban Collaborative	140	132	1,282,820	483,806	1,766,626				1,539,678	1,115,290	424,388	424,388				
Total	141,426	68,376	\$1,295,886,438	\$250,611,715	\$1,546,498,153				\$893,711,440	\$869,719,291	\$23,992,149	\$41,485,866				

¹ Based on March 2017 enrollment updated for projected charter school growth.

² Calculations based on component district data as required by the Superior Court decision in *Town of Warren v. Bristol Warren Regional School District, et. al.*

Source: Rhode Island Department of Education

CHARTER SCHOOL FUNDING

Under the formula, the funding mechanism for charter and state schools changed significantly. While previously sending district tuition per-student was based on the per-pupil expenditure of the sending district, without deductions, the formula allowed sending districts to retain 5.0 percent of the per-pupil expenditure as indirect aid. The indirect aid was intended to cover residual costs from the transfer of the student from the district to the charter school. Today, the sending district tuition is calculated by dividing the local appropriation to education from property taxes, net debt service and capital projects, by the district resident average daily membership (RADM), or enrollment: there is no indirect aid retained by the sending district.

$$\text{Tuition} = (\text{local appropriation to education} - \text{debt service} - \text{capital projects} / \text{District RADM}) - \text{local tuition reduction}$$

Local Charter and State School Tuition Reduction: Article 11 of the FY2017 Budget changed the above calculation to subtract a district-specific amount from the tuition paid for each student attending a charter or state school. The amount of the reduction is calculated based on differences in expenses between each district and charter schools. The expenditure data used for the calculation is the prior previous fiscal year; consequently, the calculation of unique costs for FY2018 is based on FY2016 data from the Uniform Chart of Accounts (UCOA). The reduction will be the greater of 7.0 percent of the district's per-pupil funding or the per-pupil value of each district's costs in the delineated expenditure categories. The categories include each district's costs for non-public textbooks, transportation for non-public students, retiree health benefits, out-of-district special education tuition and transportation, services for students age eighteen to twenty-one, pre-school screening and intervention, career and technical education tuition and transportation costs, debt service, and rental costs minus the average charter school expenses for the same categories. For districts using the reduction for costs categories, there is an additional reduction for tuition payments to mayoral academies where teachers do not participate in the state's teacher retirement system equivalent to the per-pupil, unfunded liability cost. The table on the following page shows the projected FY2018 tuition savings for districts sending students to public schools of choice, including charter and state schools as provided in the enacted budget.

**Projected Reduction in Sending District Tuition to Public Schools of Choice
(FY2018)**

LEA	Projected PSOC Enrollment	FY2018 Per Pupil Tuition Reduction	Projected Mayoral Academy Enrollment	Additional Mayoral Academy Reduction	Total Tuition Reduction
Barrington	11	\$892	-	\$0	\$9,811
Burrillville	45	497	19	-	22,386
Charlestown	-	-	-	-	-
Coventry	68	649	-	-	44,111
Cranston	341	632	69	-	215,512
Cumberland	509	578	448	-	294,209
East Greenwich	9	969	-	-	8,718
East Providence ¹	119	573	-	-	68,172
Foster	-	811	-	-	-
Glocester	-	808	-	-	-
Hopkinton	-	-	-	-	-
Jamestown	8	1,570	-	957	12,560
Johnston ¹	58	797	-	-	46,200
Lincoln	260	896	195	-	233,044
Little Compton	2	1,200	-	-	2,401
Middletown	13	769	-	-	10,000
Narragansett	20	1,294	-	-	25,883
Newport	26	1,156	-	957	30,056
New Shoreham	-	2,884	-	-	-
North Kingstown	136	833	-	-	113,224
North Providence	168	638	40	-	107,262
North Smithfield	48	741	18	-	35,590
Pawtucket ¹	1,758	203	654	-	356,068
Portsmouth	10	918	-	-	9,185
Providence	4,595	322	785	-	1,479,886
Richmond	-	-	-	-	-
Scituate	13	885	-	-	11,511
Smithfield	23	868	1	-	19,960
South Kingstown	99	1,058	-	-	104,707
Tiverton	17	898	-	-	15,265
Warwick	123	923	20	-	113,560
Westerly	52	1,087	-	-	56,531
West Warwick	48	611	2	-	29,336
Woonsocket	386	186	120	-	71,939
Bristol-Warren	24	1,170	-	866	28,080
Exeter-West Greenwich ¹	30	994	-	-	29,825
Chariho	90	836	-	-	75,256
Foster-Glocester	6	3,475	-	974	20,850
Central Falls ¹	1,526	238	500	-	362,823
Total	10,641		2,871		\$4,063,923

¹ No longer qualify for additional adjustment to mayoral academy tuitions in FY2018.

Source: Rhode Island Department of Elementary and Secondary Education.

In FY2011, the State paid the total tuition costs of students attending the Davies and Met Schools, while the local districts provided transportation. Pursuant to the new funding formula, however, the State payment to these state schools is calculated by the same method used to calculate school district and charter school payments. The formula requires local districts to pay state school tuition, but allows the districts to charge the state and charter schools for transportation costs. Local payments are made to the charter or state school on a quarterly basis. Failure to make a payment could result in the withholding of state education aid to the district of residence.

In FY2011, prior to the implementation of the current funding formula, charter school funding was based on the per-pupil expenditure of the sending district; however, the State paid 5.0 percent of the per-pupil expenditure as indirect aid to the sending district, and a portion of the remaining 95.0 percent based on the share ratio of the sending district. The expenditure was based on the reference year as defined in RIGL 16-7-16(11) providing a two-year lag. Each quarter, the charter school billed the sending district for the portion of the per-pupil expenditure not paid by the State.

Please see the following examples for further clarification of the charter school formula used in FY2011.

Calculation	District A	District B
Per Pupil Expenditure:	\$8,000	\$8,000
Share Ratio:	70.0%	30.0%
Indirect Aid to Sending District:	\$400 (5.0% of \$8,000)	\$400 (5.0% of \$8,000)
State Share to Charter School:	\$5,320 (70.0% of (\$8,000 minus 5.0%))	\$2,280 (30.0% of (\$8,000 minus 5.0%))
District Share to Charter School:	\$2,280 (30.0% of (\$8,000 minus 5.0%))	\$5,320 (70.0% of (\$8,000 minus 5.0%))

WILLIAM M. DAVIES, JR. CAREER AND TECHNICAL HIGH SCHOOL AND THE METROPOLITAN REGIONAL CAREER AND TECHNICAL CENTER (MET)

In FY2011, the State paid the total tuition costs of students attending the Davies and Met Schools, while the local districts provided transportation. Pursuant to the new funding formula, the state payment to these state schools is calculated by the same method used to calculate school district and charter school payments. However, the formula requires local districts to pay tuition, but allows the district to charge the state schools for transportation costs. The local tuition costs are calculated by dividing the local appropriation to education from property taxes, net debt service and capital projects, by the district RADM and then subtracting the per-pupil, local tuition reduction. Local payments are made to the state school on a quarterly basis. Failure to make a payment could result in the withholding of state education aid to the district of residence.

NON-FORMULA PROVISIONS

Group Homes: The Group Home aid category was created by the General Assembly in 2001 to provide state support to districts hosting group homes in exchange for relieving the resident sending district of financial responsibility for students placed in group homes. When enacted, the Act maintained the current funding for group homes as a categorical grant program; however, the FY2017 Budget as Enacted increased the per-bed funding amount. The Group Home aid category provides \$17,000 annually per bed, except for group home beds associated with Bradley Hospital Children's Residential and Family Treatment (CRAFT) Program, which received \$26,000 per bed.

The FY2018 Budget includes \$4.1 million to fund group home beds. This is \$688,863 less than the FY2017 Budget as Enacted. This adjustment represents the most recent update on the number of group home beds per district and the decrease required pursuant to RIGL 16-7-22(1)(ii) to reduce the average daily membership of a district by the number of group home beds used in the group home aid calculation.

Group Home Aid

District	FY2017 Enacted			FY2018 Change from Enacted					FY2018 Governor Total Aid
	FY2017 Enacted	Number of Beds	Aid based on bed count	FY2018 Number of Beds	Number of Beds	Aid change due to bed count	Aid change due to RIGL 16-7-22(1)(iii)	Total Change	
Burrillville	\$82,140	8	\$136,000	8	-	\$0	(\$1,907)	(\$1,907)	\$80,233
Coventry	99,129	8	136,000	8	-	-	(13,147)	(13,147)	85,982
Cranston	47,702	4	68,000	4	-	-	(6,760)	(6,760)	40,942
East Providence	550,150	34	740,000	34	-	-	(74,152)	(74,152)	475,998
Lincoln	119,396	9	153,000	9	-	-	(14,104)	(14,104)	105,292
Middletown	334,390	22	374,000	22	-	-	(11,841)	(11,841)	322,549
Newport	184,817	14	238,000	14	-	-	(30,505)	(30,505)	154,312
North Providence	185,742	16	272,000	16	-	-	(31,941)	(31,941)	153,801
North Smithfield	108,137	8	136,000	8	-	-	(1,484)	(1,484)	106,653
Pawtucket	458,964	50	850,000	50	(3)	(51,000)	(113,530)	(164,530)	294,434
Portsmouth	600,518	37	629,000	37	-	-	(9,688)	(9,688)	590,830
Providence ¹	819,684	100	1,700,000	100	4	68,000	(285,735)	(217,735)	601,949
Smithfield	235,340	16	272,000	16	-	-	(16,628)	(16,628)	218,712
South Kingstown	253,242	16	272,000	16	-	-	(3,519)	(3,519)	249,723
Warwick	407,284	30	510,000	30	-	-	(52,682)	(52,682)	354,602
Woonsocket	75,400	8	136,000	8	-	-	(27,705)	(27,705)	47,695
Bristol-Warren	117,362	8	136,000	8	-	-	(8,779)	(8,779)	108,583
Exeter-West Greenwich	117,674	8	136,000	8	-	-	(1,756)	(1,756)	115,918
Total	\$4,797,072	396	\$6,894,000	396	1	17,000	(705,863)	(\$688,863)	\$4,108,209

¹ Providence experienced the 4 bed increase in December 2016 update bringing the total FY2017 aid to \$887,685.

Categorical Programs: When the education funding formula was passed in 2010, five categorical funds were identified that would not be distributed according to the formula, but pursuant to other methodologies intended to address the priorities and funding needs of the districts. These categories include Transportation, High-Cost Special Education, Career & Technical Education, Early Childhood, and the Regionalization Bonus. Article 11 of the FY2017 Budget as Enacted added two new aid categories: English Learners and Density Fund. (The Central Falls, Davies and Met School Stabilization Funds are addressed in the relevant sections of this analysis.)

**FY2018 Enacted Categorical Education Aid
Change from**

Categorical	Enacted	Total Funding
Transportation	0.5	\$6.8
Early Childhood	1.1	6.2
High-Cost Special Education	-	4.5
Career & Tech. Schools	-	4.5
English Learners	-	2.5
Public School Choice Density	(0.6)	0.9
Regionalization Bonus	-	-
Total	\$1.0	\$25.5

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

- **Transportation:** This fund provides funding for transporting students to out-of-district, non-public schools and for 50.0 percent of the local costs associated with transporting students within regional school districts. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget funds this category at \$6.48million in FY2018,an increase of \$460,000 for regional transportation.
- **Early Childhood Education:** This fund is designed to increase access to voluntary, free, high-quality pre-kindergarten programs. The funds will be distributed through a request for proposals process targeting communities in three tiers, with the first tier having the highest concentration of children at risk for poor educational outcomes. The Budget funds this category at \$6.2 million in FY2018, an increase of \$1.1 million over the FY2017 Budget as Enacted. The additional funds are needed as a match to the third year of the federal Pre-Kindergarten Expansion grant (\$6.0 million).
- **High-Cost Special Education:** This fund reimburses districts for instructional and related services provided to a student pursuant to an Individual Education Plan (IEP). The State reimburses costs that

exceed five times the combined core instruction and student success factor funding (currently \$64,141 for FY2018). The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget funds this category at \$4.5 million in FY2018, level with the FY2017 Budget as Enacted.

Article 11 of the FY2017 Budget as Enacted required the Department to collect data on those educational costs that exceed four times the core foundation amount. As of March 1, 2017, the data has not been reported.

- **Career and Technical Schools:** This fund contributes toward the initial investment needed to transform existing programs or create new programs and the costs associate with facilities, equipment maintenance and repair, and supplies associated with higher-cost programs at career and technical schools. The Budget funds this category at \$4.5 million in FY2018, level with the previous year. In FY2017, \$1.0 million was added to provide a grant to the Career and Technical Trust/Board to distribute to career and technical programs in the State based on the Discretion of Trust/Board. This was a one-time grant.

Previously, the Department recommended criteria for the allocation of funds appropriated to this categorical program by the General Assembly. Article 11 of the FY2017 Budget as Enacted empowered the Department to develop the criteria for the distribution of funds. As of March 1, 2017, the criteria have not been reported.

- **English Learners:** Article 11 of the FY2017 Budget as Enacted established a categorical fund for English Learners (EL). The fund provides additional aid of 10.0 percent of the per-pupil core instruction amount for each qualified EL student. This additional aid is then multiplied by the state share. When the article was originally enacted, the additional the per-pupil weight was \$898 for each identified English learner. In FY2018, the per-pupil weight increases to \$916, to reflect 10.0 percent of the \$9,163 core instruction amount. This amount is then multiplied by the state share ratio. The formula is provided below.

(Per-pupil core instruction amount x number of EL students) x 10.0 percent x state share ratio = additional state support per EL student

This support is then ratably reduced based on the total amount appropriated.

The Article restricted the funds to provide new services to EL students and required that the funds be managed in accordance with requirements enumerated by the Commissioner. The Article also required the Department to collect performance reports and approve the use of funds prior to expenditure to ensure the funded activities align to innovative and expansive activities. Distribution is subject to a pro-rata reduction based on the funds available. The Budget provides \$2.5 million in FY2018, level with the previous fiscal year and approximately one-half of the estimated full funding amount.

- **Public School of Choice Density Aid:** Article 11 of the FY2017 Budget as Enacted established a new category of state aid for districts where 5.0 percent or more of the average daily membership enrolls in a public school of choice, such as Davies, the Met, or a charter school. Such districts receive an additional \$175 in FY2017, \$100 in FY2018, and \$50 in FY2019 for each student attending a public school of choice. The per-pupil amount is intended to offset costs that must be paid by a sending district even though students are attending a different school. Examples of such costs include heating, lighting, accounting services, teachers, and building administrator. While these costs can sometimes be reduced when enrollment declines are concentrated in specific schools or classrooms, public school of choice enrollment are generally scattered across schools and grades within a district. In FY2018, the budget includes \$938,900 in density aid to be divided among six qualifying communities: Central Falls,

Cumberland, Lincoln, Pawtucket, Providence, and Woonsocket. This represents a decrease of \$553,325 from the FY2017 Budget as Enacted.

- **Regionalization Bonus:** This fund provides a bonus to regionalized districts and those that regionalize in the future. In the first year, the bonus is 2.0 percent of the State's share of the total foundation aid. In the second year, the bonus is 1.0 percent of the State's share and in the third year the bonus phases out. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget provides no funding in FY2018, the seventh year of funding for the regionalized districts, since no new regional districts have been formed. This represents level funding from the FY2014 Budget as Enacted.

The following table shows the education aid including the formula distribution, categorical aid, and group home aid.

FY2018 Education Aid UPDATED ¹										
Districts	FY2017 Enacted (excludes group home and categoricals)	FY2018 (Year 7) formula Change	Transportation	High-cost Special Education (>\$64,140)	Group Home Aid ²	English Learners	Public School Choice Density	Stabilization Funding	FY2018 Aid	
Barrington	\$5,215,104	(\$57,325)	\$98,248	\$90,740	\$0	\$1,040	\$0	\$0	\$5,347,807	
Burrillville	12,982,040	58,383	30,522	34,017	80,233	667	-	-	13,185,861	
Charlestown	1,687,921	(27,279)	-	-	-	75	7,100	-	1,667,817	
Coventry	22,704,444	356,463	12,890	42,598	85,982	598	-	-	23,202,975	
Cranston	54,827,149	2,476,820	770,393	826,679	40,942	63,609	-	-	59,005,592	
Cumberland	17,659,354	1,308,145	112,141	46,167	-	11,956	50,900	-	19,188,664	
East Greenwich	2,626,313	(90,952)	72,124	132,020	-	436	-	-	2,739,941	
East Providence	32,245,114	2,609,809	3,182	151,856	475,998	33,166	-	-	35,519,125	
Foster	1,163,998	(21,115)	16,803	47,363	-	-	-	-	1,207,050	
Glocester	2,502,877	(113,300)	-	17,807	-	-	-	-	2,407,383	
Hopkinton	5,386,069	(112,930)	-	-	-	181	-	-	5,273,320	
Jamestown	438,902	13,530	-	21,195	-	124	-	-	473,751	
Johnston	15,770,318	2,455,648	300,054	91,538	-	21,250	-	-	18,638,808	
Lincoln	10,906,917	1,425,094	-	44,486	105,292	2,704	26,000	-	12,510,492	
Little Compton	413,267	(16,194)	-	-	-	40	-	-	397,113	
Middletown	8,134,323	(272,188)	-	69,700	322,549	8,443	-	-	8,262,828	
Narragansett	2,114,201	(12,085)	-	37,224	-	131	-	-	2,139,472	
Newport	10,720,594	657,584	-	34,945	154,312	22,484	-	-	11,589,919	
New Shoreham	110,826	11,274	-	19,706	-	262	-	-	142,067	
North Kingstown	10,846,006	(140,905)	-	41,603	-	2,839	-	-	10,749,543	
North Providence	19,547,302	1,965,003	161,785	174,064	153,801	17,190	-	-	22,019,145	
North Smithfield	5,960,086	(117,567)	20,757	54,325	106,653	808	-	-	6,025,062	
Pawtucket	82,687,909	5,500,732	117,792	164,505	294,434	212,850	175,800	-	89,154,022	
Portsmouth	4,019,920	(198,046)	-	62,991	590,830	405	-	-	4,476,100	
Providence	230,869,652	14,244,550	294,916	794,219	601,950	1,526,070	459,500	-	248,790,856	
Richmond	4,840,982	(164,832)	-	-	-	-	-	-	4,676,150	
Scituate	3,711,978	(163,777)	36,823	27,480	-	-	-	-	3,612,504	
Smithfield	5,536,267	472,917	80,494	32,071	218,712	743	-	-	6,341,204	
South Kingstown	6,994,271	(515,482)	120,504	104,934	249,723	1,505	-	-	6,955,454	
Tiverton	6,230,844	225,385	-	74,075	-	980	-	-	6,531,285	
Warwick	37,368,197	848,549	4,833	558,269	354,602	11,888	-	-	39,146,338	
Westerly	8,724,889	(34,854)	-	160,026	-	1,892	-	-	8,851,953	
West Warwick	23,016,375	1,278,739	48,417	18,030	-	15,337	-	-	24,376,899	
Woonsocket	56,033,685	3,333,815	16,245	48,463	47,695	128,073	38,600	-	59,646,576	
Bristol-Warren ³	14,731,387	(536,753)	1,300,270	117,966	108,583	5,898	-	-	15,727,352	
Exeter-West Greenwich ³	5,231,063	(281,810)	1,021,195	102,904	115,918	825	-	-	6,190,095	
Chariho	153,282	(38,321)	1,793,075	102,084	-	-	-	-	2,010,120	
Foster-Glocester	4,743,256	(120,007)	329,614	77,754	-	323	-	-	5,030,940	
Central Falls	34,316,653	(1,193,381)	48,284	57,534	-	183,861	152,600	6,755,095	40,320,646	
District Total	\$773,173,735	\$35,013,337	\$6,811,360	\$4,481,338	\$4,108,209	\$2,278,655	\$910,500	\$6,755,095	\$833,532,229	
Charter School Total	75,177,727	7,570,815	-	18,662	-	190,810	-	-	82,958,014	
Davies	11,043,048	(850,458)	-	-	-	9,767	-	3,154,166	13,356,523	
Met School	9,209,491	(627,280)	-	-	-	10,505	-	759,796	9,352,512	
Urban Collaborative	1,115,290	379,452	-	-	-	5,204	-	-	1,499,946	
Total	869,719,291	\$41,485,866	\$6,811,360	\$4,500,000	\$4,108,209	\$2,494,939	\$910,500	\$10,669,057	\$940,699,223	

¹ Based on March 2017 enrollment updated for projected charter school growth.

² Based on final 12/31/2016 report from Rhode Island Department of Education.

³ Calculations based on component district data as required by the Superior Court decision in *Town of Warren v. Bristol Warren Regional School District, et. al.*

Source: Rhode Island Department of Education

The following table shows the difference in education aid relative to the FY2017 Budget as Enacted.

FY2018 UPDATED Education Aid - Change to FY2017 Budget as Enacted¹

Districts	FY2017 Enacted (includes group home and categorical)	FY2018 (Year 7) Formula Change	Transportation (change from FY2017)	High-cost Special Education (change from FY2017)	Group Home ² (change from FY2017)	English Learners	Public School Choice Density	Stabilization Funding	Total Change	FY2018 Education Aid
Barrington	\$5,412,982	(\$57,325)	\$24,824	(\$32,375)	\$0	(\$299)	\$0	\$0	(\$65,175)	\$5,347,807
Burrillville	13,111,213	58,383	(3,988)	22,215	(1,907)	(54)	-	-	74,648	13,185,861
Charlestown	1,687,921	(27,279)	-	-	-	75	7,100	-	(20,104)	1,667,817
Coventry	22,874,403	356,463	(16,491)	2,248	(13,147)	(501)	-	-	328,572	23,202,975
Cranston	56,028,986	2,476,820	172,984	329,149	(6,760)	4,414	-	-	2,976,607	59,005,593
Cumberland	17,980,588	1,308,145	(42,813)	(31,190)	-	9,833	(35,900)	-	1,208,076	19,188,664
East Greenwich	2,810,468	(90,952)	32,003	(11,739)	-	162	-	-	(70,526)	2,739,942
East Providence	33,101,437	2,609,809	(13,897)	(111,846)	(74,152)	7,775	-	-	2,609,809	35,519,125
Foster	1,199,425	(21,115)	7,896	20,844	-	-	-	-	7,626	1,207,050
Glocester	2,546,748	(113,300)	(20,210)	(5,854)	-	-	-	-	(139,365)	2,407,383
Hopkinton	5,386,681	(112,930)	-	-	-	(432)	-	-	(113,361)	5,273,320
Jamestown	473,875	13,530	-	(13,745)	-	91	-	-	(124)	473,752
Johnston	16,142,240	2,455,648	(34,049)	68,131	-	6,838	-	-	2,496,568	18,638,808
Lincoln	11,192,951	1,425,094	-	(72,415)	(14,104)	1,266	(22,300)	-	1,317,540	12,510,491
Little Compton	413,267	(16,194)	-	-	-	40	-	-	(16,154)	397,113
Middletown	8,621,817	(272,188)	-	(73,618)	(11,841)	(1,344)	-	-	(358,990)	8,262,828
Narragansett	2,150,151	(12,085)	-	1,492	-	(87)	-	-	(10,679)	2,139,472
Newport	10,938,355	657,584	-	18,407	(30,505)	6,078	-	-	651,564	11,589,919
New Shoreham	131,168	11,274	-	(181)	-	(193)	-	-	10,899	142,067
North Kingstown	10,897,113	(140,905)	-	(7,235)	-	571	-	-	(147,569)	10,749,544
North Providence	20,168,708	1,965,003	(13,287)	(72,159)	(31,941)	2,822	-	-	1,850,438	22,019,146
North Smithfield	6,177,520	(117,567)	(16,428)	(16,781)	(1,484)	(199)	-	-	(152,459)	6,025,061
Pawtucket	83,927,607	5,500,732	(50,787)	29,577	(164,530)	24,023	(112,600)	-	5,226,415	89,154,022
Portsmouth	4,787,380	(198,046)	-	(103,563)	(9,688)	16	-	-	(311,281)	4,476,100
Providence	235,212,370	14,244,550	(93,821)	(39,287)	(217,735)	(14,523)	(300,700)	-	13,578,484	248,790,854
Richmond	4,841,145	(164,832)	-	-	-	(163)	-	-	(164,996)	4,676,150
Scituate	3,794,602	(163,777)	(10,181)	(8,139)	-	-	-	-	(182,097)	3,612,504
Smithfield	5,961,895	472,917	6,167	(83,422)	(16,628)	276	-	-	379,310	6,341,205
South Kingstown	7,485,517	(515,482)	(35,117)	22,551	(3,519)	1,505	-	-	(530,063)	6,955,455
Tiverton	6,284,270	225,385	-	20,953	-	676	-	-	247,015	6,531,284
Warwick	38,252,321	848,549	(32,917)	125,727	(52,682)	5,340	-	-	894,017	39,146,338
Westerly	8,904,660	(34,854)	-	(17,847)	-	(6)	-	-	(52,707)	8,851,953
West Warwick	23,082,050	1,278,739	(8,825)	18,030	-	6,904	-	-	1,294,849	24,376,898
Woonsocket	56,340,792	3,333,815	3,242	7,355	(27,705)	5,426	(16,350)	-	3,305,782	59,646,575
Bristol-Warren ³	16,003,657	(536,753)	360,462	(88,320)	(8,779)	(2,916)	-	-	(276,305)	15,727,352
Exeter-West Greenwich ⁴	6,384,057	(281,810)	118,135	(28,629)	(1,756)	98	-	-	(193,962)	6,190,095
Charlho	1,809,332	(38,321)	186,345	52,764	-	-	-	-	200,788	2,010,120
Foster-Glocester	5,130,308	(120,007)	(14)	20,330	-	323	-	-	(99,368)	5,030,940
Central Falls	39,687,299	(1,193,381)	(59,232)	43,369	-	(27,604)	(100,975)	1,971,170	633,347	40,320,646
District Total	\$797,337,279	\$35,013,337	\$460,000	(\$15,203)	(\$688,863)	\$36,234	(\$581,725)	\$1,971,170	\$36,387,070	\$833,532,229
Charter School Total	75,310,452	7,570,815	-	15,203	-	61,546	-	-	7,647,563	82,958,015
Davies	12,591,659	(850,458)	-	-	-	8,201	-	1,618,423	776,166	13,367,825
Met School	9,342,007	(627,280)	-	-	-	10,505	-	627,280	10,505	9,352,512
Urban Collaborative	1,115,290	379,452	-	-	-	5,204	-	-	384,656	1,499,946
Total	\$895,696,687	\$41,485,867	(\$460,000)	(\$0)	(\$688,863)	\$121,689	(\$581,725)	\$4,216,873	\$45,205,960	\$940,710,524

¹ Based on March 2017 data updates.

² Based on final 12/31/2016 report from the Department of Children, Youth and Families.

³ Calculations based on component district data as required by the Superior Court decision in Town of Warren v. Bristol Warren Regional School District, et. al.

Source: Rhode Island Department of Education

School Construction Aid: In 1960, the school housing aid program was enacted by the General Assembly to guarantee adequate school facilities for all public school children in the state, and to prevent the cost of constructing and repairing facilities from interfering with the effective operation of the schools. Applications for aid to support the construction and renovation of school buildings are submitted to and evaluated by the Rhode Island Department of Elementary and Secondary Education (RIDE). State aid is provided for approved projects based on a percentage of cost. The percentage provided by the State to the school district is determined based on a share ratio designed to measure a community's need. For FY2018, the minimum state share is 35.0 percent and the maximum is 96.7 percent for Central Falls: the state share for charter schools is 30.0 percent.

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

The 2011 General Assembly enacted legislation limiting the approval of new projects between FY2012 and FY2015, to those necessitated by immediate health and safety reasons. Any project requested during the moratorium must be reported to the chairs of the House and Senate Finance Committees. Any project approval granted prior to the adoption of the school construction regulations in 2007, which is currently inactive, and any project approval granted prior to the adoption of the school construction regulations in 2007, which did not receive voter approval or which has not been previously financed, is no longer eligible for reimbursement. Article 22 of the FY2015 Budget extended the moratorium from June 30, 2014, to May 1, 2015, limiting the approval of new projects between FY2012 and FY2015 to those necessitated by immediate health and safety conditions.

As part of the legislation, RIDE was charged with developing recommendations for further cost containment strategies in the school housing aid program. The following recommendations were submitted on March 22, 2012:

- Establish capital reserve funds on the state and local level.
- Reduce the minimum share ratio.
- Limit costs associated with bonding by establishing a mechanism to allow districts with poor bond ratings to borrow at a lower interest rate, reduce the State's reimbursement rate on interest, and provide incentives for districts to refinance bonds.

Article 13 of the FY2014 Budget as Enacted provided an incentive to communities to refinance existing school housing bonds by allowing communities to receive 80.0 percent of the total savings, instead of distributing the savings based on the state share ratio. The increased savings to the communities would only apply to refinancing done between July 1, 2013, and December 31, 2015. The table shows the estimated savings realized through the incentive.

For FY2018, the budget provides \$80.0 million, level funded with the FY2017 Budget as Enacted. For FY2018, the Department projects expenditures of \$70.9 million in school housing aid, level funded with the FY2017 Budget as Enacted; however, pursuant to law the surplus must be deposited into the School Building Authority Capital Fund.

**School Bond Refinancing Incentive Estimated Savings
Summary**

Municipality	Local Savings	State Savings	Total Savings
Burrville	\$391,582	\$97,896	\$489,478
Central Falls	485,690	121,423	607,113
Cumberland	392,456	98,136	490,592
Johnston	41,684	10,421	52,105
Lincoln	1,590,165	397,541	1,987,706
New Shoreham	329,114	82,278	411,392
North Kingstown	419,141	104,785	523,926
North Providence	492,390	123,098	615,488
Pawtucket	44,094	11,023	55,117
Portsmouth	208,533	52,135	260,668
Providence	5,854,680	1,463,670	7,318,350
South Kingstown	232,603	58,151	290,754
Tiverton	753,270	188,317	941,587
West Warwick	525,572	131,393	656,965
Woonsocket	728,129	182,083	910,212
Total Savings	\$12,489,103	\$3,122,350	\$15,611,453

School Building Authority Capital Fund: Article 9 of the FY2016 Budget as Enacted designated the Department of Elementary and Secondary Education (Department) as the State's School Building Authority and charged the Department with implementing a system of state funding for school facilities, managing the school housing aid program, and developing a project priority system. The Authority oversees two distinct funding mechanisms for school facilities: the Foundation Program, as enumerated in RIGL 16-7-35 through 16-7-47, and the School Building Authority Capital Fund (Capital Fund), as created through the article. The FY2016 budget added 1.0 FTE position to the Department for a new construction manager to assist in developing procedures for the proposed Capital Fund. In FY2016, the Department received a one-time, pass-through appropriation of \$20.0 million in new general revenue to capitalize the Capital Fund, which is held in trust and administered by the Rhode Island Health and Education Building Corporation (RIHEBC). For FY2018, the Budget provides \$9.1 million in general revenue to capitalize the Capital Fund, consistent with the FY2017 Budget as Enacted.

FY2017 Supplemental Budget

Expenditures by Source	FY2016 Final	FY2017 Enacted	FY2017 Revised	Change to Enacted	% Change
General Revenues	\$3,547.9	\$3,683.7	\$3,686.5	\$2.8	0.1%
Federal Funds	2,877.4	2,957.1	3,184.6	227.5	7.7%
Restricted Receipts	245.7	257.0	276.3	19.3	7.5%
Other Funds	1,834.2	2,040.9	2,054.1	13.2	0.6%
Total	\$8,505.2	\$8,938.7	\$9,201.5	\$262.8	2.9%

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

The FY2017 Supplemental Budget includes a \$2.8 million increase in general revenue expenditures as compared to the FY2017 Budget as Enacted. Increases are largely due to higher Caseload Estimating Conference estimates as compared to enacted (\$12.7 million). Other major increases include an additional \$3.9 million to fund the Correctional Officer arbitration award and an increase of \$1.1 million due to updated wage growth projections to fund teacher retirement. Increases within the FY2017 Supplemental Budget are offset by \$11.0 million in decreased debt service costs, a \$3.6 million credit related to the Unified Health Infrastructure Project (UHIP) system delays, and a \$3.0 million savings within the Department of Revenue due to the delay of license plate reissuance.

The remainder of this report provides an overview of the major changes in the FY2017 Supplemental Budget, organized by department.

DEPARTMENT OF ADMINISTRATION

Debt Service **(\$11.0 million)**

The Budget decreases general revenue funded debt service payments by \$11.0 million. The reduction reflects adjustments to several debt service accounts including; a reduction of \$8.4 million for State general obligation debt service that primarily reflects the delay of a new bond issuance originally slated for FY2016; a decrease of \$2.5 million in the Job 38 Studios Debt Service account due to the availability of settlement proceeds to pay the debt in the current fiscal year; and, a decrease of \$152,365 in Fidelity Job Rent Credits reflecting fewer jobs claimed by Fidelity Investments. These items are offset by an increase of \$100,000 for higher than projected interest rates for the I-195 variable rate bond debt.

Turnover **(\$1.5 million)**

The Budget decreases general revenue by \$1.5 million based on anticipated turnover savings for the Department of Administration. This equates to 9.0 FTE positions using the Department's average FTE cost of \$167,253 per FTE.

Office of Management and Budget – Fraud Detection System **(\$1.4 million)**

The Budget shifts \$1.4 million in unspent general revenue from FY2017 to FY2018 reflecting a delay in implementing the program.

Pay for Success Pilot – Delay **(\$500,000)**

The Budget reduces \$500,000 in general revenue reflecting a delay in implementing the pilot Pay-for-Success project in the Department of Corrections (DOC). As of June 13, 2017, no expenditures have been made for the program.

The Department, DOC worked with the Harvard Kennedy School's Government Performance Lab to develop a proposal to increase employment and reduce recidivism among high-risk or formerly incarcerated individuals. The Pay-for-Success Project is a data-driven approach to improving service delivery. In a Pay-for-Success initiative, investors provide up-front funding for a project; and the state only repays investors if a third party evaluator determines the initiative achieved specific, predetermined outcomes that benefit

society and save taxpayer dollars. This approach ensures government funding is allocated based on proven results, not inputs or promised success.

The initial funding of \$500,000 in FY2017 would support a pilot project for approximately 75 to 100 formerly incarcerated people to obtain skills development and employment training, while fostering access to transitional jobs and permanent employment. The pilot will also include initial staff training, program development and management, and data collection and analysis to determine whether expansion of Pay-for-Success would be a good investment for the state. The State's goal was to launch the pilot services in January 2017.

Cost Allocation for Governor's Office Position ***(\$114,779)***

The Budget eliminates \$114,779 in general revenue to fund 50.0 percent of the personnel costs associated with the Deputy Chief of Staff position within the Office of the Governor. The Governor proposed this "interdepartmental cost allocation" as a means to reflect the Governor's Office staff support to assist state agencies on various policy and program initiatives such as Real Jobs RI, RhodeWorks, Reinventing Medicaid, Justice Reinvestment Initiative, etc., effectively reducing the need to appropriate funds within the Governor's Office to cover these salary expenses.

Water Management Program ***(\$100,000)***

The Budget eliminates \$100,000 in general revenue for purchased contract services. The appropriation was included to assist the Planning Program in filling vacant FTE positions associated with the Water Resources Management Program.

Building Code Study ***(\$100,000)***

The Budget decreases general revenue by \$100,000 eliminating funding for a regulatory review of the revised state building codes.

UHIP Legal ***(\$50,000)***

The Budget decreases general revenues by \$50,000 reflecting a 50.0 reduction to the \$100,000 in funding included in the FY2017 Revised Budget for anticipated legal expenses related grievances involving the start-up of the Unified Health Infrastructure Project (UHIP).

Building Code Rent ***(\$43,555)***

The Budget reduces \$43,555 in general revenue for leased space expenses for the Building Code Commission to relocate its offices from space within the Department of Administration (William Powers Building) to the Foundry Building in Providence. The FY2017 Budget as Enacted included \$54,805, reflecting three quarters of a year's lease during FY2017. The full year rental expense is \$73,073. The State began making actual monthly rental payments of \$3,714 in February 2017, which reduces the amount required for rental payments in the current fiscal year.

Rhode Island Health Benefits Exchange (federal funds) ***\$6.8 million***

The Budget includes \$7.9 million in federal funds, reflecting an increase of \$6.8 million from the FY2017 Budget as Enacted. The majority of the increase is in contract services with \$4.9 million more for management and \$1.9 million more for information technology consultants.

Information Technology (restricted receipts) ***\$6.1 million***

The Budget adds \$6.1 million in restricted receipts for the Information Technology Investment Fund (ITIF) to finance adjusted current year phasing in of several major State information technology projects, including the Time, Leave and Attendance System; Statewide ePermitting Platform; Integrated Budget Development System; DLT Imaging System; and the Unified Health Infrastructure Project (UHIP).

Rhode Island Health Benefits Exchange (restricted receipts) (\$2.6 million)

The Budget includes \$6.0 million in restricted receipts from the Health Reform Assessment authorized under the FY2016 Budget as Enacted. This reflects a decrease of \$2.6 million from the FY2017 Budget as Enacted. The assessment is used to fund the operational costs of HealthSource RI, the state-based health benefits marketplace for individual and small group health insurance and the avenue through which Rhode Islanders access federal health insurance subsidies. The decrease in restricted receipts reflects a lower number of insured enrollees than previously projected. This is partly due to problems with the Unified Health Infrastructure Project (UHIP) as well as from the withdrawal of United Healthcare from the HealthSource RI marketplace.

DEPARTMENT OF BUSINESS REGULATION**Personnel Savings (\$600,000)**

The Budget includes \$600,000 in general revenue personnel savings within the Department. The net personnel savings is due to certain positions remaining unfilled longer than anticipated. At an average cost of \$108,965, the reduction equates to 5.5 FTE positions. As of May 27, 2017, the Department has averaged 91.2 filled FTEs as compared to its 97.0 FTE authorized level.

Medical Marijuana Tracking Database (restricted receipts) (\$470,000)

The Budget reduces restricted receipts by \$470,000 to account for savings related to the implementation of the Department's new medical marijuana tracking system. The FY2017 Budget as Enacted established the Department of Business Regulation (DBR) as the licensing agency of compassion centers, compassion center staff and cultivators. DBR was also charged with developing and administering a tagging system for medical marijuana plants, including the selling of plant tags and maintaining a tag database. The implementation of this new tracking system was completed in FY2017 and final expenditures for services from the vendor contracted to create the database were \$470,000 less than originally budgeted.

Dues and Subscriptions – Banking Program (restricted receipts) \$25,000

The Budget adds \$25,000 in restricted receipts to pay FY2017 membership costs for associations which the bank examiner staff are required to belong to, including the Conference of State Bank Supervisors, the National Association of State Credit Union Supervisors, and the National Association of Consumer Credit Administrators.

DEPARTMENT OF LABOR AND TRAINING**General Revenue Shift to Restricted Receipts (\$491,542)**

The Budget shifts \$491,542 in new general revenue expenditures to discretionary restricted receipt funds in the Workforce Regulation and Safety (WRS) program. This funding was added to support personnel costs within the program. Historically, the Department has used Tardy and Interest funds, appropriated to the Income Support Program, to offset costs within the Workforce Regulation and Safety Program. The Tardy and Interest restricted receipt account is funded via penalties and interest on employers' taxes (i.e. Unemployment Insurance, Temporary Disability Insurance, and Job Development Fund) when paid late.

Police and Firefighters' Relief Fund (\$168,070)

The Budget decreases general revenue by \$168,070 for Police and Firefighters' annuity and tuition benefits, reflecting spending trends in the Department's FY2017 third quarter report.

Under RIGL 45-19, the spouse of a deceased police officer or firefighter receives an annual annuity of \$3,600 per year for as long as they remain unmarried, or if there is no spouse a total sum not exceeding \$10,000 is payable to the parent(s) of the deceased police officer or firefighter. In addition, an annuity of \$1,200 per year is paid to each widow or widower for each child of a deceased firefighter or police officer who is under the age of 18. Also under current law, children of deceased firefighters or police officers are

eligible to receive up to four years of free tuition at the University of Rhode Island, Rhode Island College, or the Community College of Rhode Island. This tuition benefit is also available to any firefighter or police officer that is permanently disabled in the line of duty.

America's Promise Grant (federal funds) **\$1.3 million**

The Department received an America's Promise grant, increasing the FY2017 Budget by \$1.3 million in federal funds within the Workforce Development Services Program. The purpose of this grant is to accelerate the development and expansion of regional workforce partnerships. These partnerships provide a pipeline of skilled workers to specific in-demand industries.

DEPARTMENT OF REVENUE

Delay License Plate Reissuance **(\$3.0 million)**

The Budget includes general revenue savings of \$3.0 million due to the delay of license plate reissuance from April 1, 2017 to January 1, 2019.

Municipal Transparency Portal Delay **(\$111,359)**

The Budget is reduced by \$111,359 in general revenue due to a delay in the launch of the Municipal Transparency Portal, which led to a delay in hiring a position related to this project. The Transparency Portal is a software program which will be maintained and monitored by the Division of Municipal Finance. Municipalities will be required to submit "budget-to-actual financial information" three times per year (on or before the twenty-fifth day succeeding the last day of the sixth, ninth, and twelfth month of each fiscal year), replacing the currently required quarterly reports. Information must include a data report for the municipality's general fund. Additionally, each municipal budget survey and five-year forecast will be posted on the Transparency Portal. The portal's go-live date is scheduled for the end of September 2017.

OFFICE OF THE GENERAL TREASURER

Crime Victims Compensation Program (federal funds) **\$200,000**

The Budget includes an increase of \$200,000 in federal funds reflecting an increase in the federal expenditure ceiling for claims from the federal Department of Justice grant for year-to-date expenditure activity to reimburse victims of crime.

Revenue Collections and Expenditures (restricted receipts) **\$2.1 million**

The Budget includes an increase of \$2.1 million in restricted receipts. Based on Treasury's testimony received during Revenue Estimating Conferences conducted in May 2017, 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 \$2.1 million, claim payouts increase \$500,000, and the change in liability (the amount required by general accounting rules that the fund must carry forward to the next fiscal year for claim payouts) increases \$530,116, resulting with an increase of \$2.1 million. [$\$500,000 + \$530,116 + \$1,052,566 = \$2,082,682$].

CollegeBoundSaver Investment Earnings Transfer (other funds) **(\$8.0 million)**

The Budget includes a decrease of \$8.0 million in other funds. This item corrects the double counting of the transfer of annual investment earnings from Acensus, the plan administrator of the State's 529 Plan known as the CollegeBoundSaver program, to the Division of Higher Education Assistance (DHEA).

In 2016, State administration of the CollegeBoundSaver program was transferred to Treasury upon the abolishment of the Higher Education Assistance Authority (HEAA). In the first year, Treasury transferred the investment earnings to DHEA as a "contra-revenue", i.e. a subtraction from the revenue receipt account from Ascensus. The State Auditor General issued a finding that standards under the Governmental Accounting Standards Board (GASB) requires the transfer to be matched by an equal expenditure. For the

FY2018 Budget, a new operating transfer account is established under Treasury, where, for the first time, the transfer shows on the State budget.

BOARD OF ELECTIONS

Personnel **(\$121,339)**

The Budget includes major personnel adjustments, including: increased turnover savings of Major personnel adjustments include increased turnover savings (\$93,855), medical, and retirement reductions (\$92,484), and increased costs for temporary employees \$65,000.

Operating Expenses **\$125,050**

The Budget adds \$125,050 in operating costs reflecting additional supplies, telecommunication items, and software associated with the new voting equipment purchased by the Secretary of State.

OFFICE OF THE GOVERNOR

Contingency Fund **(\$300,000)**

The Budget eliminates \$300,000 in general revenue from the Governor's Contingency Fund. The Governor's Office is annually appropriated general revenue for a contingency fund for unforeseen expenses. This is a discretionary spending account.

The FY2016 enacted budget amount totaled \$410,800, which included a reappropriation of \$160,800 from unspent funds in FY2015. At the close of FY2016, the Governor's Office had expended only \$65,966, leaving a balance of \$344,834. From the FY2016 closing balance, \$292,000 was reappropriated into FY2017, providing a total of \$542,000 in the revised FY2017 Budget. The Governor's Budget includes \$250,000 in the contingency fund in FY2018. As of May 12, 2017, a total of \$161,244 has been expended or encumbered from the contingency fund leaving a balance of \$380,756 that if left unspent, will be reappropriated into the FY2018 revised budget. Therefore, the contingency fund possesses sufficient resources for the upcoming fiscal year and does not require an appropriation in FY2018.

PUBLIC UTILITIES COMMISSION

Contracted Services – Financial Services (restricted receipts) **\$209,000**

The single largest increase is \$209,000 in restricted receipts reflecting increased financial service expenses related to two Energy Facilities Siting Board activities (the Ivenegy project in Burrillville and the Aquidneck Island Reliability project).

EXECUTIVE OFFICE OF COMMERCE

Anchor Institution Tax Credit **(\$700,000)**

The Budget reduces general revenue by \$700,000 by eliminating funding in FY2017 for the Anchor Institution Tax Credit. The program is designed to entice businesses that supply component goods or services for Rhode Island companies to relocate to the State. The program has received \$1.5 million in general revenue appropriations since it began in FY2016, all of which remain unobligated to date.

Turnover and Operations **(\$245,000)**

The Budget reduces general revenue by \$245,000, reflecting a \$50,663 projected surplus in operating funds and \$194,337 surplus in personnel costs within the Executive Office of Commerce in FY2017.

RI-195 Commission (RICAP) **\$33,317**

The Budget includes an additional \$33,317 for I-195 Commission projects based on current projected expenditure levels.

EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES***Caseload Estimating Conference******\$17.2 million***

The combined November and May Caseload Estimating Conference (CEC) increased general revenue expenditures by \$17.2 million compared to the Enacted Budget. Increased expenditures are primarily related to the increased costs associated with increased expenditures for nursing facilities and delayed functionality of the United Health Infrastructure Project (UHIP). Delayed functionality resulted in significant unachieved savings in Managed Care.

Unified Health Infrastructure Project (UHIP) System Cost Delay***(\$3.3 million)***

The State of Rhode Island negotiated a credit from Deloitte Consulting, LLP to offset expenditures related to delayed functionality of the UHIP system. Due to poor design and development of the system, Deloitte has credited the state a total \$3.6 million in general revenues (\$27.9 million all funds) related to the project thereby reducing general revenue expenditures in FY2017.

Turnover Savings***(\$601,530)***

The Budget increases turnover savings by \$601,530 related to turnover at the Executive Office of Health and Human Services in FY2017. Based on the June 10, 2017, payroll report, the Office has averaged 15.0 vacant positions in FY2017.

Recovery Housing Pilot Program***(\$250,000)***

The Budget shifts \$250,000 from general revenues in FY2017 for the Recovery Housing Pilot program funding to the Substance Abuse Primary Prevention Block grant. The block grant awarded through the Substance Abuse and Mental Health Services Administration (SAMHSA) is the primary funding for prevention and treatment of persons with substance use disorders in Rhode Island. Shifting this cost from general revenue to the block grant will supplant other services that were provided by the block grant.

The Recovery Housing pilot program will create a stable, drug free living environment for individuals recovering from substance abuse disorders. The recovery homes will focus on providing peer supports and connect individuals to employment and education services.

Cost Allocation of Governor's Office Staff***(\$182,928)***

The Budget allocates \$794,564 in general revenue personnel costs to be charged against nine state agencies, of which \$182,928 was charged to the Executive Office of Health and Human Services. The Budget does not include the transfer general revenue personnel costs.

These cost allocations reflect Governor's Office staff support to assist the state agencies on various policy and program initiatives such as Real Jobs RI, RhodeWorks, Reinventing Medicaid, Justice Reinvestment Initiative, etc., effectively reducing the need to appropriate funds within the Governor's Office to cover these salary expenses.

Excess Contracted Services***(\$100,000)***

The Budget reduces general revenues for contracted services by \$100,000 in FY2017. EOHHS contracts project management services to support with strategic planning, design, development and implementation of financial management of projects. An example of is support in the development and contracting with Accountable Entities (AEs). Costs shift to federal funding sources.

Health System Transformation Project (HSTP) (federal funds)***\$8.2 million***

The Budget includes \$8.2 million in federal funds for HSTP which is intended to advance the ongoing Medicaid healthcare delivery reforms underway in Rhode Island. Specific to year one of the agreement, the expenditures for this program are targeted exclusively to incentive payments to hospitals and nursing homes with administrative expenditures for higher education institutions. In FY2017 Nursing Facilities will

receive \$7.0 million related to performance-based incentive payments, \$1.0 million in administrative expenditures, and \$300,000 for workforce training higher educational institutions.

Ryan White HIV Care Grant (federal funds) **\$2.0 million**

The Budget includes \$2.0 million in a federal grant funding from the Ryan White Program in FY2017. The program provides medical care and essential services for people living with HIV who are uninsured or underinsured.

DEPARTMENT OF CHILDREN, YOUTH, AND FAMILIES

Child Welfare Division **\$6.3 million**

The Budget increases general revenue by \$6.3 million over the FY2017 enacted budget, due to increased expenditures within the Child Welfare (CW) Division and the Behavioral Healthcare (BH) Division.

Increased expenditures in CW and BH are related to contracted provider services for residential and community-based placements and personnel costs.

Juvenile Correctional Services (federal funds) **(\$1.3 million)**

The Department's third quarter report projects a \$1.3 million increase of federal fund expenditures for Juvenile Correction Services related to increased spending on education vouchers and savings on personnel.

Juvenile Correctional Services (restricted receipt) **\$38,700**

The Department of Children, Youth, and Families (DCYF) received a \$38,700 grant from the Rhode Island Foundation to increase personalized learning for students in the Rhode Island Training School.

Annie E. Casey Foundation (restricted receipt) **\$35,771**

The Department seeks to create a restricted receipt account for the appropriation of the \$35,771 Annie E. Casey Foundation grant award in FY2018. This grant will support the purchasing of analytic software for caseload trending. Previous practice at the Department did not record or appropriate the grant funds for the intended purpose. The Governor requested a budget amendment on May 4, 2017 to authorize the establishment of a restricted receipt account for donations and grants the Department receives from non-for profit organizations.

Training School Repairs & Improvements (RICAP) **(\$441,000)**

The Budget reduces capital funds by \$441,000 in FY2017 to repair 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. Improvements to the training school continue to be delayed.

Training School Maintenance Building (RICAP) **(\$385,000)**

The Budget reduces \$385,000 in capital funds in FY2017 related to the improvements proposed for the training school maintenance building. This project was intended to renovate two existing, vacant buildings at the Pastore Complex to house maintenance operations for the RITS. Upon construction of the new RITS and closure of the old training school facility, maintenance operations were moved to a separate building at the Pastore Complex as the new RITS did not have space for these operations.

DEPARTMENT OF HEALTH

Shift to Indirect Cost Recoveries **(\$233,895)**

The Budget shifts \$233,895 in general revenue costs to restricted receipts under the assumption that the Department will be able to reallocate some administrative costs associated with federal grant administration

to restricted receipts. According to federal law, the State is permitted to assess the federal government for direct and indirect costs of administering federal grant programs. Costs of grant administration are regularly recovered by DOH.

Behavioral Risk Factor Surveillance System (federal funds) ***\$81,000***

The Budget provides an increase of \$81,000 in federal funds within the Policy, Information, and Communication Program. The increase in funding is due to an award from the Center for Disease Control (CDC) to support staffing and surveys related to the Behavioral Risk Factor Surveillance System (BRFSS). The BRFSS is a system of health-related telephone surveys that collect state data about U.S. residents regarding their health-related risk behaviors, chronic health conditions, and use of preventive services. BRFSS collects data in all 50 states and completes more than 400,000 interviews each year.

DEPARTMENT OF HUMAN SERVICES

Caseload Estimating Conference ***(\$4.5 million)***

In FY2017 Cash Assistance is projected to cost \$4.5 million less in general revenue (\$3.9 million increase in federal funds) than the FY2017 Budget as Enacted. This general revenue decrease is primarily due to an estimated decrease of 603 children in the Child Care Assistance Program (CCAP), leading to \$4.9 million less in general. This is offset by a slight increase in spending in Social Security Income.

Child Support Settlement Set Aside ***(\$300,000)***

There is \$300,000 in general revenue savings in FY2017 within the Office of Child Support Services. This savings is due to unspent reserve money for child support settlement tax intercepts.

Veterans Home Funding Shift (federal fund) ***\$40.0 million***

In FY2017, there is an increase of \$40.0 million in federal funds related to the Veterans Home Project. This increase is due to spending occurring in FY2017 instead of FY2018 as originally anticipated. The Veterans Home is currently 85.0 percent completed and residents are expected to move in October 2017.

DEPARTMENT OF BEHAVIORAL HEALTHCARE, DEVELOPMENTAL DISABILITIES, AND HOSPITALS

Third-party Billing to Enacted Level (Eleanor Slater) ***(\$1.6 million)***

The Budget reduces general revenue expenditure by \$1.6 million and increases restricted receipts by \$1.6 million in FY2017. The reduction in expenditures are assumed through the anticipated collection of third party billing payers. Eleanor Slater Hospital (ES) can bill for non-Medicaid insurance coverage such as social security disability insurance, Medicare, and commercial insurance. Some patients at ES have multiple types of coverage; this is considered “third party” payers.

The historical collection of the third party billing has reduced over the last two fiscal years due to declining census at the hospital. It is expected that the Department would intensify billing efforts in order to ensure full collection of third party billing sources and therefore increase restricted receipts by \$1.6 million; however, it is unclear if this opportunity exists.

Administrative Match Correction ***(\$204,000)***

The Budget reduces general revenue by \$204,000 and increases federal funds by \$204,000 in FY2017 related to increased collections of federal matching funds for administrative functions at the Department. This adjustment proposes to save general revenue administrative costs by current administrative functions at the Department are not being properly documented.

OFFICE OF THE CHILD ADVOCATE***Third Quarter Report Surplus*** ***(\$90,000)***

The Budget reduces general revenue expenditures by \$90,000 in FY2017 related to surpluses projected in the third quarter report.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION***Teacher Retirement*** ***\$1.1 million***

The State pays 40.0 percent of the employer's share of the teacher retirement contribution each year. The Budget adds \$1.1 million in general revenue for a projected deficit in FY2017 due to updated wage growth projections based on actual wage data in FY2017 (\$500,922) and an unpaid expense from FY2016 (\$644,737).

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

The Budget includes \$300,000 in turnover savings, including a reduction of \$230,000 in the Department of Elementary and Secondary Education and \$70,000 at the School for the Deaf, to reflect updated projections based on actual payroll experience through April 2017.

Education Aid Data Adjustments ***(\$244,507)***

The Budget reduces education aid by \$244,507 to reflect an adjustment to the projected enrollment in the English Learner categorical (\$122,714) and charter school aid (\$121,793) to reflect actual enrollment.

PSAT/SAT Testing ***(\$100,000)***

The Budget as Enacted included \$500,000 in general revenue to make the Scholastic Aptitude Test (SAT) and the Preliminary Scholastic Aptitude Test (PSAT) free for all students in Rhode Island. The Budget reduces funding by \$100,000 to reflect actual costs for the program.

Textbook Reimbursement Adjustment ***(\$80,459)***

The State reimburses school committees for the cost of providing free English/language arts and history/social studies textbooks to students in grades kindergarten through 12th grade who reside in the community. The FY2017 Budget as Enacted provided \$240,000 in state funding for the reimbursement of costs for textbooks. The Budget reduces funding for this program by \$80,459 to reflect actual costs in FY2017.

Council of Chief State School Officers ***\$100,000***

The Budget provides \$2.0 million in restricted receipts over three years for a grant from the Council of Chief State School Officers to improve career readiness and postsecondary attainment for all Rhode Island youth, including \$100,000 in FY2017 and \$800,000 in FY2018. Rhode Island is one of only ten states nationally to receive a Phase Two New Skills for Youth (NSFY) grant. The grant, part of the \$75.0 million New Skills for Youth initiative, is aimed at strengthening career-focused education starting in high school and ending with postsecondary degrees or credentials aligned with high-skill jobs. Receipt of the grant is a commitment by the State of Rhode Island to improve the career readiness and postsecondary attainment of all Rhode Island youth to prepare them with the skills they need to get jobs.

Nellie Mae Grant (restricted receipts) ***\$65,727***

The Budget includes \$65,727 in restricted receipt grant funds from Nellie Mae to support high quality, proficiency-based learning and ensure the successful implementation of the new Secondary School Regulations. The \$131,455 grant runs from January 1, 2017, to December 31, 2017, and will be used primarily to support the development of 100 key educators into Rhode Island Learning (RIL) Champions. The RIL Champions will develop exemplar graduation proficiencies and performance indicators, sample scoring criteria, and assessment task models. Each RIL Champion will receive \$500 for their efforts and

RIDE will cover substitute costs, up to \$500, for the school districts impacted. The grant will also cover mileage reimbursement for RIDE staff and other expenses such as meeting supplies and printing costs.

Advanced Coursework Network (other funds) ***(\$100,000)***

The FY2017 Budget as Enacted, the pilot year of the program, was funded with \$600,000 in Permanent School Fund receipts and \$300,000 in Career and Technical Education (CTE) Funds. The Budget reduces the funding by \$100,000 based on actual expenditures.

Metropolitan Regional Career and Technical Center – HVAC (RICAP) ***(\$2.2 million)***

The Budget shifts \$2.2 million in RICAP funds from FY2017 into FY2018 to reflect the current project schedule. This project replaces and repairs the HVAC systems for five buildings at the MET School's Peace Street and Public Street campuses.

Davies Career and Technical School - HVAC (RICAP) ***(\$475,000)***

The Budget shifts \$475,000 in Rhode Island Capital Plan (RICAP) funds from FY2017 into FY2018 to reflect the current project schedule. This project replaces and repairs the HVAC system at the Davies Career and Technical Center. The existing equipment is over 30 years old, is inefficient, and is contributing to air quality issues in a number of areas in the building.

PUBLIC HIGHER EDUCATION

Turnover ***(\$130,525)***

Based on the Third Quarter Report from the Office of Management and Budget, the Office of the Postsecondary Commissioner is projected to have a payroll surplus of \$130,525 relative to the FY2017 Budget as Enacted.

Title II Higher Education (federal funds) ***(\$2.5 million)***

The Budget includes a decrease of \$2.5 million to correct an error in the database related to the Title II Higher Education Partnership Grant. The purpose of the grant program is to increase academic achievement by improving teacher and principal quality. This program is carried out by increasing the number of highly qualified teachers in classrooms; increasing the number of highly qualified principals and assistant principals in schools; and, increasing the effectiveness of teachers and principals by holding districts accountable for improvements in student academic achievement.

College Access Challenge (federal funds) ***\$683,000***

The Budget provides an increase of \$683,000 for the College Access Challenge Grant to recognize available but unbudgeted proceeds. The purpose of the College Access Challenge Grant Program (CACGP) is to foster partnerships among federal, state, and local governments and philanthropic organizations through matching challenge grants that are aimed at increasing the number of low-income students who are prepared to enter and succeed in postsecondary education.

RHODE ISLAND COUNCIL ON THE ARTS

Turnover ***(\$33,000)***

Based on the Third Quarter Report from Office of Management and Budget, the Council on the Arts is projected to have a surplus of \$33,000, relative to the FY2017 Budget as Enacted, due to the filling of a position at a lower salary and benefits cost.

DEPARTMENT OF THE ATTORNEY GENERAL***Google Forfeiture Funds (federal funds)******Informational***

The Budget increases Google Forfeiture Funds by \$9.0 million to include funds for the design and construction of a new building in the Pastore Complex in Cranston and renovations to the Department's main headquarters. The FY2017 Enacted Budget included \$6.4 million in Google Funds in restricted receipts, the Governor then added an additional \$9.0M in restricted receipts for a total of \$15.4 million. The legislature shifted the \$15.4 million from restricted receipts to federal funds to comply with requirements from the Justice Department.

DEPARTMENT OF CORRECTIONS***Correctional Officer Arbitration Award******\$3.9 million***

The FY2017 Supplemental Budget includes \$12.0 million in general revenue to fund the arbitration award for the Rhode Island Brotherhood of Correctional Officers (RIBCO), which includes 989 correctional officers and nurses. The FY2017 Budget adds \$3.9 million in general revenue above the FY2017 Budget as Enacted. This increase is above what the State had saved in reserve funds, which was based on a 6.0 percent raise that had been negotiated with other state employee unions. The award totals a cumulative wage increase of 10.68 percent.

Population Per Diem Adjustment***(\$2.2 million)***

There is a savings of \$2.2 million in general revenue per diem expenses in FY2017 due to a smaller than projected population within the DOC. The Department reported 2,958 individuals in their June 2017 population report. The FY2017 revised budget projected a population of 3,058.

General Revenue Shift to Asset Protection***(\$338,000)***

The Budget includes a savings of \$338,000 in general revenue due to spending in building maintenance and repairs shifting to Rhode Island Capital Plan (RICAP) funds. Additionally, \$102,000 in RICAP funds are added.

Delay in Cognitive Behavioral Therapy Contract***(\$258,000)***

There is a savings of \$258,000 in general revenue due to a delay in the Cognitive Behavioral Therapy (CBT) contract related to the Justice Reinvestment Initiative. As of August 2017, the contract has not been awarded. The goal of the CBT services is to decrease recidivism. Community providers will be contracted to train staff on evidence based treatments.

JUDICIARY***Personnel Costs******\$1.1 million***

The Budget provides an additional \$1.1 million in personnel costs for five judges appointed by the Governor including one in the Superior Court (\$237,441), two in the Family Court (\$481,844), and two in the District Court (\$429,278).

Personnel Shift to Restricted Receipts***(\$500,000)***

The Governor's FY2017 Budget includes the transfer of \$500,000 in salaries and wages from general revenue to restricted receipts.

Case Management System (federal funds)***\$18,000***

Pursuant to the Governor's budget amendment, dated March 3, 2017, the Budget includes a federal fund increase of \$18,000 annually in FY2017 and FY2018 to reflect a new federal grant from the State Justice Institute. The grant will be used to identify best practices and effective strategies for the transition and implementation of the new case management 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.

Noel Shelled Courtroom Buildout (RICAP) (\$1.7 million)

Pursuant to the Governor's budget amendment, dated June 9, 2017, the Budget shifts \$1.7 million in RICAP funding from FY2017 into FY2019 to reflect the current project schedule. 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 additional lot for parking, which is at near capacity for the courtrooms currently in use.

MILITARY STAFF

Cybersecurity Commission Initiative (\$50,000)

The Budget decreases \$50,000 in general revenue under the State Activation account. This appropriation was included to fund Military Staff participation in the Rhode Island Cybersecurity Commission Initiative. The Governor's Executive Order 2015-10 dated May 7, 2015, established this Commission to develop strategies and protections to minimize the impact of a cyber disruption on government and on private sector operations, as well as to encourage the development of the State's cybersecurity industry sector. As of June 13, 2017, no expenditures have been made against the account.

Google Forfeiture Funds (federal funds) \$420,000

The Budget reflects the conversion of the existing Counter Drug Asset Forfeiture (Google Forfeiture Funds) restricted receipt account to a federal account per the request of the U. S. Department of Justice. This item also includes \$10,000 for previously unanticipated equipment purchases. There is a decrease of \$32,000 in restricted receipts in conjunction with the conversion of these funds.

DEPARTMENT OF PUBLIC SAFETY

Turnover and Operating (\$800,000)

The Budget reduces general revenue by \$800,000 reflecting a \$550,000 projected surplus in personnel funds and a \$250,000 surplus in operating costs within the Department of Public Safety in FY2017.

Google Forfeiture Funds (federal funds) \$19.4 million

The Budget increases federal funds by \$19.4 million to reflect the conversion of the existing Counter Drug Asset Forfeiture (Google funds) restricted receipt account to a federal account per the request of the U. S. Department of Justice. This item also includes \$10,000 for previously unanticipated equipment purchases. Restricted receipts within DPS are reduced by \$19.4 million accordingly.

Federal Grant Adjustments (federal funds) \$483,845

The Budget provides an increase of \$483,845 in federal funds reflecting a combination of new and renewed federal grants, including the Edward Byrne Memorial Justice Assistance Grant, the Minimum Penalties for Repeat Offenders for Driving While Intoxicated Grant, and the State and Community Highway Safety Grant.

Municipal Training Grant (federal funds) \$115,945

The Budget includes an additional \$115,945 in federal funds reflecting the receipt of federal highway safety grant. The Department of Public Safety received the funds from the National Highway Traffic Safety Administration (NHTSA) to assist state and local communities in improving driver behavior and reducing deaths and injuries from motor vehicle-related crashes.

Google Forfeiture Funds (restricted receipts) (\$19.4 million)

The Budget decreases restricted receipts funds by \$19.4 million to reflect the conversion of the existing Counter Drug Asset Forfeiture (Google funds) restricted receipt account to a federal account per the request of the U. S. Department of Justice. This item also includes \$10,000 for previously unanticipated equipment purchases. Federal funds within DPS are reduced by \$19.4 million accordingly.

Safety Training- State Fire Marshal (restricted receipts) ***\$114,157***

The Budget adds \$114,157 in restricted receipts for previously unbudgeted expenditures associated with instructors and materials for mandated staff training.

State Police Vehicle Purchases (restricted receipts) ***\$62,000***

The Budget increases restricted receipts by \$62,000 to pay for the purchase two vehicles. DPS received approval to use Google Forfeiture funds to cover the costs of the vehicles.

DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

Clean Diesel Program ***(\$2.0 million)***

The FY2017 Budget as Enacted included \$2.0 million for the new Rhode Island Clean Diesel Fund established within DEM; however, due to implementation delays the funding was not utilized in FY2017. Consequently, \$1.0 million in funding is being shifted into FY2018. The public comment period on the draft regulations closed on January 31, 2017. The regulations were submitted to the Office of Regulatory Reform in February 2017 and filed with the Secretary of State in March 2017

Environmental Trust (restricted receipts) ***\$250,000***

The Budget adds \$250,000 in restricted receipts for the renovation of the showers and bathrooms at Scarborough State Beach. Total construction costs are estimated at \$265,532 with completion scheduled for June 2017.

Natural Resources Offices/Visitors Center (RICAP) ***(\$1.1 million)***

The Budget eliminates \$1.1 million in RICAP funding to reflect the current estimated project cost. 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.

COASTAL RESOURCES MANAGEMENT COUNCIL

Turnover ***(\$30,651)***

Based on the Third Quarter Report from Office of Management and Budget, the Council is projected to have a surplus of \$30,651 relative to the Governor's FY2017 Supplemental Budget due to an unanticipated vacancy. The Budget reduces funding by \$30,651 to reflect the turnover savings.

RI Coastal Storm Risk Study (RICAP) ***(\$150,000)***

Pursuant to the Governor's budget amendment, dated June 9, 2017, the Budget shifts \$150,000 in RICAP funds from FY2017 into FY2020 to reflect the current project schedule. In response to Hurricane Sandy and other coastal storms, the United States Army Corps of Engineers (USACE) is investigating solutions to reduce future flood risk by developing the long-term resilience and sustainability of coastal ecosystems.

The RICAP funds in this project will be used as the state share for the cost of the study being conducted by the USACE.

DEPARTMENT OF TRANSPORTATION

Commuter Rail (federal funds) ***\$11.4 million***

The Budget adds \$11.4 million in federal funds for several commuter rail projects. Planned improvements and expansion of Kingston Station track capacity were expedited in FY2017, requiring an additional \$10.3 million federal stimulus funds from the Federal Railroad Administration. Similarly, construction on the Providence Station accelerated in FY2017, requiring an additional \$1.1 million.

Winter Maintenance (restricted receipts) ***(\$6.0 million)***

The Budget includes \$6.0 million in winter maintenance savings within the State Highway Maintenance Fund. These savings are based on the projected expenditure through the end of FY2017.

T.F. Green Airport (RICAP) ***\$3.0 million***

The Budget increases FY2017 funds by \$3.0 million to provide funding for an expansion to the Federal Inspection Services facility. The expansion is required to support the new international flights scheduled to begin in FY2018.

Salt Storage (RICAP) ***(\$1.5 million)***

The Budget shifts \$1.5 million in FY2017 budgeted RICAP funds to FY2018 and FY2019 reflected schedule changes in construction and repairs at the East Providence salt storage facility.

Portsmouth Facility (RICAP) ***\$1.1 million***

The Budget shifts \$1.1 million in Rhode Island Capital Plan (RICAP) funds from FY2018 and FY2019 to FY2017 to finance costs associated with the construction of RIDOT's Maintenance Facility in Portsmouth. The project has progressed more quickly than originally anticipated and the funds are needed in the current year.

Train Station Maintenance and Repairs (RICAP) ***(\$325,555)***

The Budget decreases FY2017 RICAP funding by \$325,555 reflecting current projected expenditures at the three train stations (Woonsocket, South Kingstown, and Westerly) that the State is responsible for maintaining.



ARTICLES

Article 1: Relating to Making Appropriations in Support of FY2018

Article 1 outlines the appropriation amounts from all fund sources for FY2018. In most cases, the appropriations are by fund source at the program level in each department or agency. The article includes the FTE position authorizations by department or agency. Other sections of the article outline the use of contingency funds; out-year appropriation changes in Rhode Island Capital Plan Fund projects; expenditure limits for internal service funds; and, disbursements of Lottery, Temporary Disability Insurance, Employment Security, and University and College Funds.

This article also:

- Authorizes debt payments for the I-195 Redevelopment District Commission loan.
- Sets the airport impact aid formula.
- Allows all unexpended balances associated with license plate reissuance to be reappropriated to FY2019.
- Caps the amount the Judiciary may charge to five state agencies (Public Defender's Office, Office of the Attorney General, Department of Corrections, DCYF, and Department of Public Safety) for public courthouse occupancy costs at \$1.2 million.
- Requires that Rhode Island Housing continue to provide resources to support the Neighborhood Opportunities Program; an amount, however, is not designated. The Article requires a report be provided to the Director of Administration, chair of the Housing Resources Commission, State Budget Officer, and the chairs of the House and Senate Finance Committees on the number of housing units produced and funding.
- Delineates line-item grant awards in department and agency budgets.

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, 2018.

Expenditures by Source	FY2016 Final	FY2017 Enacted	FY2018 Enacted	Change from Enacted	
General Revenue	\$3,547.9	\$3,683.7	\$3,767.7	\$84.0	2.3%
Federal Funds	2,877.4	2,957.1	3,134.1	177.1	6.0%
Restricted Receipts	245.7	257.0	261.7	4.7	1.8%
Other Funds	1,834.2	2,040.9	2,079.2	38.3	1.9%
Total	\$8,505.2	\$8,938.7	\$9,242.8	\$304.1	3.4%
Expenditures by Function					
General Government	\$1,432.7	\$1,503.8	\$1,503.6	(\$0.2)	0.0%
Human Services	3,700.1	3,767.9	3,935.3	167.4	4.4%
Education	2,378.9	2,522.4	2,589.5	67.1	2.7%
Public Safety	515.2	556.0	591.6	35.5	6.4%
Natural Resources	83.2	110.1	108.8	(1.3)	-1.2%
Transportation	395.1	478.5	514.1	35.6	7.4%
Total	\$8,505.2	\$8,938.7	\$9,242.8	\$304.1	3.4%
FTE Authorization	15,116.3	14,952.6	14,999.2	46.6	0.3%

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

In addition, Article 1 provides for the annual appropriation of the Contingency Fund; Temporary Disability Insurance Funds (TDI); Employment Security (UI Trust Fund); University and College Funds; and, Lottery Division funds for award winnings during FY2018.

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	FY2017 Enacted	FY2018 Enacted
State Assessed Fringe Benefits	\$41,699,269	\$41,229,448
Administration Central Utilities	14,900,975	24,910,320
State Central Mail	6,190,285	6,838,505
State Telecommunications	3,017,521	3,244,413
State Automotive Fleet	12,543,165	12,510,602
Surplus Property	2,500	3,000
Health Insurance	251,723,462	251,804,700
Other Post-Employment Benefits	63,934,483	63,852,483
Capital Police	1,172,421	1,306,128
Corrections Central Distribution Center	7,094,183	6,784,478
Correctional Industries	7,304,210	7,581,704
Secretary of State Records Center	907,177	807,345
Total	\$410,489,651	\$420,873,126

FUND TRANSFERS

Article 1 requires the following transfers (\$29.3 million) be made to the State Controller by June 30, 2018:

Electric and Gas Distribution Company: The article requires Electric and Gas Distribution Company to transfer \$12.5 million from the 2018 System Reliability and Energy Efficiency and Conservation Procurement Programmatic Budget Plan to State general revenues by June 30, 2018. This fund is generated by a surcharge approved by the Public Utilities Commission and assessed on each Rhode Island National Grid electricity bill. The fund finances several programs that help businesses and homes achieve greater energy efficiency.

Agency	FY2018 Enacted
Electric and Gas Distribution Company	\$12.5
Health and Educational Building	6.0
Narragansett Bay Commission	5.0
Infrastructure Bank	3.5
Quonset Development Corporation	1.0
RI Housing	1.0
Public Utiliteis Commission	0.3
Total	\$29.3

\$ in millions

Rhode Island Health and Educational Building Corporation: The article requires the Rhode Island Health and Educational Building Corporation (RIHEBC) to transfer \$6.0 million to the State Controller by the end of FY2018. RIHEBC has indicated that the transfer of these funds would severely limit its ability to continue its Financial Assistance program in any significant way. The Financial Assistance program provides fixed rate loans to institutions for equipment, facility improvements, and real estate. The maximum amount of loans per institution is \$800,000 with a maximum loan term based on the useful life of the project, but in no case, will the term exceed ten (10) years. The program also provides grants to nonprofit institutions for innovative educational or technological projects, feasibility studies, and other healthcare initiatives. In addition, the program provides other assistance such as \$1.0 million to fund the assessment by the School Building Authority to document the conditions of the schools and to help defray the costs associated with administering the School Building Authority Capital Fund, as well as the costs associated with financing school projects for communities.

Narragansett Bay Commission: The article requires the Narragansett Bay Commission (NBC) to transfer \$5.0 million to the State Controller by the end of FY2018. In a letter to the Fiscal Advisors of the House

and Senate, dated June 21, 2017, the Chairman of the NBC states that prior analysis presumed that a transfer would have been from current revenues which would have resulted in the need for a rate increase. The Chairman further explains that “[u]pon further consultation with bond counsel and consideration of alternative funding mechanisms, NBC believes that it could utilize certain restricted funds after meeting bonds covenants... . In this instance, the specific act of transferring these restricted funds will not trigger a rate increase. However, as we continue with our capital improvement program over time, rate increases will be necessary to accomplish all of the projects we have identified.” The NBC must obtain permission from the Public Utility Commission (PUC) to transfer the funds to the State. According to documents submitted to the Public Utility Commission, the transfer will come from the NBC’s Operating Capital Account and may result in modification to the timing of certain capital improvements.

Rhode Island Infrastructure Bank: The article requires the Rhode Island Infrastructure Bank (RIIB) to transfer \$3.5 million to the State Controller by the end of FY2018. According to RIIB, since RIIB leverages its capital with private sector capital in the bond market by four to five times, transferring \$3.5 million would reduce its capacity to invest in local infrastructure projects and impair its ability to fully execute its new programs.

RIIB requires capital to execute new programs in Municipal Roads & Bridges, the Efficient Building Fund, and Brownfield Remediation. The State did not contribute capital to RIIB in FY2017 for Municipal Roads & Bridges despite project demand of over \$10.0 million nor has RIIB received state capital to execute the new Brownfield Remediation Fund which is ready to launch. Demand from municipalities, especially schools, for energy efficient and renewable energy projects through the Efficient Building Fund has been strong and RIIB requires capital to make these environmental investments. RIIB continues to see increased demand in the Community Septic System Loan Program (CSSLP) which provides 1.0 percent, long-term loans to homeowners to remediate cesspools or damaged septic systems. The proposed transfer would have a negative impact on RIIB programs and the homeowners and municipalities that benefit from these programs.

Quonset Development Corporation: The Budget requires the transfer of \$1.0 million from the Quonset Development Corporation (QDC). The QDC is a quasi-public agency, established as a subsidiary of the Rhode Island Commerce Corporation which is responsible for the development and management of the Quonset Business Park.

QDC indicates that the transfer will have definite impacts on the Quonset Business Park, particularly as it relates to the maintenance of its aging infrastructure. Most immediately affected will be the repair of Pier 2 at the Port of Davisville. In FY2017 voters approved \$50.0 million in bonds to support this work. The overall costs are \$70.0 million. The \$20.0 million shortfall was to be partially addressed with \$15.0 million in RICAP funds. The remaining \$5.0 million was to be funded out of QDC revenues over the next five years. The transfer means that QDC cannot fund the pier financing shortfall in FY2018.

Rhode Island Housing: The article requires Rhode Island Housing and Mortgage Finance Corporation (RI Housing) to transfer \$1.0 million to the State Controller by the end of FY2018. RI Housing is a self-supporting agency that raises capital through the tax-exempt municipal market to fund loans and programs to help Rhode Islanders purchase homes and to finance housing development and preservation.

Investors in RI Housing bonds rely heavily on credit ratings received from Standard & Poor’s and Moody’s Rating Services. Any reduction to RI Housing’s profitability will likely have a negative effect on the rating agencies’ review. The rating agencies have noted that prior transfers required by the State limit RI Housing’s ability to pay future debt service on bonds and put RI Housing at a risk for downgrade which could impair its ability to issue bonds in the future and result in higher interest rates for homebuyers and housing developers. Additionally, the transfer further limits RI Housing’s ability to focus on its core mission of investing in housing production, thus exacerbating the housing crisis the state is currently facing.

Public Utilities Commission: The article requires the transfer of \$333,420 from the Public Utilities Commission for rent on the state-owned building at 89 Jefferson Boulevard in the City of Warwick, reflecting an increase of \$160,380. The Commission has paid an annual rent of \$173,040 since moving into the structure.

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 Budget provides a net increase of 207.6 FTE positions from the FY2017 Budget as Enacted. Following are the changes included in the Budget:

Government Function	FY2017 Enacted	FY2018 Enacted	Change to Enacted
General Government	2,342.7	2,365.9	23.2
Human Services	3,619.6	3,715.6	96.0
Education	3,909.9	3,924.9	15.0
Public Safety	3,205.6	3,210.0	4.4
Natural Resources	428.0	429.0	1.0
Transportation	701.0	775.0	74.0
Subtotal	14,206.8	14,420.4	213.6
Sponsored Research	745.8	739.8	(6.0)
Total FTE Positions	14,952.6	15,160.2	207.6

CAPITAL APPROPRIATIONS

Article 1 authorizes amounts from the Rhode Island Capital Plan (RICAP) Fund, not otherwise appropriated, to be expended during the fiscal years ending June 30, 2019, June 30, 2020, and June 30, 2021. These amounts supersede appropriations provided for FY2018 within the FY2017 Budget as Enacted.

Subject to final General Assembly approval, any unexpended or unencumbered funds from the RICAP Fund project appropriations in excess of \$500 may be reappropriated to the next fiscal year and made available for the same purpose. Any remaining funding less than \$500 may be reappropriated at the discretion of the State Budget Officer.

Article 2: Relating to Economic Development and Tax Credits

This article refines and expands components of the Commerce Corporation's Innovation Initiative Voucher Program. The program was established in FY2016 to provide financial assistance to small businesses (under 500 employees) for research and development technical assistance. This article specifically:

- Expands the Innovation Initiative Voucher program beyond small businesses to include a distinct category of small business manufacturers.
- Directs the Commerce Corporation to reserve up to 50.0 percent of the program's annual appropriation for manufacturers
- Provides clarification that firms within the distribution and logistics industries are not eligible for the program and expands the scope of activities covered by the voucher program to specifically include research and development.
- Prohibits firms from simultaneously receiving an award or funds under the program and claiming a tax credit for qualified research expenses under the research and development facilities elective deduction (RIGL 44-32-3)
- Extends the Historic Preservation Tax Credit program two years by pushing the sunset date to June 30, 2019.

FISCAL IMPACT

The Budget provides \$1.0 million in general revenue for the Innovative Initiative Voucher Program in FY2018, \$500,000 less than the enacted level for FY2017. Inclusive of the FY2018 appropriation, the program will have received \$3.5 million in total appropriations since it was established in FY2016, of which 50.0 percent has been (\$1.8 million) awarded to 38 Rhode Island firms.

The two-year extension of the Historic Preservation Tax Credit does not have a fiscal impact.

ANALYSIS AND BACKGROUND

This article refines one of CommerceRI's economic development incentive programs and extends the Historic Preservation Tax Credit.

Innovation Voucher Initiative (RIGL 42-62.28): Originally authorized by the General Assembly in 2015, the Innovation Voucher and Network Program was created to provide financial assistance to small businesses (under 500 employees) for research and development technical assistance. This article expands and refines the incentive program by creating a distinct category of small business manufacturer (as defined for property tax exemption purposes under RIGL 44-3-3) to which the Commerce Corporation may issue vouchers. Vouchers may be used to pay for: research and technological development; product development; commercialization; market development; technology exploration; and improved business practices/strategies that grow business and create operational efficiencies.

Article 2 also directs the Commerce Corporation to reserve up to 50.0 percent of program funding for small business manufacturers and prohibits firms from receiving an award or funds under the program if they are also claiming a tax credit for qualified research expenses under the research and development facilities elective deduction (RIGL 44-32-3).

Historic Preservation Tax Credit (RIGL 44-33.6): Section 2 of this article extends the Historic Preservation Tax Credit program an additional two years, through June 30, 2019.

The General Assembly first established a tax credit program to support the renovation and reuse of historic properties for economic development purposes in 2002. Since then the elements, rules, and financing of the program have been modified several times, notably in 2008, when the total number of projects were capped,

the maximum credit was reduced, and bonds were issued to stabilize the effect of the credit redemption on State revenue sources. In 2013 the program transformed into the current Rhode Island Historic Preservation Tax Credit (RIHPTC) program that allows credits to be used against business and personal income taxes (limited to \$5.0 million per project) and allows credits previously issued but abandoned or forfeited to be reissued. The program was specified to last three years, with no new credits to be issued after June 30, 2017. Extending the program until June 30, 2019, allows the potential reissuance of existing credits in the event they are abandoned or forfeited. New credits, however, are not authorized.

Article 3: Relating to Rhode Island Promise Scholarship

This article establishes the Rhode Island Promise Scholarship program to provide students with two years of tuition and mandatory fees at the Community College of Rhode Island (CCRI), less federal and all other financial aid available to the recipient. In order to build a highly educated and skilled workforce, the article aims to increase the number of students enrolled at the state's community college and the number of students who complete their degrees on time by removing financial barriers.

FISCAL IMPACT

The article requires the General Assembly to annually appropriate the funds necessary to implement the scholarship program. The program is projected to cost \$2.8 million in FY2018 and would roughly double in FY2019 when the program includes both classes of the two-year degree program. This cost estimate includes several assumptions that are discussed in more detail in the following section.

ANALYSIS AND BACKGROUND

As part of an effort to provide relief to the middle class and increase access to higher education, the article creates a scholarship program to provide two years of tuition and mandatory fees to students attending CCRI. Other costs, such as textbooks, specific course fees, or travel are not included. The article requires the General Assembly to annually appropriate the funds necessary to implement the scholarship program.

Scholarships

The financial aid and enrollment management offices at CCRI will administer the program; however, the Office of Management and Budget, in consultation with the Office of the Postsecondary Education Commissioner, shall oversee the disbursement of the funds for the scholarship program. The Council on Postsecondary Education (Council) is authorized to promulgate rules to establish the program, while CCRI will establish appeal procedures for the award, denial, or revocation of funding under the program. The article requires the General Assembly to appropriate the funds necessary to implement the program and allows for charitable donations to provide additional support.

The scholarship will cover two years of tuition and any mandatory fees the student is required to pay in order to enroll in classes. Deemed a "last dollar" scholarship, the Program covers tuition and fees minus federal and other financial aid available to the student. Other costs, such as room and board, textbooks, meal plans, specific program or course fees, and travel are not included. Each qualifying student will receive a scholarship for their first two years at CCRI.

To qualify, a student must satisfy the following criteria:

- Enroll in CCRI between the fall of 2017 and the fall of 2020.
- Qualify for in-state tuition and fees pursuant to the *Residency Policy* adopted by the Council on Postsecondary Education.
- Have satisfied the high school graduation or equivalency diploma condition prior to reaching the age of 19. The student can satisfy this condition with other certification or equivalent documents as recognized by the regulations promulgated by the Council.
- Enroll on a full-time basis by the semester immediately following high school graduation or the receipt of the high school equivalency diploma.
- Have completed the Free Application for Federal Student Aid (FAFSA) form by the deadline prescribed by CCRI for each academic year in which the student seeks a scholarship.
- Be "on track to graduate on time" as determined pursuant to the standards of the applicable institution. For a student attending CCRI this means the student will graduate with an associate's degree within

two years. The statute does recognize that some students, including those who require developmental education, are double majors, or are enrolled in certain programs, may require extended time for degree completion.

- Maintain a minimum of 2.5 grade point average while attending CCRI.
- Commit to live, work, or continue their education in Rhode Island after graduation.

The student must remain enrolled on a full-time basis throughout the scholarship period unless granted an approved medical or personal leave of absence from the enrolling institution. A student who is a member of the National Guard or a reserve unit of a branch of the United States military who is unable to satisfy all the conditions due to basic or special military training or deployment may continue to receive a scholarship upon completion of the training or deployment. A student is limited to one, two-year scholarship.

The following assumptions are included in the annual cost estimate of the program.

- Enrollment of eligible students will increase by 25.0 percent in the first year and that student population will be maintained throughout with no compounding growth. In the first year, however, despite the late passage of the budget, CCRI is predicting a 25.0 percent increase in first-time, full-time students, about 200 students. As of August 28, 2017, more than 1,100 students had enrolled in the new program. The total RI Promise enrollment for FY2018 is estimated by CCRI to be between 1,200 and 1,300 students, a 26.0 to 37 percent increase.
- There will be no year-over-year attrition of recipient student population; instead, each student eligible in their first year of enrollment at their institution will be eligible for a scholarship. The intent is to increase retention rates.
- The Pell grant would remain at the current average per-pupil rate.
- The institutional financial aid for these growth students and for each cohort would remain at current levels.
- The current Rhode Island Promise Scholarships would continue to exist at CCRI since 90.0 percent of current scholarship recipients are adults or part-time students who would not be eligible under the new program.
- Tuition and mandatory fee levels remain constant.

Reporting and Disbursement

CCRI is required to submit a report on or before November 10 and May 10 of each fiscal year to the Director of the Office of Management and Budget, the State Budget Officer, the House Fiscal Advisor, the Senate Fiscal Advisor, the Commissioner of Postsecondary Education, and the chair of the Council on Postsecondary Education. The report must detail the number of students eligible to participate in the program, the amount of federal and institutional aid anticipated to be received by the recipient students, the aggregate tuition and mandatory fee costs attributable to the recipient students, and the total cost of the scholarship program to the State.

The Office of Management and Budget will to oversee the apportionment and disbursement of the funds appropriated for the program in consultation with the OPC.

Article 4: Relating to Division of Motor Vehicles

Article 4 makes a number of changes impacting the Division of Motor Vehicles (DMV). The article: establishes in law the technology surcharge fee at the DMV; delays license plate reissuance; eliminates refunds on multi-year motor vehicle registrations; provides a new sliding scale fee schedule for commercial truck vehicles; adjusts the Highway Maintenance Account (HMA) fee transfer schedule; and provides the Rhode Island Public Transit Authority (RIPTA) with funding to reinstate the free-fare program.

FISCAL IMPACT

This article is projected to have the following fiscal impact in FY2018:

- Technology surcharge fee of \$1.50 per DMV transaction increases restricted receipts by \$2.1 million.
- License plate reissuance delay saves \$3.0 million in expenditures and results in a loss of \$1.8 million in revenue.
- Motor vehicle registration refund elimination increases revenue by \$107,800 and reversing truck registration fees increases revenue by \$840,000.
- Adjustments to the Highway Maintenance Account fee transfer schedule increases general revenue in FY2018 by \$9.4 million; \$5.0 million from the HMA shifts to RIPTA to fund the free-fare program.

ANALYSIS AND BACKGROUND

Technology Surcharge

The article establishes in law the technology surcharge fee of \$1.50 per DMV transaction. This fee funds the technology investment fund (RIGL 42-11-2.5) and is earmarked for the Division's computer system, Rhode Island Modernization System (RIMS). The surcharge increases the technology investment fund annually by \$2.1 million. Previously, through rules and regulations, authorized under the FY2008 Budget as Enacted, the DMV levied a similar surcharge with a sunset date in FY2017. Under Article 4, the fee sunsets on June 30, 2022.

Delay License Plate Reissuance

The article delays license plate reissuance from April 1, 2017, to January 1, 2019. The license plate reissuance delay saves \$3.0 million in expenditures in FY2018. Under current law, individuals are charged \$6.00 above the regular registration fee per license plate. Delaying the reissuance results in a loss of \$1.8 million in revenue in FY2018.

Under RIGL 31-3-33, the DMV is required to issue new reflective license plates for all registered vehicles every 10 years. The law was revised in 1995 to require plate reissuances every 10 years, and in 2009 the General Assembly required a full reissuance in 2011. This requirement has been delayed four times: in the FY2012 Budget as Enacted, the General Assembly changed the first full reissuance requirement from 2011 to 2013; the FY2014 Budget as Enacted changed the reissuance until September 2015; the FY2016 Budget as Enacted delayed the reissuance to July 1, 2016; and the FY2017 Budget as Enacted delayed the reissuance to April 1, 2017.

Motor Vehicle Registration

Refunds: Article 4 eliminates the ability for an individuals to obtain a refund on a multi-year motor vehicle registration in the event they move out of the state within the first year of the registration. General revenue receipts increase by \$107,800.

Truck Registration Fees: Article 4 reverses the reductions to annual registration fees for commercial trucks, truck tractors, and truck trailers that were to take effect on July 1, 2017. The FY2017 Budget as Enacted

provided a new sliding scale fee schedule for commercial truck vehicles beginning in FY2018. Owners of vehicles at the lowest weights were to receive a 30.6 percent reduction of registration fees. Registration savings increased with the weight of the vehicle, topping out between 50.6 to 52.4 percent for those trucks above 26,000 pounds. The Budget maintains the fee schedule currently in effect for FY2017. The Budget includes an additional \$840,000 in revenues associated with the collection of the higher fees.

Highway Maintenance Account

The Transportation Investment and Debt Reduction Act of 2011 created the Rhode Island Highway Maintenance Account (RIGL 39-18.1-4) within the Intermodal Surface Transportation Fund (ISTF). The account is funded via surcharges associated with licenses, vehicle registrations, inspection stickers, titles, and other related fees. Under current law, RIGL 39-18.1-5, funds from the Rhode Island Highway Maintenance Account are authorized for projects that appear in the state's transportation improvement program.

Fee Deposit Schedule: Article 4 adjusts the phase-in schedule for transferring of all vehicle license and registration fees from the general fund to the State Highway Maintenance Account (HMA). The transfer of these fees to the HMA is part of the sustainable transportation funding reforms adopted by the General Assembly in the FY2015 Budget as Enacted. The original schedule called for 25.0 percent of the fees to be transferred during FY2016, 75.0 percent during FY2017, and all fees in FY2018 and beyond. Article 4 retains 25.0 percent more of the fees in FY2017 for the general fund and 20.0 percent more in FY2018. The complete transfer of funds is delayed until FY2019. These adjustments result in \$13.0 million more in general revenue in FY2017 and \$9.4 million in FY2018.

Rhode Island Highway Maintenance Account Fee Deposit Schedule

Fiscal Year	Current law % of fees deposited	Article 4 % of fees deposited
FY2016	25%	25%
FY2017	75%	50%
FY2018	100%	80%
FY2019 and thereafter	N/A	100%

RIPTA Free-fare Program: Under Article 4, the Budget provides the Rhode Island Public Transit Authority (RIPTA) with \$5.0 million in the Rhode Island Highway Maintenance Funds in both FY2018 and FY2019 to fund the free-fare program for low-income senior and disabled persons. The free fare program is estimated by RIPTA to cost \$3.4 million. Additionally, the Budget shifts \$1.6 million in RIPTA debt service payments back to the Authority. RIPTA also must establish a coordinating council to develop recommendations for the sustainable funding of the program while maximizing the use of federal funds available to support the transportation needs of this population. The recommendations are to be provided to the Governor and General Assembly by November 1, 2018.

Article 5: Relating to Government Reorganization

This article makes several changes to the State personnel system and enhances fraud detection on federal and state programs. Specifically, this article:

- Transfers the regulatory and oversight responsibilities for several of the State’s key health care insurance related programs from the Department of Health (DOH) to Office of the Health Insurance Commissioner (OHIC). It does so by first repealing the Health Care Services – Utilization Review Act, the Health Care Accessibility and Quality Assurance Act, and the Health Plan Modification Act. These statutes are replaced with new legislation that charges OHIC with the oversight responsibilities for health plan reviews, utilization reviews, and other regulatory functions mandated by the federal Affordable Care Act. These changes take effect on January 1, 2018, providing for period of transition to stand-up the capacity at OHIC. The Health Insurance Commissioner is provided with the authority to waive filing and other requirements during this time so that entities are not put out of compliance due to the transition.
- Eliminates the position of Cybersecurity Officer in the Department of Administration from the State’s unclassified service.
- Adds language to RIGL 36-4-34.1 regarding the transfer of state employees requiring the Director of the Department of Administration or the State Personnel Administrator to file a written report to the President of the Senate, Speaker of the House, and to the chairpersons of the Senate and House Fiscal Committees.
- Allows the Office of Internal Audit to use any tax information deemed proper and contained on tax filings or reports for the purposes of fraud detection and prevention for any federal or state program.
- Permits the Governor, for 2017 only, to set the salaries of director of Department of Transportation, Department of Administration, and the Secretary of Health and Human Services.

FISCAL IMPACT

Most of the statutory items amended have no direct savings attached to them. The authorization to use any tax information deemed proper and contained on tax filings or reports for the purpose of fraud detection and prevention is projected to create savings. As part of the Governor’s Recommended Budget, this concept was assumed to generate \$3.5 million in revenue to the State.

The transfer of 2.0 FTE positions from Department of Health (DOH) to OHIC, results in an increase of approximately \$217,268 in restricted receipt funding to OHIC within the Department of Business Regulation (DBR).

ANALYSIS AND BACKGROUND

Transfer of Oversight for Health Care Plans

This article transfers the regulatory role and oversight responsibilities for several of the State’s key health care insurance related programs from the DOH to OHIC. It does so by first repealing the Health Care Services – Utilization Review Act, the Health Care Accessibility and Quality Assurance Act, and the Health Plan Modification Act. These statutes are replaced with new legislation that charges OHIC with the oversight responsibilities for health plan reviews, utilization reviews, and other regulatory functions mandated by the federal Affordable Care Act.

Personnel/Merit System Changes

This article amends RIGL 36-4-2 to eliminate the position of Cybersecurity Officer in the Department of Administration from the State's unclassified service within the State Merit System.

Inter-agency Transfer of a State Employee

The article adds language to RIGL 36-4-34.1 regarding the transfer of state employees requiring the Director of the Department of Administration or the State Personnel Administrator to file a written report to the President of the Senate, Speaker of the House, and to the chairpersons of the Senate and House Finance Committees detailing the inter-agency transfer of any state employee. The report shall contain the employee's name, work position and location, purpose and duration of the transfer, and the specific tasks to be assigned to the transferred employee.

Disclosure of Tax Information

This article allows the Office of Internal Audit to use any tax information deemed proper and contained on tax filings or reports for the purposes of fraud detection and prevention for any federal or state program.

Departmental Director Salaries

This article amends RIGL 36-4-16.4, permitting the Governor, for 2017 only, to set the salaries of director of Department of Transportation, Department of Administration, and the Secretary of Health and Human Services.

Article 6: Relating to Debt Management Act Joint Resolutions

This article serves as a joint resolution for the issuance of up to \$110.9 million in debt required pursuant to RIGL 35-18-1, commonly known as the Kushner Act, to finance an array of projects across state government. The projects, total costs, financing instruments, annual amounts, and total debt are summarized below.

Proposed Debt Authorizations				
Certificates of Participation (COPS)	Department	Principal	Interest	Total Debt
Confined Aquatic Disposal Cells (CAD Cell)	CRMC	\$10.5	\$3.1	\$13.6
Energy Conservation - URI	URI	11.6	5.2	16.8
Total COPS		\$22.1	\$8.3	\$30.4
Revenue Bonds				
White Horn Brook Apartments	URI (RIHBC)	\$88.8	\$84.5	\$173.3
Total (COPS and Revenue Bonds)		\$110.9	\$92.8	\$203.7

\$ in millions

FISCAL IMPACT

The article authorizes \$22.1 million in total state borrowing for two projects, at 5.0 percent interest, over 10-15 years.

Project	Department	Total Cost (w/interest)	Annual Debt Service	Payment Due Date
Confined Aquatic Disposal Cells (CAD Cell)	CRMC	\$13.6	\$1.4	2028
Energy Conservation - URI	URI	16.8	1.1	2033
Total		\$30.4	\$2.5	

\$ in millions

Additionally, \$88.8 million in RIHEBC revenue bonds are authorized, at 5.0 percent interest over 30 years, yielding a total debt service of \$173.3 million that will be financed primarily through University of Rhode Island auxiliary fee revenues.

ANALYSIS AND BACKGROUND

Confined Aquatic Dredged Material Disposal Cells

The article provides for the issuance of \$10.5 million in COPS in FY2018 for Confined Aquatic Disposal (CAD) cells. The total State debt-service obligation is estimated at \$13.6 million over 10 years at an average interest rate 5.0 percent. This project is budgeted in the Coastal Resources Management Council and the funding provides the 35.0 percent state match for a federal project to be performed by the Army Corps of Engineers.

The Army Corps of Engineers has asked the Coastal Resources Management Council to act as the local sponsor to the federal action of maintaining the depths of the Providence River and Harbor Shipping Channel. To maintain the depths, the channels must be dredged to remove sediments that accumulate over time. These areas were last dredge in 2003. To reduce the environmental risk from sediments not suitable for ocean disposal, the dredged sediment is stored in CAD cells. CAD cells are depressions created in the bottom of a body of water for storing contaminated sediments to reduce the risk of the sediment contaminating the entire system. Currently, there are six CAD cells below the Providence River Federal

Navigation Channel in the vicinity of the Port of Providence and Simms Metals that were created in the mid 1990's; however, these cells are reaching capacity. This project would provide for the design and construction of additional CAD cells.

Energy Performance Contract

The article provides for the issuance of \$11.6 million in COPS for Phase 3 of an Energy Performance Contract at the University of Rhode Island (University), including \$7.0 million in FY2018 and \$4.6 million in FY2019. Total debt is projected at \$16.8 million over 15 years with an average interest rate of 5.0 percent. The payments will be supported through energy savings at the University.

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 III of this project includes comprehensive multi-campus interior LED dimmable lighting; fume hood upgrades at the Center for Biology and Life Science; replacement of HVAC components; installation of plug load controllers; electric sub-metering throughout the Kingston campus; heating system upgrades; and a continuation of building weatherization upgrades.

White Horn Brook Apartments

This article provides for the issuance of Rhode Island Health and Educational Building Corporation (RIHEBC) revenue bonds in the amount of \$88.8 million for the construction of the White Horn Brook Apartments, including \$49.1 million in FY2018 and \$39.7 million in FY2019. The total debt service may not exceed \$173.3 million assuming an interest rate of 5.0 percent over 30 years. Auxiliary fee revenues from the University of Rhode Island (URI) Housing and Residential Life will support approximately 95.0 percent of the total project costs and University general funds will support the remaining 5.0 percent.

Article 7: Relating to State Funds

This article adjusts or establishes new restricted receipt accounts as follows:

- Requires the transfer of any surplus from the medical marijuana restricted receipt accounts to the general fund.
- Establishes a new restricted receipt account for the Eisenhower House.
- Creates a State Police non-state agency reimbursement account.
- Establishes and assesses a fee on contractors listed on the State's master price agreement (MPA) to be used to implement and support a new online e-procurement system.
- Adds two new restricted receipt accounts exempt from the 10.0 percent indirect cost recovery charge provisions under RIGL 35-4-27.
- Establishes a restricted receipt account to accept charitable donations and grants from nonprofit organizations awarded to the Department of Children, Youth, and Families.
- Strikes the sunset language limiting the deposit of donations to the Rhode Island Council on the Arts into a restricted receipt account.
- Requires state budget proposals that include fund transfers from public corporations to also include alternatives to the transfers.
- Establishes a rotary account for the centralized services provided to each agency by DOA.
- Permits the use of proceeds from the sale of a state-owned, privately-operated, group home to pay any related liability associated with that group home.
- Requires the Contractors' Registration and Licensing Board to file an annual report.

State Fund Change	Revenue Impact
Medical Marijuana Restricted Receipt Surplus Transfer	\$670,641
Eisenhower House Restricted Receipt Account	(138,150)
State Police Non-State Agency Reimbursement Account	(103,212)
Centralization of Procurement Authority - Administrative Costs	60,000
Indirect Cost Recovery Exemptions	(41,500)
Department of Children, Youth, and Families Restricted Receipt Account	-
Council on the Arts Restricted Receipt - Elimination of Sunset Provision	-
Quasi-Public Transfers	-
Rotary Funds	-
State Owned Property	-
Contractor's Registration and Licensing Board	-
Total	\$447,779

FISCAL IMPACT

The combined initiatives within this article provide a net increase of, at least, \$447,779 in general revenue in FY2018. The transfer of surplus medical marijuana funds from restricted receipts to the general fund accounts for the largest increase at \$670,641. Loss of the indirect cost recovery for the existing accounts is estimated to total \$41,500. Shifting the Eisenhower House to a restricted receipt represents a net decrease of \$138,150 in general revenue. Assessment of the new MPA fee to fund e-procurement is estimated to bring in \$600,000 of which \$60,000 will be directed to general revenue through indirect cost recovery. The

State Police reimbursement account will reduce general revenues by \$103,212. The remaining initiatives have either no fiscal impact or are unknown at this time.

ANALYSIS AND BACKGROUND

This article addresses various restricted receipts accounts. The changes are explained in detail below.

Medical Marijuana Restricted Receipt Surplus Transfer

The article mandates that any surplus funds remaining in the medical marijuana restricted receipt accounts at the Departments of Health and Business Regulation be transferred to the general fund on the last day of the fiscal year. This transfer can only take place after all administrative expenses of the program are paid as well as any outstanding deficits that may exist within these accounts. The article also clarifies that fees paid by compassion centers and compassion center cardholders to the Departments of Health and Business Regulation are to be deposited into the restricted receipt accounts.

By the end of FY2018, collections from patient, cardholder, cultivator, and compassion center fees are estimated to exceed projected estimated departmental expenditures by \$670,641.

Eisenhower House Restricted Receipt Account

Section 4 of the article creates a restricted receipt account within DEM for the deposit of proceeds from the rental fees for the use of the Eisenhower house and the surrounding grounds. All of the rental fees collected, minus the 10.0 percent indirect cost recovery, must be deposited into this account and can only be used for reinvestment and maintenance of the facility. The indirect cost recovery will be deposited into the general fund. The Budget transfers management of the facility from the Historic Preservation and Heritage Commission to DEM. The transfer is estimated to decrease departmental general revenue receipts by \$153,500 in FY2018. The net general revenue impact is a decrease of \$138,150, due to the recapture of the 10.0 percent indirect cost recovery.

State Police Non-State Agency Reimbursement Account

Section 5 of the article creates a new restricted receipt account under the State Police for the receipt of reimbursements from non-state entities for which the State Police provide support. The new account is meant to better reflect the cost to the State Police of providing service to the entities. Previously, these reimbursements were reflected as expenditures credits as opposed to revenue to the Division. This new account will reduce general revenues by \$103,212.

Centralization of Procurement Authority – Administrative Costs

The article authorizes the state Chief Purchasing Officer to establish and collect from contractors listed on the master price agreement, an administrative fee not to exceed 1.0 percent of the total value of the annual expense against a contract awarded to a state contractor. The fee collected shall be deposited into a restricted receipt account designated as the Division of Purchases Administrative Fee Account. This restricted receipt will be subject to the 10.0 percent indirect cost recovery fee. Proceeds of this fee shall be used to implement and support a new online e-procurement system that will be available to all state agencies, quasi-public agencies, and municipalities.

The Budget Office conservatively projects restricted receipt revenues from this fee to generate \$600,000 in FY2018, \$780,000 in FY2019, and \$825,000 in FY2020. Also, because the fee will be subject to the State's 10.0 percent indirect cost recovery fee, general revenues will increase \$60,000 in FY2018, \$78,000 in FY2019, and \$82,500 in FY2020.

The language in the proposed article requires the Chief Purchasing Officer to file an annual report detailing the collections from the fee and how the funds were expended. The report will be filed with the Governor, President of the Senate, and Speaker of the House.

Analyst Note: The projected revenue generated by the new fee could be higher, for the Budget Office projection did not include contracts made through the state colleges and university, quasi-public agencies, or municipalities, because data on those expenditures was not available to the Budget Office. In addition, the full cost to implement and support the new e-procurement system will not be known until bids are received by the State.

Indirect Cost Recovery Exemptions

State law permits the assessment of a 10.0 percent indirect cost recovery charge on most state restricted receipt accounts in order to support the common costs associated with the collection of funds and administration of the accounts. RIGL 35-4-27 enumerates those restricted receipts exempted from this assessment. This article expands the list to include the following accounts:

- **Office of Energy Resources (OER) Reconciliation Funding Account:** This existing Department of Administration (DOA) account is used to support specific studies requested by the Distributed Generation Board, per their authority under the Renewable Energy Growth law. Reconciliation funding is approved by the Public Utilities Commission under separate docket proceedings. Exempting this account reduces general revenue collections by approximately \$19,000 annually.
- **Other Post-Employment Benefits (OPEB) System Account:** This existing account in DOA is used to pay the expenses of the OPEB Board, and the cost of maintaining, and administering the OPEB System. The statute authorizes the transfer into this account of twenty-five (25) basis points of the five-year average of investments. Based on the account balances at DOA, the indirect cost recovery loss amounts to approximately \$22,500 annually.

Department of Children, Youth, and Families Restricted Receipt Account

Section 7 of the article establishes a restricted receipt account to accept charitable donations and grants from nonprofit organizations awarded to the Department of Children, Youth, and Families. Currently such donations and grants have been deposited as general revenue and have at times not been expended for intended purpose of within the specified time period. The creation of a restricted receipt account will allow for appropriate record and expenditure of charitable donations and charitable non-profit grant awards

Council on the Arts Restricted Receipt – Elimination of Sunset Provision

Under current law, donations from the Rhode Island Foundation to the Rhode Island Council on the Arts are only allowed to be deposited into a restricted receipt account in FY2010. Section 8 of the article strikes the language limiting the deposit of donations to a particular fiscal year, thereby allowing future donations to be deposited into a restricted receipt account for the support and improvement of the arts in the State.

Quasi-Public Transfers

Section 9 of the article requires that when a state budget submitted to the General Assembly includes monetary transfers to the general fund from public corporations, it must be accompanied by alternative funding proposals that may be considered in lieu of the public corporation transfers.

Rotary Funds

Section 10 of the article establishes centralized accounts for each agency to allow the Department of Administration to draw upon for billable centralized services and deposit the funds into the rotary accounts under the Department of Administration. Rotary accounts are currently used to reimburse one agency for services provided by another. Previously rotary accounts were not used for centralized services that include information technology, capital asset management and maintenance, and human resources. This change will further the transparency of these expenses so that the expenditures will be clearly stated under each agency using the centralized services. It also will provide clarity in reporting the use of federal funds. DOA is required to report on a quarterly basis the fund activities by department and agency.

State Owned Property

This article amends RIGL 37-7-15, which currently requires proceeds from the sale of state-owned land, buildings, and real property to be deposited into the Information Technology Investment Fund (ITIF). The amended section will allow the State Controller to use proceeds from the sale of a state-owned, privately-operated, group home to pay any related liability associated with that group home. Any remaining proceeds will then be deposited into the ITIF. This in effect will forgive the debt owed by private developmental disability providers operating state-owned group homes.

Contractor's Registration and Licensing Board

This article requires the Contractors' Registration and Licensing Board to file an annual report, beginning January 15, 2018, listing the number of fines issued, levied, and collected each fiscal year, as well as the annual account balance.

Article 8: Relating to Taxes and Revenues

This article makes changes and adjustments to several of the State's tax laws and their enforcement. These amendments include:

- **Hospital License Fee:** The article increases the hospital licensing fee from 5.625 percent to 5.856 percent upon net patient services revenue of hospitals.
- **Sales and Use Tax - Non-Collecting Retailers/Referrers/Retail Sales Facilitators:** This article creates a framework designed to facilitate the ability of noncollecting retailers that sell goods and services to Rhode Islanders over the internet to collect and remit sales and use taxes. It also notifies Rhode Island purchasers of their use tax liabilities on purchases from these retailers.
- **Tax Amnesty:** The article includes a tax amnesty program for a 75-day period ending February 15, 2018. Under the program, civil and criminal penalties for non-compliance with state tax laws would be forgiven, and interest owed would be reduced by 25.0 percent.
- **Cigarette Tax Increase and Enforcement:** The article increases the excise tax on cigarettes by \$0.50, which raises the tax from \$3.75 to \$4.25 per pack of twenty, or to the equivalent of \$0.21 per cigarette.
- **Corporate Income Tax:** The article reduces the income tax withholding rate used by pass-through entities businesses (sole proprietorships, partnerships, LLCs, and S corporations) from 9.0 percent to 7.0 percent.
- **Sales Tax Exemption on Seeds:** This article exempts seeds and plants used to grow food from the State sales tax.
- **Tax Collection Improvements and Fraud Prevention:** The article establishes an expiration date on certificates of exemption from the sales and use tax (four years from issuance). The definition of sales suppression (including remote data manipulation) is expanded to aid in sales tax enforcement.
- **Casino Promotions:** The article authorizes the establishment of several promotional and marketing initiatives at Twin River, Newport Grand, and Tiverton gaming facilities.

FISCAL IMPACT

This article increases general revenue by \$239.3 million for FY2018. The following table itemizes the impact of each initiative.

Revenue Changes	FY2018
Hospital Licensing Fee	\$181.0
Remote Sellers Sales Tax Collection	37.3
Tax Amnesty	12.5
Increase Excise Tax on Cigarettes	8.7
Corporate Tax Payment Schedule and Other Tax Adjustments	(0.2)
Seeds - Exemption from Sales Tax	0.0
Tobacco Enforcement	Informational
Penalty, Enforcement, and Collection Enhancements	Informational
Twin River Promotional Points and Marketing	Informational
Total	\$239.3

\$ in millions

ANALYSIS AND BACKGROUND

This article makes a variety of changes to the State’s revenue and tax laws. These amendments range from tax increases and new distributions to a series of penalty and enforcement enhancements.

Hospital Licensing Fee

The Budget increases the hospital licensing fee from 5.625 percent to 5.856 percent upon net patient services revenue of all hospitals except those located in Washington and Newport County, where the license fee is discounted by 37.0 percent.

The fee increase results in a \$13.0 million gain, for total licensing fee revenue in FY2018 of \$181.0 million.

The hospital license fee is a provider tax that the State levies on hospitals. In past fiscal years, it has been used as a mechanism to generate state funds that are then matched with federal Medicaid funds and returned to hospitals for their care for uninsured and indigent individuals through the Disproportionate Share Hospital (DSH) program. The fee is federally-limited to 6.0 percent.

Hospital Licensing Fee Revenue		
Fiscal Year	Rate	Revenue
2008	3.480%	\$73.9
2009	5.473%	121.5
2010	5.314%	124.9
2011	5.465%	135.8
2012	5.430%	138.0
2013	5.331%	138.5
2014	5.418%	145.9
2015	5.703%	155.3
2016	5.862%	169.1
2017	5.625%	168.0
2018	5.856%	181.0

\$ in millions

Remote Sellers Sales Tax Collection

This article creates a framework designed to facilitate the ability of noncollecting retailers that sell goods and services to Rhode Islanders over the internet to collect and remit sales and use taxes. It also notifies Rhode Island purchasers of their use tax liabilities on purchases from these retailers.

States’ inability to effectively require noncollecting retailers to collect and remit sales tax has had a significant, negative impact on state revenues across the country. The Rhode Island Department of Revenue (DOR) cites U.S. Census Bureau estimates that show annual sales via electronic shopping in the U.S. growing by 77.4 percent between 2010 and 2014. The State’s Office of Management and Budget (OMB) estimates that 58.0 percent of e-commerce sales in Rhode Island are made by retailers without a physical presence in the state and thus are potentially subject to the State’s use tax.

The Office of Revenue Analysis (ORA) estimates that this trade is worth at least \$37.3 million in sales and use tax revenue in FY2018. The estimate is derived by taking the estimated amount of e-commerce sales in Rhode Island and applying the estimated percentage of those remote sellers without a physical presence (nexus) in state. This represents the potential uncollected taxable sales:

$$\begin{array}{r}
 \text{\$835.0 m} \\
 \text{RI Taxable} \\
 \text{Internet} \\
 \text{Sales}
 \end{array}
 \times
 \begin{array}{r}
 \text{59.0\%} \\
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 \text{Companies} \\
 \text{w/o Nexus}
 \end{array}
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 \text{\$495.9 m} \\
 \text{Taxable} \\
 \text{Uncollected} \\
 \text{Sales}
 \end{array}
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 \text{Tax} \\
 \text{Rate}
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 +
 \begin{array}{r}
 \text{2.6m} \\
 \text{Catalog} \\
 \text{Sales Tax} \\
 \text{Collection}
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 =
 \begin{array}{r}
 \text{\$37.3 m} \\
 \text{New} \\
 \text{Revenue}
 \end{array}$$

Sales Tax Collection or Notification: This article provides two sales and use tax compliance options from which noncollecting retailers must choose if they are to make sales into Rhode Island. A noncollecting retailer is a business that sells products or services to in-state customers using the Internet, mail order, or telephone, without having a physical presence in that state. The article provides technical definitions for various entities associated with interstate sales including what constitutes a noncollecting retailer, a referrer, and a retail sale facilitator.

The first and most direct option requires a noncollecting retailer to register for a permit for retail sales to customers in the state and to collect and remit sales and use tax on all taxable sales into the state. Failing this, the noncollecting retailer must specifically notify Rhode Island purchasers that sales or use tax is due on purchases made from the company and that the State requires the purchaser to file a sales or use tax return. This notification must be communicated through several methods:

- A conspicuously posted notice on its website;
- An immediate notification at the point and time of the purchase;
- A written notification subsequent to and within 48 hours of the time of purchase; and
- An annual purchase notice to those Rhode Islanders who have total purchases of \$100 or more from the retailer during the previous year. This notice must be provided to the purchaser by January 31 of each year and include: a list of all purchases made during the prior calendar year, the total amount paid for each purchase, the dates of purchase, and the category or type of each purchase, including whether it is exempt from taxation in Rhode Island or not.

In order to avoid paying a penalty, the final stipulation for a noncollecting retailer choosing the second option is that it must provide written attestation, by February 15 of each year, to the Division of Taxation which confirms its compliance with the notification requirements. The format of this submission is to be determined by Taxation.

The requirements established under this article are applicable only to those entities that have either received \$100,000 in gross revenue from sales made to Rhode Island purchasers in the preceding year or have conducted 200 or more sales transactions with Rhode Island purchasers in the preceding year.

Administration and Penalties: The Tax Administrator is responsible for promulgating rules and regulations to support the new requirements as well as enforcement of the article's provisions. Towards this end, the Tax Administrator is provided the authority to examine any supporting information related to any tax return under question.

Any noncollecting retailer, referrer, or retail sale facilitator failing to comply with the requirements outlined above is subject to a minimum penalty of \$10 for each infraction; however, there is a minimum \$10,000 penalty per year. Determinations made by the Tax Administrator are appealable to District Court.

Legal and Constitutional Issues: The U.S. Supreme Court has historically blocked states from compelling remote sellers to collect and remit sales taxes, in part because of the complexities of doing so. Complying with fifty separate state sales tax codes along with the administrative costs and logistical barriers associated with tax collection have long been considered an undue burden on interstate commerce. Since 2000 many states have worked together to reduce these barriers through the Streamlined Sales and Use Tax Agreement (SSUTA). SSUTA works to align and simplify tax rates and state-level tax administration and to drive states toward uniform tax bases. It requires member states to meet and maintain standards of alignment. Twenty-three states, including Rhode Island, are currently members. Technology advancements, particularly with financial software, have also lowered the cost of complex tax transactions, such as tracking and remittance.

States have continued to enact measures to encourage sales tax collection and notify purchasers of their tax liabilities. According to the OMB, this article is based upon Colorado's remote seller sales tax law that was enacted in 2013. This law was upheld by 10th U.S. Circuit Court in February 2016. This ruling has paved the way for numerous agreements between states and remote sellers.

Amazon Decision to Collect Sales and Use Taxes in Rhode Island: On January 17, 2017, Amazon, Inc., the largest retail sale facilitator and internet retailer, announced that it would register with the state for a sales tax permit and begin to collect and remit sales taxes on taxable purchases made by Rhode Islanders effective February 1, 2017. As of June, 2017, Amazon has agreements to collect sales and use taxes on its sales in all 50 states. The revenue estimate associated with the Sales and Use Tax – Noncollecting Retailers, Referrers, and Retail Sale Facilitators Act implicitly includes the sales and use taxes that Amazon will collect and remit to the State per its announcement.

Tax Amnesty

The Budget includes a tax amnesty program for a 75-day period ending February 15, 2018. Under the program, civil, and criminal penalties for non-compliance with state tax laws would be forgiven, and interest owed will be reduced by 25.0 percent. It is estimated that \$12.5 million of additional one-time revenue collections would result from the amnesty period.

When calculating the estimated FY2018 revenue impact, collection rates from the 2012 amnesty period were applied against accounts receivable as of June 30, 2016, (\$135 million) then adjusted for an 89.0 percent accrual rate. This approach yields estimated revenue of \$7.9 million. Estimated revenue from “new” taxpayers (entities or persons owe tax, but have not been discovered through audit) who take advantage of the amnesty was similarly based on 2012 experience participation rates, however a 100.0 percent accrual rate was assumed. The revenue estimated to come from the new taxpayers is \$4.7 million.

The Budget assumes \$500,000 in expenditures to administer the amnesty program.

Increase Excise Tax on Cigarettes

This article increases the excise tax levied on cigarettes by \$0.50 per pack of cigarettes, raising the total tax from \$3.75 to \$4.25 per pack of twenty, or to the equivalent of \$0.21 per cigarette. According to the Budget Office, total retail price will increase by \$0.58, from \$9.49 to \$10.07 per individual pack. This amount is \$0.40 less than the average total retail price in Massachusetts, and \$0.07 per pack below Connecticut. The additional excise tax would generate an additional \$8.7 million (combined excise and sales taxes) in revenue above the projections from the November 2016 Revenue Estimating Conference.

Cigarette Tax Revenue Impact	
Revenue Item	FY2018
Cigarette Excise Tax	\$6.5
Cigarette Floor Tax	1.0
Sales and Use Tax	1.1
Total	\$8.7

\$ in millions

Source: Office of Revenue Analysis

Impact of Cigarette Excise Increase and Regional State Comparison

	Rhode Island		Massachusetts		Connecticut		
	Previous	Enacted					
Base Price per Pack in \$	\$4.39	\$4.39	\$4.16		\$4.39		
Excise Tax in \$	3.75	4.25	3.51		3.90		
<i>Subtotal base price + Excise</i>	8.14	8.64	7.67		8.29		
Wholesale Markup	2.0%	0.16	0.17	2.0%	0.15	6.5%	0.54
Wholesale Cartage	0.75%	0.06	0.07	0.75%	0.06	0.0%	0.00
Retail Markup	6.0%	0.50	0.53	25.0%	1.97	8.0%	0.71
<i>Total Base Cost</i>	8.87	9.41	9.85		9.54		
Sales Tax	7.0%	0.62	0.66	6.25%	0.62	6.4%	0.61
Total Price per Pack	\$9.49	\$10.07	\$10.47		\$10.14		

Note: The Office of Revenue Analysis calculated base price per pack using available data on states' websites. No base price for CT was available, so it was assumed that CT would have the same base price as RI.

Corporate Tax Payment Schedule and Other Tax Adjustments

This article makes several amendments to the business corporation tax laws (RIGL 44-11) and the sales tax. These:

- Reduce the income tax withholding rate used by pass-through entities businesses (sole proprietorships, partnerships, LLCs, and S corporations) from 9.0 percent to 7.0 percent. Pass-through entities don't pay income taxes at the corporate level. Instead, corporate income is allocated among the owners, and income taxes are only levied at the individual owners' level. This is a technical correction to align the withholding rate for pass-through entities with that of other classes of business taxpayers.
- Require that domestic and foreign limited liability companies, domestic and foreign limited partnerships, and other domestic or foreign business entities notify the Division of Taxation of the sale of assets that constitute a tax liability at the time of sale. This brings these classes of businesses in alignment with requirements of domestic and foreign corporations. According to the Division of Taxation, notification helps mitigate the potential for lost revenue due to the consequences of the sale of assets as well as assist in collection enforcement on entities that dissolve in order to evade tax liabilities.
- Establish an expiration date for certificates of exemption from the sales and use tax. Under current law certificates do not expire. This article creates a certificate that is valid for four years from the date of issue. Existing certificates would expire four years from the effective date of the article (August 1, 2017).
- Define “remote data manipulation” for purposes of sales tax suppression as the “sending, transmitting, transporting or receiving through any electronic means any and all sales transaction data to a remote location for the purpose of manipulating and/or altering said data in any way.”

Sales Tax Exemption on Seeds

The Budget adds seeds and plants that are used to grow food and food ingredients to the list of goods and services exempted from the State’s sales and use tax. The article further clarifies that marijuana seeds and plants are also exempt from the tax. This exemption will reduce revenues by \$6,000.

Tobacco Enforcement

This article clarifies, tightens, and modernizes the State’s tobacco laws and provides additional enforcement tools to the Department of Revenue. The proposal is a response to the evolving market of tobacco products, and the need for law enforcement and tax officials to have an up-to-date set of statutes and tools to assist them.

Towards this end, the article addresses new definitions and penalties (RIGL 44-20-1) as follows:

Cigarettes: The definition now includes items with or without filters and items made of any material, not just paper.

Tobacco Products: The article establishes this new definition which includes: cigars, cheroots, stogies, smoking tobacco (granulated, plug cut, crimp cut, ready rubbed, and any kinds and forms of tobacco suited for smoking), chewing tobacco (Cavendish, twist, plug, scrap, and any other kinds and forms of tobacco for suitable for chewing). It also includes any and all forms of hookah, shisha, and “mu’assel” tobacco, snuff and any other product containing tobacco or tobacco substitutes except cigarettes. This new definition of tobacco products is incorporated throughout RIGL 44-20, wherever the term “cigarettes” is being used.

Pipe: A pipe is defined as an apparatus made of any material used to burn or vaporize products so that the smoke or vapors can be inhaled or ingested by the user.

Place of Business: The definition now includes (but is not limited to) storage rooms, attics, basements, garages, or other facilities adjacent to the location.

Sale: The definition clarifies that holding, storing, or keeping cigarettes and/or tobacco products at a place of business for any purpose is presumed to be holding tobacco for purposes of selling it. It further clarifies

that a sale made by employees or other representatives of a licensee are presumed to be a sale made by the licensee.

Penalty, Enforcement, and Collection Enhancements

In addition to improved definitions, this article creates a stronger penalty framework across a variety of taxation laws designed to foster greater compliance and aid in their enforcement. The changes:

- Increase the penalty for distributing or selling cigarettes and tobacco products without a license from the current fine of up to \$10,000 to a misdemeanor charge, plus a fine of up to \$10,000, or up to one year in prison, or both.
- Increase the penalties for possessing or selling contraband cigarettes and tobacco products for first offenses from a fine of \$1,000 or five times the retail value of the contraband products, whichever is greater, to ten times the retail value of the contraband products or up to a year in prison, or both. Second offense penalties are increased from a fine of \$5,000 or up to three years in prison (or both) to up to twenty-five times the retail value of the contraband and/or three years in prison. Civil penalties for non-compliance are similarly increased (absent the criminal prison term).
- Increase the penalty for failing to comply with tobacco reporting rules from a \$5,000 fine for the first offense to a misdemeanor charge, up to one year in prison or a fine of \$5,000 or both.
- Permit the Tax Administrator to pursue administrative penalties and attorney’s fees (in accordance with the Administrative Procedures Act) whenever a licensee and/or taxpayer violates any provision of the State’s tax laws. These penalties include the revocation or suspension of licenses and permits; the levy of a penalty ranging from \$100 to \$50,000; issuance of a cease and desist order; and/or any combination of these penalties.
- Permit the recovery of the cost of legal services from violators. These costs can be associated with both in-house attorneys at the Department of Revenue or outside legal counsel as they relate to administrative hearings, court hearings and appeals.
- Permit the use of a jeopardy determination to protect at-risk tax collections. In the event that the Tax Administrator believes the collection of any tax, interest or penalty will be jeopardized by a delay which could render a person or entity judgment proof and/or frustrate the collection, he or she is authorized to issue a determination stating why the collection is at-risk and require that the amount in question be payable immediately. This decision is appealable for thirty days. Within twenty days from the issuance of the determination, the courts will make a determination as to whether the jeopardy existed
- Increase the penalty for sales tax violations, including willfully failing to remit any tax to the state that was collected from a customer, from a fine of up to \$10,000 and/or one year in prison to \$25,000 and/or five years in prison.

Twin River Promotional Points and Marketing

The article permits the expansion of the use of net terminal lottery income to be used for marketing purposes. This increase marketing authorization is permitted until the Twin River –Tiverton facility opens. The article also doubles the amount of “free-play” incentive credits permitted for distribution (from 10.0 percent to 20.0 percent). Free play, which offers customers credits to play slot machines, is a promotional tactic that casinos use to bring in people in hopes that they will continue to gamble once their credits are used up. Distribution of free play credits in amounts greater than 20.0 percent may be permitted subject to Lottery Commission approval.

Article 9: Relating to Health and Human Services

This article revises and adds to the statutes governing the Medical Assistance (Medicaid) program and implements certain initiatives set forth in the FY2018 Budget. The article gives the Executive Office of Health and Human Services (EOHHS) authority to oversee aligning general law with the stated policy goals of promoting service quality, access, and efficiency.

FISCAL IMPACT

The fiscal impact of this article includes a general revenue reduction of \$10.3 million (\$23.2 million all funds) in provider related savings and increases the collection of restricted receipts by \$3.8 million from the Children's Health Account (CHA). The increase collection of restricted receipts will thereby offset general revenue expenditures, for a total general revenue expenditure reduction of \$14.1 million in FY2018. Additionally, this article increases general revenue expenditures by \$2.5 million (\$5.1 million all funds) for a community-based provider rate increase, for a net general revenue reduction of \$11.6 million in FY2018.

ANALYSIS AND BACKGROUND

This article removes the sunset for the Transitional Child Care Pilot Program; modifies payments to Federally Qualifies Health Centers (FQHCs); freezes rate increases to nursing facilities; reduces administrative rates to MCOs; increases the Graduate Medical Education funding pool; eliminates the wage-pass through program; co-designates EOHHS for administering federal aid related to the substance abuse block grant; forgives developmental disability provider debt; requires reporting by developmental disability providers to the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH), and increases the assessment to the Children's Health Account.

Child Care Pilot Program: The article removes the sunset for the Transitional Child Care Program making the program permanent. This program will expand access by increasing the exit income threshold for current child care program participants from 180.0 percent of the federal poverty level (FPL) up to 225.0 percent FPL. Funding for the Transitional Child Care Program was included in the May 2017 Caseload Estimating Conference (CEC) FY2018 adopted estimate.

Payment Rate Adjustments: The article freezes rates to nursing facilities, managed care organizations (MCOs), and reforms the alternative payment methodology for FQHCs.

- **Nursing Facility Rate Freeze:** The article freezes the inflation-based rate increase to nursing facilities, saving \$5.6 million in general revenue (\$10.9 million all funds) in FY2018. The inflation-based rate is adjusted annually, based on the national nursing home inflation index (approximately a 3.0 percent increase), and was scheduled to go into effect on October 1, 2017.
- **Managed Care Organizations (MCOs):** The article includes authority to reduce administrative rates paid to MCOs saving \$3.5 million in general revenue (\$2.2 million all funds) in FY2018. The May 2016 CEC forecasts that MCOs would receive a 1.5 percent increase on administrative components of the premium rates. This increase is eliminated.
- **Federally Qualified Health Center (FQHC) Payment Reform:** The article amends the alternative payment methodology by requiring reimbursement rates to FQHCs to be included in Managed Care Organizations (MCOs) capitated rates, saving \$1.2 million in general revenue (\$3.0 million all funds) in FY2018.

The federal Prospective Payment System (PPS) rate methodology is how FQHCs seek reimbursement for services. This PPS rate methodology arrangement allows FQHCs take their total operating cost and divide it by their encounters (patient visits) resulting in an encounter rate. All FQHCs have different rates. MCOs pay FQHCs a negotiated encounter rate often lower than the FQHC encounter rate.

EOHHS then makes a “wrap” payment to make up the difference between the MCO rate and the FQHC encounter rate.

The Department sees a trend of significantly higher encounters in Medicaid member usage at FQHCs and increasing operational and infrastructure costs at FQHCs. This has resulted in an increase in average encounter rate at FQHCs and higher wrap payments by EOHHS. MCOs set rates with FQHCs and have no incentive to increase payment to the FQHCs, and the FQHCs have little incentive to control costs if EOHHS continues to provide wrap payment to FQHCs.

The budget proposal eliminates the wrap payments made by EOHHS and includes the total cost of current encounter rates in the MCO capitated rate. This initiative is intended to incentivize MCOs to work with the FQHCs to manage costs and strengthen procedure on billable encounters, which are the basis for the reimbursement rate. MCOs will be given the resources that EOHHS previously provided in “wrap” payments to include in their capitated rates.

Analyst Note: Modifying the alternative payment methodology for FQHCs requires agreement from all FQHCs to the proposed changes described above. If FQHCs do not agree to the proposed modifications to the payment methodology, EOHHS would be required to explore elimination of the alternative payment methodology program in order to meet budgeted savings.

- **Graduate Medical Education:** The article increases the Graduate Medical Education funding from \$2.0 million annually to \$4.0 million annually, an increase of \$2.0 million over the FY2017 enacted budget.

Wage Pass-Through Program: The article eliminates the wage-pass through program established during the FY2016 legislative session. The article includes language to provide a one-time rate increase to providers for the purposes of increasing wages to direct care workers; however, the article removes language requiring the increase to be passed through to the direct care worker.

The FY2017 Enacted budget included the authority in Article 7 for EOHHS to create a wage-pass through program for personal care attendants and home health aides supporting individuals who receive LTSS living in the community. An increase to providers occurred in October 2016, increasing provider rates by approximately 7.0 percent or a \$1.64 increase per hour. Providers were responsible to “pass” a wage increase to home health workers less any employer related expenses. It is unclear what the average wage increase home health workers have received related to this increase in payment to providers in FY2017.

EOHHS attempted to implement the requirements of a wage-pass through in FY2017; however, determined the reporting requirements for providers and EOHHS were too administratively burdensome.

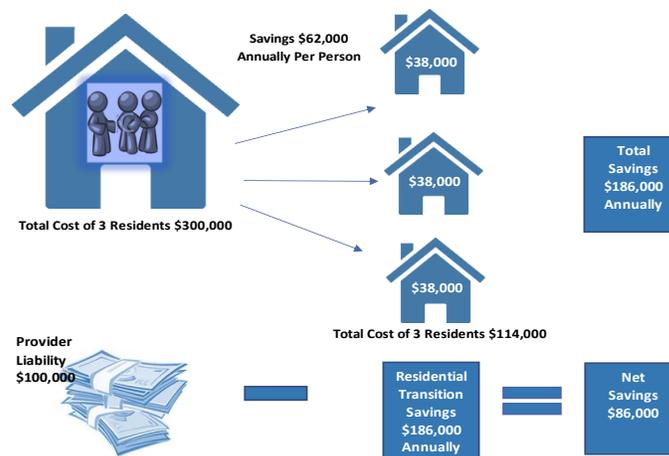
State Block Grant Maintenance of Effort: The article co-designates the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) and the Executive Office of Health and Human Services (EOHHS) as a single state authority for purposes of calculating the maintenance of effort (MOE) for the Substance Abuse Block Grant awarded by Substance Abuse and Mental Health Services Administration (SAMHSA). The MOE is a federal requirement placed upon the Substance Abuse Block Grant program which requires the State to demonstrate certain levels of funding for substance abuse programs from year to year. While the article co-designates authority it retains BHDDH as the sole agency responsible for planning, policy development, and implementation of laws and regulations relating to substance abuse.

Developmental Disability Provider Forgiveness: The Article allows the State Controller to forgive up to \$13.3 million in liability owed to the State by private developmental disability providers by leveraging proceeds of the sale of state-owned group home properties. The article identifies the total liability; however, it does not include a specified fiscal impact in FY2018 nor does it include the asset value as compared to the liability. The fiscal impact will be contingent upon the sale of the state-owned property and the total liability attached to related property.

The Governor's FY2018 Budget included a budget savings initiative in the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH), which proposed to incentivize providers to reduce group home residential placements by leveraging existing provider liabilities owed to the State. The provider liability occurred in the late 1970s when the State incented private providers with startup funds to build group home capacity following the closure of Ladd School. To date, most private providers have not paid the State for these start-up costs. The State Controller reports as of June 30, 2016, the State maintains an accounts receivable for \$13.3 million related to these unpaid start-up costs.

In addition to the Article, the enacted budget for BHDDH intends to forgive the debt owed by private group homes to the State if the providers find preferred alternative living settings for the clients currently residing in their group homes. The alternative options, SLA arrangements, independent living, and living with a family member, are expected to generate \$2.0 million all funds savings, which will offset the loss of the forgiven provider liability. The following picture illustrates the intended savings initiative.

Incentivized Private Residential Group Transitions toward Home and Community-Based Settings



* Example of residential transition from a group home setting to a SLA, Independent Living or Living with a family member
 * General revenue savings achieved by residential transition will be used as a "pay back" of provider liabilities to the State.

This article provides authority to forgive developmental disability provider cash advance debt by allowing the sale of state-owned property to forgive this liability. Additionally, BHDDH will report to the legislature any awards of advancements related to this practice.

Children's Health Account: The article permits an increase on the assessment of private and self-funded insurers to fund the Children's Health Account (CHA). The increased assessment will generate an additional \$3.8 million in restricted receipts in FY2018, reducing general revenue costs.

The CHA fund provides commercially insured children with special health care needs access to Medicaid benefits and habilitative services, not otherwise covered by commercial plans. During the 2015 legislative session, legislation was passed to expand the assessment collection to self-insured products, broadening the base of assessment. Though the Medicaid program funds an array of services provided to disabled children, it requires commercial insurers to pay for the first \$7,500 per child, per service, per year for commercially-insured children receiving Medicaid services. The Budget increases the threshold at which Medicaid begins to cover services to \$12,500 per child, per service, per year.

The increase in assessment allows EOHHS to offset the cost of benefits that commercial insurers are not required to provide for children with special healthcare needs that are provided by Medicaid through programs like Katie Beckett.

Article 10: Relating to Making Revised Appropriations in Support of FY2017

This article makes revised appropriations for general revenues, and includes revisions to authorized expenditures from federal, restricted, and other funds as well as authorized FTE levels for each agency and department for FY2017. The Budget includes \$2.8 million in additional general revenue spending compared to the FY2017 Budget as Enacted.

APPROPRIATIONS

The article increases the total FY2017 appropriations by \$262.8 million, the bulk of which is attributable to an increase in federal fund expenditures of \$227.5 million. General revenue expenditures increase by \$2.8 million. The article outlines funding changes at the program level by fund for each department.

Expenditures by Source	FY2016 Final	FY2017 Enacted	FY2017 Revised	Change to Enacted	% Change
General Revenues	\$3,547.9	\$3,683.7	\$3,686.5	\$2.8	0.1%
Federal Funds	2,877.4	2,957.1	3,184.6	227.5	7.7%
Restricted Receipts	245.7	257.0	276.3	19.3	7.5%
Other Funds	1,834.2	2,040.9	2,054.1	13.2	0.6%
Total	\$8,505.2	\$8,938.7	\$9,201.5	\$262.8	2.9%

\$ 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	FY2017 Enacted	FY2017 Revised	Change
State Assessed Fringe Benefits	\$41,699,269	\$39,846,094	(\$1,853,175)
Administration Central Utilities	14,900,975	20,926,448	6,025,473
State Central Mail	6,190,285	6,826,590	636,305
State Telecommunications	3,017,521	3,185,153	167,632
State Automotive Fleet	12,543,165	12,464,443	(78,722)
Surplus Property	2,500	3,000	500
Health Insurance	251,723,462	251,776,824	53,362
Other Post-Employment Benefits	63,934,483	63,934,483	-
Capital Police	1,172,421	1,128,019	(44,402)
Corrections Central Distribution Center	7,094,183	7,047,526	(46,657)
Correctional Industries	7,304,210	7,478,481	174,271
Secretary of State Records Center	907,177	808,527	(98,650)
Total	\$410,489,651	\$415,425,588	\$4,935,937

FTE POSITION CAP AND APPROVAL

The article establishes the authorized number of full-time equivalent (FTE) positions for each State department and agency for FY2017. Departments and agencies may not exceed the number of authorized FTE positions shown, in any pay period. Statewide, the Budget authorizes a net increase of 6.4 FTE positions from the FY2017 Budget as Enacted. The following changes are included FY2017 Budget as Revised:

FTE Position Authorization

Government Function	FY2017 Enacted	FY2017 Revised	Change to Enacted
General Government	2,342.7	2,344.7	2.0
Human Services	3,619.6	3,618.6	(1.0)
Education	3,909.9	3,908.9	(1.0)
Public Safety	3,205.6	3,211.0	5.4
Natural Resources	428.0	429.0	1.0
Transportation	701.0	701.0	-
Subtotal	14,206.8	14,213.2	6.4
Sponsored Research	745.8	745.8	-
Total FTE Positions	14,952.6	14,959.0	6.4

Major FTE changes include:

- **An increase of 5.4 FTE positions in the Department of Public Safety:** The FY2017 Budget as Enacted authorized a total of 610.2 FTEs across all divisions at the Department of Public Safety. This is 23.0 FTE positions less than the Department was authorized for in FY2016. DPS did not fully implement this reduction, however, and only identified 17.6 FTE positions for elimination during FY2017. The Budget does not include the 1.0 Commissioner of Public Safety position, recommended to be added by the Governor in the FY2017 supplemental budget.
- **An increase of 4.0 FTE positions in the Department of Business Regulation:** The Budget includes a net increase of 4.0 FTE positions. The increase is associated with several personnel changes that were recommended by the Governor. These positions include 1.0 Senior Management & Methods Analyst FTE position in Central Management, 3.0 Bank Examiner FTE positions in Banking Regulation, 3.0 Insurance Examiner, 1.0 Senior Insurance Examiner and 1.0 Licensing Aide position in Insurance Regulation. However, the Budget eliminates 5.0 vacant but unspecified FTE positions in the Department of Business Regulation.
- **A decrease of 1.0 FTE position in the Office of the General Treasurer:** The Budget includes a decrease of 1.0 FTE position reflecting the elimination of the Director of Member Services position for the CollegeBoundSaver Program, which was not funded in the enacted budget.
- **A decrease of 1.0 FTE position in the Office of Health and Human Services:** The Budget transfers 1.0 FTE position, an Interdepartmental Manager, to a vacant position within the Governor's Office.
- **A decrease of 1.0 FTE position in the Department of Children, Youth, and Families:** The Budget transfers 1.0 FTE position, an Interdepartmental Manager, to a vacant position within the Governor's Office.
- **An increase of 1.0 FTE position in the Office of Child Advocate:** The Budget adds 1.0 federally-funded Case Management Coordinator position in FY2017.
- **A decrease of 1.0 FTE position in the Historical Preservation and Heritage Commission:** The Budget includes a decrease of 1.0 FTE position to account for the transfer of the Eisenhower House Events Coordinator to the Department of Environmental Management.
- **An increase of 1.0 FTE position at the Department of Environmental Management:** The Budget includes 1.0 FTE position transferred from the Historical Preservation and Heritage Commission for the management of the Eisenhower House.

Article 11: Relating to Taxation – Excise on Motor Vehicles and Trailers

Article 11 uses four “levers” to decrease the motor vehicle excise tax each year from FY2018 through FY2023, fully eliminating the tax in FY2024. Within this article, major changes to the law include:

- Tax rate caps are reduced each year through FY2023
- Assessment ratios are reduced 5.0 percentage points each year through FY2023
- Exemption floors are raised each year through FY2023
- Exemptions are expanded to all cars more than 15 years old from FY2018 forward

Article 11

Fiscal Year	Assessment		Exemption Drop After			Total Levy	Forgone Levy	Taxed Car	Cars "Dropped"
	Ratio	Rate Cap	Floor	Age	Count			From Tax Roll	
FY2017	100%	N/A	\$500	25	\$220,611,139	\$0	746,965	-	
FY2018	95%	\$60	1,000	15	195,441,325	(25,169,814)	594,445	152,520	
FY2019	90%	50	2,000	15	170,426,882	(50,184,257)	581,512	165,454	
FY2020	85%	35	3,000	15	136,701,951	(83,909,188)	543,391	203,574	
FY2021	80%	35	4,000	15	104,600,455	(116,010,684)	483,393	263,573	
FY2022	75%	30	5,000	15	75,327,058	(145,284,081)	409,317	337,649	
FY2023	70%	20	6,000	15	43,407,790	(177,203,349)	339,844	407,121	
FY2024	N/A	N/A	N/A	N/A	-	(220,611,139)	N/A	N/A	

Source: Department of Revenue

FISCAL IMPACT

In FY2017, state funding for the motor vehicle excise tax payments to cities and towns is funded at \$10.0 million in general revenue, where it has been since FY2011. This funding reimburses municipalities for the minimum \$500 exemption required under current state law, ratably reduced.

According to the Department of Revenue, the motor vehicle excise tax totaled \$220.6 million (based on 12/31/15 certifications), or about 9.0 percent of total local tax revenues, in FY2017. The article reduces motor vehicle excise tax by \$25.2 million in FY2018, increasing to a total of \$220.6 million in FY2024, when the tax will be fully eliminated.

Estimated Statewide Revenue Impact

Fiscal Year	Estimated Total Levy	Forgone Levy
FY2017	\$220,611,139	\$0
FY2018	195,441,325	(25,169,814)
FY2019	170,426,882	(50,184,257)
FY2020	136,701,951	(83,909,188)
FY2021	104,600,455	(116,010,684)
FY2022	75,327,058	(145,284,081)
FY2023	43,407,790	(177,203,349)
FY2024	-	(220,611,139)

Source: Department of Revenue

While the motor vehicle excise tax phase out plan adopted in 1998 (RIGL 44-34.1-1) was never fully executed, the law provides that municipalities and fire districts shall receive a permanent distribution of growth in sales tax that is equal to lost revenue due to the tax elimination. The article changes the rounding under this provision from the nearest tenth of one cent to the nearest thousandth of one cent of the growth in sales tax received, reducing the impact of the rounding. Under Article 11, in FY2018 and thereafter, the state is required to reimburse municipalities in the amount they received in FY2017, which is based on the \$10.0 million provided in previous years, plus the difference between the FY2018 baseline and the tax levy

that is submitted by each city and town. The Budget increases by \$26.0 million in general revenue in FY2018.

See attached summary tables for the estimated fiscal impact by municipality.

ANALYSIS AND BACKGROUND

The motor vehicle excise tax applies to all motor vehicles and trailers, including leased vehicles. There are material differences in tax rates, ratios of assessment, and exemption levels among communities.

Article 11 phases out the motor vehicle excise tax over a seven-year period by reducing tax rate caps and assessment ratios, while raising exemption floors and exempting vehicles that are more than 15 years old. Additionally, to ensure taxpayer relief, the article removes the motor vehicle excise tax from the levy calculation related to the 4.0 percent cap on municipal property tax levy increases.

Motor Vehicle Excise Tax Calculation

Below is an illustrative example from the Department of Revenue that explains the formula to calculate a motor vehicle excise tax bill in Rhode Island:



Illustrative Example

Tax bill for a 2010 Honda Civic in the city of Cranston with clean retail value of \$12,000
In FY2017: \$500 exemption and mill rate of \$42.44



Motor Vehicle Tax Rates

Under this article, municipal motor vehicle tax rates may not increase above FY2017 rates or above the new rate schedule set forth in the article. Currently, motor vehicle tax rates per thousand dollars of assessed value range by municipality from a low of \$9.75 per thousand in New Shoreham to a high of \$60.00 per thousand in Providence.

Article 11 caps the maximum tax rate at \$60 in FY2018, and then lowers in steps down to \$20 in FY2023. In FY2024, the tax is eliminated. See attached summary tables for tax rates by municipality from FY2017 through FY2023.

Fiscal Year	Rate Cap
FY2017	N/A
FY2018	\$60
FY2019	50
FY2020	35
FY2021	35
FY2022	30
FY2023	20
FY2024	N/A

per thousand

Motor Vehicle Ratios of Assessment

Presumptive vehicle values are determined by the Rhode Island Vehicle Value Commission, authorized under RIGL 44-34-11, using data from official used-car guides, such as the National Automobile Dealers Association of New England (NADA). Previously, municipalities were permitted to set motor vehicle ratios of assessment equal to or less than the ratio of assessment used in FY2011, but no higher.

Under this article, presumptive value reduces from 100.0 percent of clean retail value as reported by the NADA, to 95.0 percent of clean retail value in FY2018, decreasing by 5.0 percent each following year, down to 70.0 percent in FY2023. In FY2024, the tax is eliminated. This provision of the article impacts all motor vehicle excise taxpayers.

Fiscal Year	Assessment
	Ratio
FY2017	100%
FY2018	95%
FY2019	90%
FY2020	85%
FY2021	80%
FY2022	75%
FY2023	70%
FY2024	N/A

Motor Vehicle Exemptions

The tax assessor in each city and town is required to reduce the taxable value of each vehicle based on the minimum state exemption level. Under the previous plan, this was increased over a number of years, reaching \$6,000 from FY2007 through FY2010; however, it has been \$500 from FY2011 through FY2017. This means that the first \$500 of taxable vehicle value could not be taxed. The law allows municipalities to provide an additional exemption in excess of \$500; however, these additional exemptions are not subject to reimbursement under current law. In previous years, the State reimbursed municipalities for the minimum required state exemption of \$500, ratably reduced based upon the appropriation, which has been \$10.0 million since FY2011.

Article 11 increases the exemption floor to \$1,000 in FY2018, and by an additional \$1,000 each year thereafter, until it reaches \$6,000 in FY2023. Municipalities with higher rates than the exemption floor schedule set forth in this article are required to maintain these rates through FY2023. In FY2024 and thereafter, the tax is eliminated.

Fiscal Year	Exemption
	Floor
FY2017	\$500
FY2018	1,000
FY2019	2,000
FY2020	3,000
FY2021	4,000
FY2022	5,000
FY2023	6,000
FY2024	N/A

Exemption rates by municipality can be seen in attached summary tables. Overtime, exemption values will gradually converge and by FY2023 every municipality will have an exemption floor of \$6,000.

Vehicle Age

Previously, any vehicle more than twenty-five years old was fully exempt from the motor vehicle excise tax. The article expands the exemption to any vehicle more than fifteen years old beginning in FY2018. This vehicle age change, along with raising the exemption floor, leads to approximately 153,000 vehicles (20.4 percent) falling off the tax rolls in FY2018. See attached summary tables for car count by municipality through FY2024.

Tax Calculation Methodology

Municipalities' motor vehicle tax calculation methodologies are not fully standardized. According to the Department of Revenue, per current local practice, motor vehicles in Portsmouth are assessed at 70.0 percent of presumptive value, 80.0 percent of presumptive value in Richmond, and 95.0 percent of presumptive value in Scituate.

Article 11 mandates that municipalities use the same motor vehicle excise tax calculation methodology that was used in FY2017. The article authorizes the Department of Revenue (DOR) to verify that the methodology used by each municipality from FY2018 forward is the same methodology used in FY2017. DOR is further authorized to confirm the compliance of each municipality with this provision. If a

municipality is found to not be in compliance, reimbursement to the municipality will be withheld until DOR finds the municipality to be in compliance. Furthermore, in FY2020 and thereafter, DOR shall evaluate municipalities' tax assessment methodologies and recommend changes as necessary.

Property Tax Cap

Under RIGL 44-5-2, unless otherwise exempt, municipalities are permitted to increase property tax levies by no more than 4.0 percent above the total amount levied in the previous year. This 4.0 percent cap applies to four classes of property combined: residential real estate, commercial real estate, personal property, and motor vehicles. In FY2017, the motor vehicle excise tax totaled \$220.6 million, or about 9.0 percent of total local tax revenues. Article 11 removes the motor vehicle excise tax levy from this 4.0 percent levy cap calculation. Removing the Motor Vehicle Excise tax levy from the calculation ensures taxpayer relief by preventing municipalities from shifting the forgone motor vehicle tax levy to other classes of property tax.

Sales Tax Growth Multiplier

While the motor vehicle excise tax phase out plan adopted in 1998 (RIGL 44-34.1-1) was never fully executed, the law provides that municipalities and fire districts shall receive a permanent distribution of growth in sales tax that is equal to lost revenue due to the tax elimination. As sales tax revenue grows (or decreases), the State reimbursement to municipalities grows (or decreases), proportionately.

Article 11 changes the sales tax escalator calculation language that was in place from the 1998 motor vehicle excise tax phase-out language. The language previously rounded the changes so that it could significantly and negatively impact the levy reimbursements to cities and towns. The article changes the rounding of the sales tax received from the nearest tenth of one cent to the nearest thousandth of one cent, reducing the impact of the rounding. Additionally, the article shifts the authority to make this calculation from the Director of Administration to the Director of Revenue.

Current Motor Vehicle Excise Tax vs. Estimated FY2018 Impact

Town Name	FY2017 Levy		FY2018 Levy		% Change in Levy		FY2017 Rate		FY2018 Rate		% Change in Rate		FY2017 Exemption		FY2018 Exemption		Change in Exemption		% Change in Exemption		FY2017 Prorated Taxed Car Count		FY2018 Prorated Taxed Car Count		% Change in Car Count	
								per \$1,000	per \$1,000																	
Barrington	\$5,601,018	\$5,185,401	\$5,415,617		-7%	\$42.00	\$42.00	\$0.00	\$0.00	0.0%	0.0%	0.0%	2,000	2,000	0	0	0	0.0%	12,749	10,984	(1,765)	10,984	10,984	(1,765)	-13.8%	
Bristol	2,769,575	2,477,372	(292,203)		-11%	17.35	17.35	0.00	0.00	0.0%	0.0%	0.0%	2,000	2,000	0	0	0	0.0%	17,260	13,897	(3,363)	13,897	13,897	(3,363)	-19.5%	
Burrillville	4,744,247	4,256,484	(487,763)		-10%	40.00	40.00	0.00	0.00	0.0%	0.0%	0.0%	1,250	1,250	0	0	0	0.0%	14,026	10,918	(3,108)	10,918	10,918	(3,108)	-22.2%	
Central Falls	1,822,371	1,516,324	(306,047)		-17%	48.65	48.65	0.00	0.00	0.0%	0.0%	0.0%	1,250	1,250	0	0	0	0.0%	8,735	5,172	(3,563)	5,172	5,172	(3,563)	-40.8%	
Charlestown	954,651	845,597	(109,054)		-11%	13.08	13.08	0.00	0.00	0.0%	0.0%	0.0%	500	1,000	500	1,000	500	100.0%	7,520	6,011	(1,509)	6,011	6,011	(1,509)	-20.1%	
Coventry	5,561,915	4,866,323	(695,592)		-13%	18.75	18.75	0.00	0.00	0.0%	0.0%	0.0%	500	1,000	500	1,000	500	100.0%	32,216	25,409	(6,806)	25,409	25,409	(6,806)	-21.1%	
Cranston	20,954,170	18,565,142	(2,389,028)		-11%	42.44	42.44	0.00	0.00	0.0%	0.0%	0.0%	500	1,000	500	1,000	500	100.0%	56,730	45,559	(11,171)	45,559	45,559	(11,171)	-19.7%	
Cumberland	5,678,667	5,095,340	(583,327)		-10%	19.87	19.87	0.00	0.00	0.0%	0.0%	0.0%	6,000	6,000	0	0	0	0.0%	29,111	23,964	(5,147)	23,964	23,964	(5,147)	-17.7%	
East Greenwich	2,296,400	2,105,610	(190,790)		-8%	22.88	22.88	0.00	0.00	0.0%	0.0%	0.0%	500	1,000	500	1,000	500	100.0%	7,783	7,420	(363)	7,420	7,420	(363)	-4.7%	
East Providence	10,381,202	9,228,114	(1,153,088)		-11%	37.10	37.10	0.00	0.00	0.0%	0.0%	0.0%	500	1,000	500	1,000	500	100.0%	36,010	27,309	(8,701)	27,309	27,309	(8,701)	-24.2%	
Exeter	2,070,754	1,824,995	(245,759)		-12%	32.59	32.59	0.00	0.00	0.0%	0.0%	0.0%	500	1,000	500	1,000	500	100.0%	6,402	5,020	(1,382)	5,020	5,020	(1,382)	-21.6%	
Foster	1,579,960	1,341,140	(238,820)		-15%	36.95	36.95	0.00	0.00	0.0%	0.0%	0.0%	500	1,000	500	1,000	500	100.0%	4,945	3,693	(1,252)	3,693	3,693	(1,252)	-25.3%	
Glocester	2,218,404	1,893,583	(324,821)		-15%	24.37	24.37	0.00	0.00	0.0%	0.0%	0.0%	500	1,000	500	1,000	500	100.0%	9,969	7,637	(2,332)	7,637	7,637	(2,332)	-23.4%	
Hopkinton	1,519,868	1,303,851	(216,017)		-14%	21.18	21.18	0.00	0.00	0.0%	0.0%	0.0%	500	1,000	500	1,000	500	100.0%	8,370	6,250	(2,119)	6,250	6,250	(2,119)	-25.3%	
Jamestown	596,196	546,385	(49,811)		-8%	14.42	14.42	0.00	0.00	0.0%	0.0%	0.0%	6,000	6,000	0	0	0	0.0%	3,713	3,499	(214)	3,499	3,499	(214)	-5.8%	
Johnston	9,638,661	8,352,231	(1,286,430)		-13%	41.46	41.46	0.00	0.00	0.0%	0.0%	0.0%	500	1,000	500	1,000	500	100.0%	25,367	19,573	(5,794)	19,573	19,573	(5,794)	-22.8%	
Lincoln	5,371,103	4,956,708	(414,395)		-8%	30.66	30.66	0.00	0.00	0.0%	0.0%	0.0%	3,000	3,000	0	0	0	0.0%	16,895	15,060	(1,835)	15,060	15,060	(1,835)	-10.9%	
Little Compton	352,054	321,158	(30,896)		-9%	13.90	13.90	0.00	0.00	0.0%	0.0%	0.0%	6,000	6,000	0	0	0	0.0%	2,543	2,416	(128)	2,416	2,416	(128)	-5.0%	
Middletown	1,912,817	1,770,175	(142,642)		-7%	16.05	16.05	0.00	0.00	0.0%	0.0%	0.0%	3,000	3,000	0	0	0	0.0%	11,879	10,495	(1,384)	10,495	10,495	(1,384)	-11.7%	
Narragansett	1,631,921	1,494,177	(137,744)		-8%	16.46	16.46	0.00	0.00	0.0%	0.0%	0.0%	6,000	6,000	0	0	0	0.0%	9,296	8,885	(410)	8,885	8,885	(410)	-4.4%	
New Shoreham	151,924	130,273	(21,651)		-14%	9.75	9.75	0.00	0.00	0.0%	0.0%	0.0%	1,000	1,000	0	0	0	0.0%	1,971	1,309	(661)	1,309	1,309	(661)	-33.6%	
Newport	2,106,872	1,928,585	(178,287)		-8%	23.45	23.45	0.00	0.00	0.0%	0.0%	0.0%	6,000	6,000	0	0	0	0.0%	9,001	8,561	(440)	8,561	8,561	(440)	-4.9%	
North Kingstown	5,122,083	4,701,472	(420,611)		-8%	22.04	22.04	0.00	0.00	0.0%	0.0%	0.0%	3,000	3,000	0	0	0	0.0%	21,858	19,592	(2,266)	19,592	19,592	(2,266)	-10.4%	
North Providence	9,208,736	7,782,403	(1,426,333)		-15%	41.95	41.95	0.00	0.00	0.0%	0.0%	0.0%	500	1,000	500	1,000	500	100.0%	23,515	18,588	(4,927)	18,588	18,588	(4,927)	-21.0%	
North Smithfield	4,122,965	3,695,563	(427,402)		-10%	37.62	37.62	0.00	0.00	0.0%	0.0%	0.0%	675	1,000	325	1,000	325	48.1%	11,230	9,155	(2,075)	9,155	9,155	(2,075)	-18.5%	
Pawtucket	15,335,132	12,924,883	(2,410,249)		-16%	53.30	53.30	0.00	0.00	0.0%	0.0%	0.0%	500	1,000	500	1,000	500	100.0%	45,551	32,052	(13,499)	32,052	32,052	(13,499)	-29.6%	
Portsmouth	2,252,859	2,046,229	(206,630)		-9%	22.50	22.50	0.00	0.00	0.0%	0.0%	0.0%	2,000	2,000	0	0	0	0.0%	14,804	12,396	(2,408)	12,396	12,396	(2,408)	-16.3%	
Providence	31,868,861	27,691,875	(4,176,986)		-13%	60.00	60.00	0.00	0.00	0.0%	0.0%	0.0%	2,000	2,000	0	0	0	0.0%	78,607	54,008	(24,599)	54,008	54,008	(24,599)	-31.3%	
Richmond	1,361,751	1,172,345	(189,406)		-14%	22.64	22.64	0.00	0.00	0.0%	0.0%	0.0%	500	1,000	500	1,000	500	100.0%	7,906	6,219	(1,687)	6,219	6,219	(1,687)	-21.3%	
Scituate	1,860,657	1,698,389	(162,268)		-9%	30.20	30.20	0.00	0.00	0.0%	0.0%	0.0%	6,000	6,000	0	0	0	0.0%	6,699	6,333	(366)	6,333	6,333	(366)	-5.5%	
Smithfield	6,727,624	6,165,413	(562,211)		-8%	39.00	39.00	0.00	0.00	0.0%	0.0%	0.0%	2,000	2,000	0	0	0	0.0%	17,048	14,384	(2,664)	14,384	14,384	(2,664)	-15.6%	
South Kingstown	3,720,816	3,397,283	(323,533)		-9%	18.71	18.71	0.00	0.00	0.0%	0.0%	0.0%	3,000	3,000	0	0	0	0.0%	20,129	17,901	(2,228)	17,901	17,901	(2,228)	-11.1%	
Thverton	1,595,997	1,449,733	(146,264)		-9%	19.14	19.14	0.00	0.00	0.0%	0.0%	0.0%	6,000	6,000	0	0	0	0.0%	8,912	8,367	(545)	8,367	8,367	(545)	-6.1%	
Warren	1,992,422	1,724,371	(268,051)		-13%	26.00	26.00	0.00	0.00	0.0%	0.0%	0.0%	500	1,000	500	1,000	500	100.0%	9,046	6,826	(2,220)	6,826	6,826	(2,220)	-24.5%	
Warwick	24,636,708	22,583,139	(2,053,569)		-8%	34.60	34.60	0.00	0.00	0.0%	0.0%	0.0%	2,000	2,000	0	0	0	0.0%	75,158	62,935	(12,223)	62,935	62,935	(12,223)	-16.3%	
West Greenwich	1,243,734	1,076,549	(167,185)		-13%	19.02	19.02	0.00	0.00	0.0%	0.0%	0.0%	500	1,000	500	1,000	500	100.0%	6,367	5,121	(1,246)	5,121	5,121	(1,246)	-19.6%	
West Warwick	5,350,617	4,877,960	(472,657)		-9%	28.47	28.47	0.00	0.00	0.0%	0.0%	0.0%	1,000	1,000	0	0	0	0.0%	22,267	17,950	(4,317)	17,950	17,950	(4,317)	-21.0%	
Westerly	5,495,678	4,895,684	(599,994)		-11%	29.67	29.67	0.00	0.00	0.0%	0.0%	0.0%	1,500	1,500	0	0	0	0.0%	19,949	15,625	(4,324)	15,625	15,625	(4,324)	-21.7%	
Woonsocket	8,799,749	7,552,669	(1,247,080)		-14%	46.58	46.58	0.00	0.00	0.0%	0.0%	0.0%	1,000	1,000	0	0	0	0.0%	25,430	18,315	(7,115)	18,315	18,315	(7,115)	-28.0%	
Maximum	\$34,868,861	\$27,691,875	(\$7,176,986)		-7%	\$60.00	\$60.00	\$0.00	\$0.00	0.0%	0.0%	0.0%	\$6,000	\$6,000	0	0	0	0.0%	78,607	62,935	(15,672)	62,935	62,935	(15,672)	-19.9%	
Statewide Average	\$5,656,696	\$5,011,316	(\$645,380)		-7%	\$9.10	\$9.10	\$0.00	\$0.00	0.0%	0.0%	0.0%	\$2,081	\$2,282	201	\$2,282	201	9.6%	19,153	15,242	(3,911)	15,242	15,242	(3,911)	-20.4%	
Minimum	\$151,924	\$130,273	(\$21,651)		-17%	\$9.75	\$9.75	\$0.00	\$0.00	0.0%	0.0%	0.0%	\$500	\$1,000	500	\$1,000	500	100.0%	1,971	1,309	(661)	1,309	1,309	(661)	-31.6%	
Statewide Total	\$220,611,139	\$195,441,325	(\$25,169,814)		-11%																					

Current Motor Vehicle Excise Tax vs. Estimated FY2019 Impact

Town Name	% Change in Levy		FY2019 Levy	FY2017 Levy	FY2019 Rate per \$1,000	FY2017 Rate per \$1,000	Change in Rate	% Change in Rate	FY2019 Exemption	FY2017 Exemption	Change in Exemption	% Change in Exemption	FY2019		FY2017		% Change in Car Count
	\$ Change in Levy	In Levy											Count	Taxed Car	Count	Taxed Car	
Barrington	\$5,601,018	-13%	\$4,882,974	\$42.00	\$42.00	\$0.00	0.0%	\$2,000	\$2,000	0	0.0%	17,249	10,973	(1,776)	-13.9%		
Bristol	2,769,575	-16%	2,320,831	17.35	17.35	0.00	0.0%	2,000	2,000	0	0.0%	12,760	13,810	(1,050)	-20.0%		
Burlington	4,744,247	-20%	3,799,877	40.00	40.00	0.00	0.0%	1,250	1,250	750	60.0%	14,026	10,806	(3,220)	-23.0%		
Central Falls	1,822,371	-26%	1,353,357	48.65	48.65	0.00	0.0%	1,250	1,250	750	60.0%	8,735	5,125	(3,610)	-41.3%		
Charlestown	954,651	-22%	748,282	13.08	13.08	0.00	0.0%	500	500	1,500	300.0%	7,520	5,929	(1,591)	-21.2%		
Covestry	5,561,915	-23%	4,285,704	18.75	18.75	0.00	0.0%	500	500	2,000	300.0%	32,216	24,862	(7,353)	-22.8%		
Cranston	20,954,170	-25%	15,642,924	42.44	42.44	0.00	0.0%	500	500	1,500	300.0%	56,730	39,594	(17,136)	-30.2%		
Cumberland	5,678,667	-20%	4,522,390	19.87	19.87	0.00	0.0%	500	500	1,500	300.0%	29,111	23,559	(5,552)	-19.1%		
East Greenwich	2,296,400	-16%	1,938,217	22.88	22.88	0.00	0.0%	6,000	6,000	0	0.0%	7,783	7,230	(553)	-7.1%		
East Providence	10,381,202	-21%	8,205,390	37.10	37.10	0.00	0.0%	500	500	1,500	300.0%	36,010	27,057	(8,952)	-24.9%		
Exeter	2,070,754	-22%	1,616,922	32.59	32.59	0.00	0.0%	500	500	1,500	300.0%	6,402	4,904	(1,498)	-23.4%		
Foster	1,579,960	-26%	1,176,055	36.95	36.95	0.00	0.0%	500	500	2,000	300.0%	4,945	3,542	(1,403)	-28.4%		
Glocester	2,218,404	-26%	1,633,148	24.37	24.37	0.00	0.0%	500	500	2,000	300.0%	9,969	7,443	(2,526)	-25.3%		
Hopkinton	1,519,868	-25%	1,146,475	21.18	21.18	0.00	0.0%	500	500	1,500	300.0%	8,370	6,078	(2,292)	-27.4%		
Jamestown	596,196	-16%	501,746	14.42	14.42	0.00	0.0%	6,000	6,000	0	0.0%	3,713	3,397	(316)	-8.5%		
Johnston	9,638,661	-23%	7,392,481	41.46	41.46	0.00	0.0%	500	500	1,500	300.0%	25,367	19,206	(6,160)	-24.3%		
Lincoln	5,371,103	-14%	4,631,593	30.66	30.66	0.00	0.0%	3,000	3,000	0	0.0%	16,895	14,908	(1,987)	-11.8%		
Little Compton	352,054	-17%	293,599	13.90	13.90	0.00	0.0%	6,000	6,000	0	0.0%	2,543	2,331	(212)	-8.3%		
Middletown	1,912,817	-13%	1,656,001	16.05	16.05	0.00	0.0%	3,000	3,000	0	0.0%	11,879	10,369	(1,510)	-12.7%		
Narragansett	1,631,921	-16%	1,368,487	16.46	16.46	0.00	0.0%	6,000	6,000	0	0.0%	9,296	8,606	(690)	-7.4%		
New Shoreham	151,924	-24%	(86,083)	9.75	9.75	0.00	0.0%	1,000	2,000	1,000	100.0%	1,971	1,266	(704)	-35.7%		
Newport	2,106,872	-16%	1,763,643	23.45	23.45	0.00	0.0%	6,000	6,000	0	0.0%	9,001	8,241	(760)	-8.4%		
North Kingstown	5,122,083	-14%	4,384,845	22.04	22.04	0.00	0.0%	3,000	3,000	0	0.0%	21,858	19,403	(2,455)	-11.2%		
North Providence	9,208,736	-28%	6,587,427	41.95	41.95	0.00	0.0%	500	500	1,500	300.0%	23,515	18,440	(5,075)	-21.6%		
North Smithfield	4,122,965	-21%	3,274,534	37.62	37.62	0.00	0.0%	675	2,000	1,325	196.3%	11,230	8,971	(2,259)	-20.1%		
Pawtucket	15,335,132	-33%	10,231,262	53.30	50.00	(3.30)	-6.2%	500	2,000	1,500	300.0%	45,551	31,584	(13,968)	-30.7%		
Portsmouth	2,252,859	-15%	1,918,660	22.50	22.50	0.00	0.0%	2,000	2,000	0	0.0%	14,804	12,358	(2,446)	-16.5%		
Providence	31,868,861	-32%	21,578,369	60.00	60.00	(10.00)	-16.7%	2,000	2,000	0	0.0%	78,607	53,956	(24,651)	-31.4%		
Richmond	1,361,751	-26%	1,011,166	22.64	22.64	0.00	0.0%	500	500	1,500	300.0%	7,906	5,974	(1,932)	-24.4%		
Scituate	1,860,657	-17%	1,551,734	30.20	30.20	0.00	0.0%	6,000	6,000	0	0.0%	6,699	6,124	(575)	-8.6%		
Smithfield	6,727,624	-14%	5,798,168	39.00	39.00	0.00	0.0%	2,000	2,000	0	0.0%	17,048	14,368	(2,679)	-15.7%		
South Kingstown	3,720,816	-15%	3,164,513	18.71	18.71	0.00	0.0%	3,000	3,000	0	0.0%	20,129	17,692	(2,437)	-12.1%		
Thetford	1,595,997	-17%	1,321,936	19.14	19.14	0.00	0.0%	6,000	6,000	0	0.0%	8,912	8,066	(846)	-9.5%		
Warren	1,992,422	-24%	1,521,971	26.00	26.00	0.00	0.0%	500	2,000	1,500	300.0%	9,046	6,692	(2,354)	-26.0%		
Warwick	24,636,708	-14%	21,220,215	34.60	34.60	0.00	0.0%	2,000	2,000	0	0.0%	75,158	62,788	(12,370)	-16.5%		
West Greenwich	1,243,734	-25%	933,304	19.02	19.02	0.00	0.0%	500	2,000	1,500	300.0%	6,367	4,972	(1,395)	-21.9%		
West Warwick	5,350,617	-20%	4,302,867	28.47	28.47	0.00	0.0%	1,000	2,000	1,000	100.0%	22,267	17,411	(4,856)	-21.8%		
Westerly	5,495,678	-20%	4,369,308	29.67	29.67	0.00	0.0%	1,500	2,000	500	33.3%	19,429	15,429	(4,000)	-20.7%		
Woonsocket	8,799,749	-29%	6,260,666	46.58	46.58	0.00	0.0%	1,000	2,000	1,000	100.0%	25,430	18,065	(7,365)	-29.0%		
Maximum	\$31,868,861	-13%	\$21,578,369	\$60.00	\$50.00	-\$10.00	-16.7%	\$6,000	\$6,000	0	0.0%	78,607	62,788	(15,819)	-20.1%		
Statewide Average	\$5,656,696	-33%	\$4,369,920	\$29.10	\$28.76	-\$0.34	-1.2%	\$2,821	\$2,821	799	35.5%	19,153	14,911	(4,242)	-22.2%		
Minimum	\$151,924	-17%	\$115,841	\$9.75	\$9.75	\$0.00	0.0%	\$500	\$500	1,500	300.0%	1,971	1,266	(704)	-35.7%		
Statewide Total	\$220,611,139	-23%	\$170,426,882	\$9.75	\$9.75	\$0.00	0.0%	\$2,000	\$2,000	1,500	300.0%	746,965	581,512	(165,454)	-22.2%		

Current Motor Vehicle Excise Tax vs. Estimated FY2021 Impact

Town Name	FY2017 Levy	FY2021 Levy	\$ Change in Levy	% Change in Levy	FY2017 Rate per \$1,000	FY2021 Rate per \$1,000	Change in Rate	% Change in Rate	FY2017 Exemption	FY2021 Exemption	Change in Exemption	% Change in Exemption	FY2017 Taxed Car Count	FY2021 Taxed Car Count	Change in Car Count	% Change in Car Count
Barrington	\$5,601,018	\$2,931,803	(\$2,669,215)	-48%	\$42.00	\$35.00	(\$7.00)	-16.7%	\$2,000	\$4,000	4,000	100.0%	12,749	9,690	(3,059)	-23.9%
Bristol	2,769,575	1,558,098	(1,211,477)	-44%	17.35	17.35	0.00	0.0%	2,000	4,000	4,000	100.0%	17,260	11,453	(5,807)	-33.7%
Burlington	4,744,247	2,242,179	(2,502,068)	-53%	40.00	35.00	(5.00)	-12.5%	1,250	4,000	3,999	220.0%	14,026	8,954	(5,062)	-36.1%
Central Falls	1,822,371	572,013	(1,250,358)	-69%	48.65	35.00	(13.65)	-28.1%	1,250	4,000	2,750	220.0%	8,735	3,526	(5,209)	-59.6%
Charlestown	954,651	516,113	(438,538)	-46%	13.08	13.08	0.00	0.0%	500	4,000	3,500	700.0%	7,520	4,978	(2,542)	-33.8%
Coventry	5,561,915	2,918,148	(2,643,767)	-48%	18.75	18.75	0.00	0.0%	500	4,000	3,500	700.0%	32,216	20,387	(11,828)	-36.7%
Cranston	20,954,170	8,795,556	(12,158,614)	-58%	42.44	35.00	(7.44)	-17.5%	500	4,000	3,500	700.0%	56,730	28,948	(27,782)	-48.8%
Cumberland	5,678,667	3,128,749	(2,549,918)	-45%	19.87	19.87	0.00	0.0%	500	4,000	3,500	700.0%	29,111	19,935	(9,176)	-31.5%
East Greenwich	2,296,400	1,605,013	(687,387)	-30%	22.88	22.88	0.00	0.0%	6,000	6,000	0	0.0%	7,783	6,783	(999)	-12.8%
East Providence	10,381,202	5,218,881	(5,162,321)	-50%	37.10	35.00	(2.10)	-5.7%	500	4,000	3,500	700.0%	36,010	22,067	(13,942)	-38.7%
Exeter	2,070,754	1,131,041	(939,713)	-45%	32.59	32.59	0.00	0.0%	500	4,000	3,500	700.0%	6,402	4,936	(1,466)	-22.9%
Foster	1,579,960	755,948	(824,012)	-52%	36.95	35.00	(1.95)	-5.3%	500	4,000	3,500	700.0%	4,945	2,936	(2,009)	-40.6%
Glocester	2,218,404	1,128,100	(1,090,304)	-49%	24.37	24.37	0.00	0.0%	500	4,000	3,500	700.0%	9,969	6,208	(3,761)	-37.7%
Hopkinton	1,519,868	775,264	(744,604)	-49%	21.18	21.18	0.00	0.0%	500	4,000	3,500	700.0%	8,370	5,039	(3,331)	-39.8%
Jamestown	596,196	413,728	(182,468)	-31%	14.42	14.42	0.00	0.0%	6,000	6,000	0	0.0%	3,713	3,167	(546)	-14.7%
Johnston	9,638,661	4,294,854	(5,343,807)	-55%	41.46	35.00	(6.46)	-15.6%	500	4,000	3,500	700.0%	25,367	16,167	(9,200)	-36.3%
Lincoln	5,371,103	3,561,547	(1,809,556)	-34%	30.66	30.66	0.00	0.0%	3,000	4,000	1,000	33.3%	16,895	13,400	(3,495)	-20.7%
Little Compton	352,054	239,471	(112,583)	-32%	13.90	13.90	0.00	0.0%	6,000	6,000	0	0.0%	2,543	2,132	(411)	-16.2%
Middletown	1,812,817	1,282,341	(530,476)	-33%	16.05	16.05	0.00	0.0%	3,000	4,000	1,000	33.3%	11,879	9,309	(2,570)	-21.7%
Narragansett	1,631,921	1,122,025	(509,896)	-31%	16.46	16.46	0.00	0.0%	6,000	6,000	0	0.0%	9,296	7,994	(1,302)	-14.1%
New Shoreham	151,924	81,111	(70,813)	-47%	9.75	9.75	0.00	0.0%	1,000	4,000	3,000	300.0%	1,971	1,012	(958)	-48.6%
Newport	2,106,872	1,441,225	(665,647)	-32%	23.45	23.45	0.00	0.0%	6,000	6,000	0	0.0%	9,001	7,619	(1,382)	-15.3%
North Kingstown	5,122,083	3,342,523	(1,779,560)	-35%	22.04	22.04	0.00	0.0%	3,000	4,000	1,000	33.3%	21,858	17,441	(4,417)	-20.2%
North Providence	9,208,736	3,591,231	(5,617,505)	-61%	41.95	35.00	(6.95)	-16.6%	500	4,000	3,500	700.0%	23,515	15,287	(8,228)	-35.0%
North Smithfield	4,122,965	2,120,471	(2,002,494)	-49%	37.62	35.00	(2.62)	-7.0%	675	4,000	3,325	492.6%	11,230	7,689	(3,541)	-31.1%
Pawtucket	15,335,132	4,621,756	(10,713,376)	-70%	53.30	35.00	(18.30)	-34.3%	500	4,000	3,500	700.0%	45,551	23,787	(21,764)	-47.8%
Portsmouth	2,252,859	1,308,610	(944,249)	-42%	22.50	22.50	0.00	0.0%	2,000	4,000	2,000	100.0%	14,804	10,542	(4,262)	-28.8%
Providence	31,868,861	9,542,667	(22,326,194)	-70%	60.00	35.00	(25.00)	-41.7%	2,000	4,000	2,000	100.0%	78,607	42,298	(36,309)	-46.2%
Richmond	1,361,751	700,647	(661,104)	-49%	22.64	22.64	0.00	0.0%	500	4,000	3,500	700.0%	7,906	4,985	(2,921)	-37.0%
Scituate	1,860,657	1,264,910	(595,747)	-32%	30.20	30.20	0.00	0.0%	6,000	6,000	0	0.0%	6,699	5,659	(1,039)	-15.5%
Smithfield	6,721,624	3,677,280	(3,050,344)	-45%	39.00	35.00	(4.00)	-10.3%	2,000	4,000	2,000	100.0%	17,048	12,423	(4,625)	-27.1%
South Kingstown	3,720,816	2,381,414	(1,339,402)	-36%	18.71	18.71	0.00	0.0%	3,000	4,000	1,000	33.3%	20,129	15,885	(4,244)	-21.1%
Tiverton	1,595,997	1,072,644	(523,353)	-33%	19.14	19.14	0.00	0.0%	6,000	6,000	0	0.0%	8,912	7,402	(1,510)	-16.9%
Warren	1,992,422	1,031,602	(960,820)	-48%	26.00	26.00	0.00	0.0%	500	4,000	3,500	700.0%	9,046	5,502	(3,543)	-39.1%
Warwick	24,636,708	14,860,396	(9,776,312)	-40%	34.60	34.60	0.00	0.0%	2,000	4,000	2,000	100.0%	75,158	53,385	(21,773)	-28.9%
West Greenwich	1,243,734	655,482	(588,252)	-47%	19.02	19.02	0.00	0.0%	500	4,000	3,500	700.0%	6,367	4,245	(2,121)	-33.3%
West Warwick	5,350,617	2,891,504	(2,459,113)	-46%	28.47	28.47	0.00	0.0%	1,000	4,000	3,000	300.0%	22,267	14,103	(8,164)	-36.7%
Westerly	5,495,678	2,916,055	(2,579,623)	-47%	29.67	29.67	0.00	0.0%	1,500	4,000	2,500	166.7%	19,949	13,083	(6,866)	-34.4%
Woonsocket	8,799,749	2,902,058	(5,897,691)	-67%	46.58	35.00	(11.58)	-24.9%	1,000	4,000	3,000	300.0%	25,430	13,709	(11,721)	-46.1%
Maximum	\$31,868,861	\$14,860,396	(\$17,008,465)	-53%	\$60.00	\$35.00	(\$25.00)	-41.7%	\$6,000	\$6,000	\$0	0.0%	78,607	53,385	(25,222)	-32.1%
Statewide Average	\$5,656,696	\$2,682,063	(\$2,974,633)	-53%	\$29.10	\$26.22	(\$2.87)	-9.9%	\$2,081	\$4,359	2,278	109.4%	19,153	12,395	(6,758)	-35.3%
Minimum	\$151,924	\$81,111	(\$70,813)	-47%	\$9.75	\$9.75	\$0.00	0.0%	\$500	\$4,000	\$3,500	700.0%	1,971	1,012	(958)	-48.6%
Statewide Total	\$220,611,139	\$104,600,455	(\$116,010,684)	-53%									746,965	483,393	(263,573)	-35.3%

Current Motor Vehicle Excise Tax vs. Estimated FY2022 Impact

Town Name	FY2017 Levy	FY2022 Levy	\$ Change in Levy	% Change in Levy	FY2017 Rate per \$1,000	FY2022 Rate per \$1,000	Change in Rate	% Change in Rate	FY2017 Exemption	FY2022 Exemption	Change in Exemption	% Change in Exemption	FY2017 Taxed Car Count	FY2022 Taxed Car Count	Change in Car Count	% Change in Car Count
Barrington	\$5,601,018	\$2,017,978	(\$3,583,040)	-64%	\$42.00	\$30.00	(\$12.00)	-28.6%	\$2,000	\$5,000	3,000	150.0%	12,749	8,375	(4,374)	-34.3%
Bristol	2,769,575	1,222,085	(1,547,490)	-56%	17.35	30.00	12.65	72.9%	2,000	5,000	3,000	150.0%	17,260	9,672	(7,588)	-44.0%
Burlington	4,744,247	1,488,411	(3,255,836)	-69%	40.00	30.00	(10.00)	-25.0%	1,250	5,000	3,750	300.0%	14,026	7,473	(6,553)	-46.7%
Central Falls	1,822,371	343,857	(1,478,514)	-81%	48.65	30.00	(18.65)	-38.3%	1,250	5,000	3,750	300.0%	8,753	2,507	(6,246)	-71.3%
Charlestown	954,651	404,819	(549,832)	-58%	13.08	13.08	0.00	0.0%	500	5,000	4,500	900.0%	7,520	4,288	(3,232)	-43.0%
Coventry	5,561,915	2,278,663	(3,283,252)	-59%	18.75	18.75	0.00	0.0%	500	5,000	4,500	900.0%	32,216	17,116	(15,100)	-46.9%
Cranston	20,954,170	6,045,812	(14,908,358)	-71%	42.44	30.00	(12.44)	-29.3%	500	5,000	4,500	900.0%	56,730	24,683	(32,047)	-56.5%
Cumberland	5,678,667	2,461,930	(3,216,737)	-57%	19.87	19.87	0.00	0.0%	500	5,000	4,500	900.0%	29,111	17,061	(12,051)	-41.4%
East Greenwich	2,296,400	1,447,893	(848,507)	-37%	22.88	22.88	0.00	0.0%	6,000	6,000	0	0.0%	7,783	6,515	(1,268)	-16.3%
East Providence	10,381,202	3,445,589	(6,935,613)	-67%	37.10	30.00	(7.10)	-19.1%	500	5,000	4,500	900.0%	36,010	17,915	(18,095)	-50.3%
Exeter	2,070,754	825,937	(1,244,817)	-60%	32.59	30.00	(2.59)	-7.9%	500	5,000	4,500	900.0%	6,402	3,650	(2,752)	-43.0%
Foster	1,579,960	504,115	(1,075,845)	-68%	36.95	30.00	(6.95)	-18.8%	500	5,000	4,500	900.0%	4,945	2,499	(2,446)	-49.5%
Glocester	2,218,404	894,333	(1,324,071)	-60%	24.37	24.37	0.00	0.0%	500	5,000	4,500	900.0%	9,969	5,364	(4,605)	-46.2%
Hopkinton	1,519,868	600,037	(919,831)	-61%	21.18	21.18	0.00	0.0%	500	5,000	4,500	900.0%	8,370	4,254	(4,116)	-49.2%
Jamestown	596,196	370,525	(225,671)	-38%	14.42	14.42	0.00	0.0%	6,000	6,000	0	0.0%	3,713	3,015	(698)	-18.8%
Johnston	9,638,661	2,888,554	(6,750,107)	-70%	41.46	30.00	(11.46)	-27.6%	500	5,000	4,500	900.0%	25,367	13,723	(11,644)	-45.9%
Lincoln	5,371,103	2,797,808	(2,573,295)	-48%	30.66	30.00	(0.66)	-2.2%	3,000	5,000	2,000	66.7%	16,895	11,546	(5,349)	-31.7%
Little Compton	352,054	213,129	(138,925)	-39%	13.90	13.90	0.00	0.0%	6,000	6,000	0	0.0%	2,543	2,046	(498)	-19.6%
Middletown	1,812,817	1,029,641	(883,176)	-49%	16.05	16.05	0.00	0.0%	3,000	5,000	2,000	66.7%	11,879	8,018	(3,861)	-32.5%
Narragansett	1,631,921	1,001,694	(630,227)	-39%	16.46	16.46	0.00	0.0%	6,000	6,000	0	0.0%	9,296	7,620	(1,676)	-18.0%
New Shoreham	151,924	64,081	(87,843)	-58%	9.75	9.75	0.00	0.0%	1,000	5,000	4,000	400.0%	1,971	854	(1,116)	-56.7%
Newport	2,106,872	1,284,288	(822,584)	-39%	23.45	23.45	0.00	0.0%	6,000	6,000	0	0.0%	9,001	7,242	(1,759)	-19.5%
North Kingstown	5,122,083	2,673,355	(2,448,728)	-48%	22.04	22.04	0.00	0.0%	3,000	5,000	2,000	66.7%	21,858	15,064	(6,793)	-31.1%
North Providence	9,208,736	2,373,450	(6,835,286)	-74%	41.95	30.00	(11.95)	-28.5%	500	5,000	4,500	900.0%	23,515	12,614	(10,901)	-46.4%
North Smithfield	4,122,965	1,435,143	(2,687,822)	-65%	37.62	30.00	(7.62)	-20.3%	675	5,000	4,325	640.7%	11,230	6,641	(4,589)	-40.9%
Pawtucket	15,335,132	3,003,699	(12,331,433)	-80%	53.30	30.00	(23.30)	-43.7%	500	5,000	4,500	900.0%	45,551	18,874	(26,677)	-58.6%
Providence	2,252,859	1,034,329	(1,218,530)	-54%	22.50	22.50	0.00	0.0%	2,000	5,000	3,000	150.0%	14,804	9,019	(5,785)	-39.1%
Richmond	31,868,861	6,219,239	(25,649,622)	-80%	60.00	30.00	(30.00)	-50.0%	2,000	5,000	3,000	150.0%	78,607	33,020	(45,587)	-58.0%
Scituate	1,860,657	1,117,893	(742,764)	-40%	30.20	22.64	(7.56)	-25.0%	500	5,000	4,500	900.0%	7,906	4,287	(3,619)	-45.8%
Smithfield	6,721,624	2,520,691	(4,200,933)	-63%	39.00	30.00	(9.00)	-23.1%	2,000	5,000	3,000	150.0%	17,048	10,730	(6,318)	-37.1%
South Kingstown	3,720,816	1,874,657	(1,846,159)	-50%	18.71	18.71	0.00	0.0%	3,000	5,000	2,000	66.7%	20,129	13,693	(6,436)	-32.3%
Tiverton	1,595,997	951,457	(644,540)	-40%	19.14	19.14	0.00	0.0%	6,000	6,000	0	0.0%	8,912	7,066	(1,846)	-20.7%
Warren	1,992,422	801,393	(1,191,029)	-60%	26.00	26.00	0.00	0.0%	500	5,000	4,500	900.0%	9,046	4,552	(4,494)	-49.7%
Warwick	24,636,708	10,226,022	(14,410,686)	-58%	34.60	30.00	(4.60)	-13.3%	2,000	5,000	3,000	150.0%	75,158	45,930	(29,229)	-38.9%
West Greenwich	1,243,734	525,396	(718,338)	-58%	19.02	19.02	0.00	0.0%	500	5,000	4,500	900.0%	6,367	3,691	(2,676)	-42.0%
West Warwick	5,350,617	2,243,149	(3,107,468)	-58%	28.47	28.47	0.00	0.0%	1,000	5,000	4,000	400.0%	22,267	11,614	(10,653)	-47.8%
Westerly	5,495,678	2,279,373	(3,216,305)	-59%	29.67	29.67	0.00	0.0%	1,500	5,000	3,500	233.3%	19,949	10,950	(8,999)	-45.1%
Woonsocket	8,799,749	1,859,489	(6,940,260)	-79%	46.58	30.00	(16.58)	-35.6%	1,000	5,000	4,000	400.0%	25,430	10,819	(14,611)	-57.5%
Maximum	\$31,868,861	\$10,226,022	(\$21,642,839)	-68%	\$60.00	\$30.00	(\$30.00)	-50.0%	\$6,000	\$6,000	\$0	0.0%	78,607	45,930	(32,677)	-41.6%
Statewide Average	\$5,656,696	\$1,931,463	(\$3,725,233)	-66%	\$29.10	\$24.35	(\$4.75)	-16.3%	\$2,081	\$5,179	3,098	148.8%	19,153	10,495	(8,658)	-45.2%
Minimum	\$151,924	\$64,081	(\$87,843)	-58%	\$9.75	\$9.75	\$0.00	0.0%	\$500	\$5,000	\$4,500	900.0%	1,971	854	(1,116)	-56.7%
Statewide Total	\$220,611,139	\$75,327,058	(\$145,284,081)	-66%									746,965	409,317	(337,649)	-45.2%

Current Motor Vehicle Excise Tax vs. Estimated FY2023 Impact

Town Name	FY2017 Levy	FY2023 Levy \$ Change in Levy	% Change in Levy	FY2017 Rate per \$1,000	FY2023 Rate per \$1,000	Change in Rate	% Change in Rate	FY2017 Exemption	FY2023 Exemption	Change in Exemption	% Change in Exemption	FY2017 Taxed Car Count	FY2023 Taxed Car Count	Change in Car Count	% Change in Car Count
Barrington	\$5,601,018	\$1,046,526	-81%	\$42.00	\$20.00	(\$22.00)	-52.4%	\$2,000	\$6,000	4,000	200.0%	12,749	6,925	(5,824)	-45.7%
Bristol	2,769,575	926,031	-67%	17.35	17.35	0.00	0.0%	2,000	6,000	4,000	200.0%	6,925	8,007	(9,253)	-53.6%
Burrillville	4,744,247	739,944	-84%	40.00	20.00	(20.00)	-50.0%	1,250	6,000	4,750	380.0%	14,026	6,055	(7,971)	-56.8%
Central Falls	1,822,371	154,221	-92%	48.65	20.00	(28.65)	-58.9%	1,250	6,000	4,750	380.0%	8,735	1,750	(6,986)	-80.0%
Charlestown	954,651	305,369	-68%	13.08	13.08	0.00	0.0%	500	6,000	5,500	1100.0%	7,520	3,547	(3,973)	-52.8%
Coventry	5,561,915	1,716,701	-69%	18.75	18.75	0.00	0.0%	500	6,000	5,500	1100.0%	32,216	21,108	(18,014)	-55.9%
Cranston	20,954,170	3,136,698	-85%	42.44	20.00	(22.44)	-52.9%	500	6,000	5,500	1100.0%	56,730	21,108	(35,622)	-62.8%
Cumberland	5,678,667	1,868,009	-67%	19.87	19.87	0.00	0.0%	500	6,000	5,500	1100.0%	29,111	14,336	(14,775)	-50.8%
East Greenwich	2,296,400	1,127,133	-51%	22.88	20.00	(2.88)	-12.6%	6,000	6,000	0	0.0%	7,783	6,227	(1,556)	-20.0%
East Providence	10,381,202	1,703,676	-84%	37.10	20.00	(17.10)	-46.1%	500	6,000	5,500	1100.0%	36,010	14,306	(21,704)	-60.3%
Foster	2,070,754	422,527	-80%	32.59	20.00	(12.59)	-38.6%	500	6,000	5,500	1100.0%	6,402	3,013	(3,390)	-52.9%
Exeter	1,579,960	251,437	-84%	36.95	20.00	(16.95)	-45.9%	500	6,000	5,500	1100.0%	4,945	2,026	(2,918)	-59.0%
Glocester	2,218,404	559,609	-75%	24.37	20.00	(4.37)	-17.9%	500	6,000	5,500	1100.0%	9,969	4,406	(5,563)	-55.8%
Hopkinton	1,519,868	421,927	-72%	21.18	20.00	(1.18)	-5.6%	500	6,000	5,500	1100.0%	8,370	3,429	(4,940)	-59.0%
Jamestown	596,196	328,185	-45%	14.42	14.42	0.00	0.0%	6,000	6,000	0	0.0%	3,713	2,847	(866)	-23.3%
Johnston	9,658,661	1,456,127	-85%	41.46	20.00	(21.46)	-51.8%	500	6,000	5,500	1100.0%	29,367	11,276	(14,091)	-55.5%
Lincoln	5,371,103	1,452,231	-73%	30.66	20.00	(10.66)	-34.8%	3,000	6,000	3,000	100.0%	16,895	9,628	(7,267)	-43.0%
Little Compton	352,054	187,394	-47%	13.90	13.90	0.00	0.0%	6,000	6,000	0	0.0%	2,543	1,910	(633)	-24.9%
Middletown	1,912,817	798,428	-58%	16.46	16.05	(0.41)	-2.5%	3,000	6,000	3,000	100.0%	11,879	6,789	(5,090)	-42.9%
Narragansett	1,631,921	883,775	-46%	16.46	16.46	0.00	0.0%	6,000	6,000	0	0.0%	9,296	7,224	(2,071)	-22.3%
New Shoreham	151,924	48,981	-68%	9.75	9.75	0.00	0.0%	1,000	6,000	5,000	500.0%	1,971	701	(1,270)	-64.4%
Newport	2,106,872	964,312	-54%	23.45	20.00	(3.45)	-14.7%	6,000	6,000	0	0.0%	9,001	6,798	(2,204)	-24.5%
North Kingstown	5,122,083	1,882,913	-63%	22.04	20.00	(2.04)	-9.3%	3,000	6,000	3,000	100.0%	21,858	12,666	(9,192)	-42.1%
North Providence	9,208,736	1,175,117	-87%	41.95	20.00	(21.95)	-52.3%	500	6,000	5,500	1100.0%	23,515	10,256	(13,259)	-56.4%
North Smithfield	4,129,965	728,043	-82%	37.62	20.00	(17.62)	-46.8%	675	6,000	5,325	788.9%	11,230	5,482	(5,748)	-51.2%
Pawtucket	15,335,132	1,446,635	-91%	53.30	20.00	(33.30)	-62.5%	500	6,000	5,500	1100.0%	45,551	14,520	(31,031)	-68.1%
Providence	2,252,859	702,947	-69%	22.50	20.00	(2.50)	-11.1%	2,000	6,000	4,000	200.0%	14,804	7,477	(7,327)	-49.5%
Richmond	31,868,861	3,065,176	-90%	60.00	20.00	(40.00)	-66.7%	2,000	6,000	4,000	200.0%	78,607	25,146	(53,461)	-68.0%
Rhode Island	1,361,751	377,224	-72%	22.64	20.00	(2.64)	-11.7%	500	6,000	5,500	1100.0%	7,906	3,509	(4,397)	-55.6%
Situate	1,660,657	654,967	-65%	30.20	20.00	(10.20)	-33.8%	6,000	6,000	0	0.0%	6,699	5,035	(1,664)	-24.8%
Smithfield	6,721,624	1,301,451	-81%	39.00	20.00	(19.00)	-48.7%	2,000	6,000	4,000	200.0%	17,048	8,927	(8,121)	-47.6%
South Kingstown	3,720,816	1,425,845	-62%	18.71	18.71	0.00	0.0%	3,000	6,000	3,000	100.0%	20,129	11,305	(8,824)	-43.8%
Tiverton	1,595,997	833,260	-48%	19.14	19.14	0.00	0.0%	6,000	6,000	0	0.0%	8,912	6,642	(2,269)	-25.5%
Warren	1,992,422	462,478	-77%	26.00	20.00	(6.00)	-23.1%	500	6,000	5,500	1100.0%	9,046	3,697	(5,349)	-59.1%
Warwick	24,636,708	5,214,834	-79%	34.60	20.00	(14.60)	-42.2%	2,000	6,000	4,000	200.0%	75,158	38,788	(36,370)	-48.4%
West Greenwich	1,243,734	406,405	-67%	19.02	19.02	0.00	0.0%	500	6,000	5,500	1100.0%	6,367	3,123	(3,244)	-51.0%
West Warwick	5,350,617	1,179,899	-78%	28.47	20.00	(8.47)	-29.8%	1,000	6,000	5,000	500.0%	22,267	9,489	(12,778)	-57.4%
Westerly	5,495,678	1,159,982	-79%	29.67	20.00	(9.67)	-32.6%	1,500	6,000	4,500	300.0%	19,949	8,928	(11,020)	-55.2%
Woonsocket	8,759,749	891,373	-90%	46.58	20.00	(26.58)	-57.1%	1,000	6,000	5,000	500.0%	25,430	8,344	(17,086)	-67.2%
Maximum	\$31,868,861	\$5,214,834	-45%	\$60.00	\$20.00	(\$40.00)	-66.7%	\$6,000	\$6,000	0	0.0%	78,607	38,788	(39,819)	-50.7%
Statewide Average	\$5,656,696	\$1,113,020	-80%	\$29.10	\$18.88	(\$10.21)	-35.1%	\$2,081	\$6,000	3,919	188.3%	19,153	8,714	(10,439)	-54.5%
Minimum	\$151,924	\$48,981	-68%	\$9.75	\$9.75	\$0.00	0.0%	\$500	\$6,000	5,500	1100.0%	701	701	(10,270)	-64.4%
Statewide Total	\$220,611,139	\$43,407,790	-80%									746,965	339,844	(407,121)	-54.5%

Article 12: Relating to Education Aid

This article makes the categorical fund that provides additional support for English learners (EL) and the appropriation of \$500,000 for the administration and programmatic costs of each recovery high school permanent. The article also limits payments to the public institutions of higher education for dual and concurrent enrollment to the amount appropriated and requires the Council on Postsecondary Education to promulgate rules and regulations enforcing the limit on program costs.

FISCAL IMPACT

The article does not require an appropriation for EL students but instead allows for the additional support to continue beyond FY2017; consequently, the language of the article does not have a direct fiscal impact on the State. However, the FY2018 Budget contains \$2.5 million in general revenue support for EL students.

This article requires the appropriation of at least \$500,000 for each recovery high school in the State. Accordingly, the Budget includes \$500,000 for the Anchor Learning Academy, the only recovery high school currently located in Rhode Island. This funding is consistent with the FY2017 Budget as Enacted; however, should additional recovery high schools be established, the cost of this legislation will increase accordingly.

The article also limits the payment to public institutions of higher education for dual and concurrent enrollment to the amount appropriated in an effort to control the increasing cost of the program. The fiscal impact of this change is indeterminable since the potential growth of this program is unknown; however, in FY2018 the Budget provides \$1.8 million in restricted receipts to fund this program.

ANALYSIS AND BACKGROUND

English Learners

Article 11 of the FY2017 Budget as Enacted established a new categorical fund to provide additional support for costs associated with English learners (EL). The fund provides additional aid of 10.0 percent of the per-pupil core instruction amount for each qualified EL student. This additional aid is then multiplied by the state share. When the article was originally enacted, the additional per-pupil weight was \$898 for each identified English learner. In FY2018, the per-pupil weight increases to \$916, to reflect 10.0 percent of the \$9,163 core instruction amount. This amount is then multiplied by the state share ratio. The formula is provided below.

(Per-pupil core instruction amount x number of EL students) x 10.0 percent x state share ratio = additional state support per EL student

This support is then ratably reduced based on the total amount appropriated.

Qualified EL students are identified pursuant to standards and assessments delineated by the Commissioner. The Department of Elementary and Secondary Education is responsible for collecting performance reports and ensuring that funds are not used to displace local resources; consequently, districts must manage the funds in accordance with requirements enumerated by the Commissioner. The Department is required to approve the use of funds prior to expenditure to ensure the funds align to innovative and expansive activities. Distribution is subject to a pro-rata reduction based on the funds available; consequently, if the amount appropriated does not completely fund the 10.0 percent for each student, each district will receive its proportionate share of the amount available. The Budget level funds the categorical in FY2018 at \$2.5 million, approximately one-half of the estimated full funding amount as estimated in the FY2017 Budget.

The table on the following page outlines the EL funding for districts in FY2017 and FY2018.

English Learner Calculator							
Districts	English Learner (June 2016 Data)	English Learner Funding	State Share Ratio	State Share of English Learner Funding	FY2018 Governor	FY2017 Enacted	Change
	A	(\$9,163*10%)* A = B	C	C * B=D	44.6%		
Barrington	16	\$14,661	15.9%	\$2,331	\$1,040	\$1,339	(\$299)
Burrillville	3	2,749	54.3%	1,494	667	721	(54)
Charlestown	1	916	18.4%	168	75	-	75
Coventry	3	2,749	48.7%	1,340	598	1,099	(501)
Cranston	295	270,309	52.7%	142,538	63,609	59,195	4,414
Cumberland	69	63,225	42.4%	26,791	11,956	2,123	9,833
East Greenwich	11	10,079	9.7%	978	436	274	162
East Providence	134	122,784	60.5%	74,320	33,166	25,391	7,775
Foster	-	-	40.8%	-	-	-	-
Glocester	-	-	38.8%	-	-	-	-
Hopkinton	1	916	44.2%	405	181	613	(432)
Jamestown	4	3,665	7.6%	277	124	33	91
Johnston	99	90,714	52.5%	47,619	21,250	14,412	6,838
Lincoln	16	14,661	41.3%	6,058	2,704	1,438	1,266
Little Compton	1	916	9.7%	89	40	0	40
Middletown	67	61,392	30.8%	18,920	8,443	9,787	(1,344)
Narragansett	2	1,833	16.1%	294	131	218	(87)
Newport	118	108,123	46.6%	50,384	22,484	16,406	6,078
New Shoreham	6	5,498	10.7%	587	262	455	(193)
North Kingstown	26	23,824	26.7%	6,363	2,839	2,268	571
North Providence	73	66,890	57.6%	38,520	17,190	14,368	2,822
North Smithfield	6	5,498	32.9%	1,811	808	1,007	(199)
Pawtucket	622	569,939	83.7%	476,961	212,850	188,827	24,023
Portsmouth	7	6,414	14.2%	909	405	389	16
Providence	4,270	3,912,601	87.4%	3,419,669	1,526,071	1,540,593	(14,522)
Richmond	-	-	36.3%	-	-	163	(163)
Scituate	-	-	23.2%	-	-	-	-
Smithfield	7	6,414	26.0%	1,665	743	467	276
South Kingstown	23	21,075	16.0%	3,371	1,505	-	1,505
Tiverton	7	6,414	34.3%	2,197	980	304	676
Warwick	72	65,974	40.4%	26,640	11,888	6,548	5,340
Westerly	16	14,661	28.9%	4,240	1,892	1,898	(6)
West Warwick	59	54,062	63.6%	34,368	15,337	8,433	6,904
Woonsocket	364	333,533	86.0%	286,990	128,073	122,647	5,426
Bristol-Warren	-	-	-	-	-	-	-
Bristol	27	24,740	28.2%	6,976	3,113	3,485	(372)
Warren	13	11,912	52.4%	6,239	2,784	5,328	(2,544)
Exeter-West Greenwich	-	-	-	-	-	-	-
Exeter	6	5,498	24.7%	1,358	606	309	298
West Greenwich	2	1,833	26.8%	491	219	418	(199)
Chariho	-	-	-	-	-	-	-
Foster-Glocester	2	1,833	39.5%	725	323	-	323
Central Falls	478	437,991	94.1%	411,997	183,859	211,465	(27,606)
District Total	6,926	\$6,346,294		\$5,106,082	\$2,278,654	\$2,242,421	\$36,233
Charter School Total	546	500,300		427,573	190,810	129,264	61,546
Davies	27	24,740		21,886	9,767	1,566	8,201
Met School	31	28,405		23,539	10,505	-	10,505
Urban Collaborative	15	13,745		11,661	5,204	-	5,204
Total	7,545	\$6,913,484		\$5,590,741	\$2,494,939	\$2,373,251	\$121,688

Source: Rhode Island Department of Education

Recovery High Schools

The Article 11 of the FY2017 Budget as Enacted required the State to appropriate at least \$500,000 for the administration and programmatic costs of each recovery high school in FY2017. This article makes the appropriation permanent. Currently, there is only one such school, the Anchor Learning Academy; however, should additional recovery high schools be established, the cost of this legislation will increase accordingly. The Anchor Learning Academy is managed by Providence Center and has a maximum capacity of 20 students. The purpose of a recovery high school to provide an individualized program to students recovering from substance abuse to support in achieving personal recovery and academic goals.

Dual/Concurrent Enrollment

Article 12 limits payments to the public institutions of higher education for dual and concurrent enrollment to the amount appropriated and requires the Council on Postsecondary Education to promulgate rules and regulations enforcing the limit on program costs. In FY2018, the Budget provides \$1.8 million in total funding for the dual/concurrent enrollment program; however, the total costs in FY2017 are expected to reach \$2.3 million. The increased costs are due to the popularity of the program, but also due to the lack of policy to control program costs. While the program was intended to give students a boost toward their college degree, it was not envisioned to provide years of free college; students are using the program to earn a full year, or more, of college credit. One such control may involve imposing a limit on the number of courses per student per semester that will be paid for through the state program. The Advanced coursework network at the Department of Elementary and Secondary Education limits students to two courses per semester.

The Governor's recommendation provided \$500,000 in new general revenue funding to slow the depletion of Division of Higher Education Assistance (DHEA) funds to fund the dual/concurrent enrollment program. The Budget shifts this general revenue funding to DHEA, or other funds. The Dual/Concurrent Enrollment program, also known as Prepare RI, allows high school students to earn credits at their high school and credits at state public colleges and universities (URI, CCRI, and RIC) at no cost to the student.

Article 13: Relating to Department of Labor and Training Fees and Fines

This article eliminates annual fees for both apprentice sponsors and for registered apprentices to advance the use of apprenticeship programs for workforce development training. The article also increases various penalties related to labor law violations.

FISCAL IMPACT

The changes proposed in the article are projected to produce a net increase of \$305,000 in general revenue. The Budget also includes an increase of \$125,000 in restricted receipt funding for half a year of penalty increases. The increase in fines is estimated to yield \$350,000 in additional general revenue, while the elimination of apprenticeship fees is estimated to decrease general revenue by \$45,000.

ANALYSIS AND BACKGROUND

Apprenticeship Fees

The article eliminates the annual fees associated with the following apprenticeships: \$20 for electricians, oil burner persons, fire alarm installers, electrical sign installers, lighting protection installers, plumbers, irrigators, and water-filtration/treatment system installers; and \$24 for pipefitters, refrigeration/air conditioning technicians, sprinkler technicians, sheet metal masters, and all other apprentices not specifically mentioned. Additionally, the \$120 apprenticeship sponsor annual fee is eliminated. These changes will decrease general revenue by \$45,000.

Labor Law Violation Penalties

The article changes or adds the following penalties, which increases general revenue by an estimated \$350,000 and restricted receipts by \$125,000:

- Unlicensed electrician first violation penalties increase from \$500 to \$1,500 and subsequent violations increase from \$950 to \$2,000. The Budget Office anticipates that this penalty increase will generate an additional \$100,000 in general revenue.
- Administrative penalties are added to employers who violate wage payment labor laws. The penalty is a percentage of the back wages ordered to be paid. The first violation penalty is 15.0 percent to 25.0 percent within a three-year period. Subsequent violations, within the same three-year period, are 25.0 percent to 50.0 percent. It is estimated that this new penalty will add \$150,000 in general revenue.
- The minimum civil penalty relating to the misclassification of a worker as an independent contractor, when the worker should be considered a paid employee, increases from \$500 to \$1,500. The maximum penalty remains the same at \$3,000. This penalty increase will add \$100,000 in general revenue.
- Penalties for employers who fail to file employer tax and withholding record reports are increased as described below. These penalty changes will increase the employment security tardy account fund \$125,000.
 - Employers who fail to file a quarterly wage report are fined \$25 per month that the report is late; the penalty shall not exceed \$200. Under current law, the highest penalty is \$150.
 - A penalty on employers who fail to submit unemployment insurance contributions or other payment, as required by regulation, increases from a range of \$10-\$100 to a range of \$25-\$200.

- A penalty on employers who fail to file reports or pay contributions in the manner at the time required by law increases from \$10 to \$25 for each failure in addition to 10.0 percent of the amount due.
- Violators of unemployment insurance law for which a penalty is not specified, has a fine increase from a range of \$20-\$50 to a range of \$25-\$200.

Article 14: Relating to Minimum Wages

The article increases minimum wage from \$9.60 to \$10.10 per hour effective January 1, 2018, and from \$10.10 to \$10.50 per hour effective January 1, 2019.

FISCAL IMPACT

The Budget includes \$67,770 to fund the impact of the proposed minimum wage increase on the Department of Environmental Management's seasonal recreational program.

ANALYSIS AND BACKGROUND

The article increases minimum wage from \$9.60 to \$10.10 per hour effective January 1, 2018, and from \$10.10 to \$10.50 per hour effective January 1, 2019. Rhode Island increased the minimum wage for four consecutive years, 2013 through 2016. January 1, 2016, marked the most recent increase from \$9.00 per hour to \$9.60 per hour. The Governor's FY2017 Budget proposed to increase the minimum wage from \$9.60 per hour to \$10.10 per hour on January 1, 2017; however, this was not included in the FY2017 Budget as Enacted.

Calendar Year	Amount	Change
2007	\$7.40	
2013	7.75	4.7%
2014	8.00	3.2%
2015	9.00	12.5%
2016	9.60	6.7%
2017	9.60	0.0%
2018	10.10	5.2%
2019	10.50	4.0%

Connecticut had three consecutive minimum wage increases since 2014, increasing from \$8.70 per hour to \$10.10 per hour on January 1, 2017. Massachusetts' minimum wage increased to \$10.00 per hour effective January 1, 2016, and again to \$11.00 per hour on January 1, 2017. Vermont and Maine also increased minimum wage in January 2017 and will again in January 2018.

	2016	2017	2018	2019
Massachusetts	\$10.00	\$11.00	\$11.00	\$11.00
Rhode Island	9.60	9.60	10.10	10.50
Connecticut	9.60	10.10	10.10	10.10
Vermont	9.60	10.00	10.50	10.50
Maine	7.50	9.00	10.00	11.00
New Hampshire	7.25	7.25	7.25	7.25

Both Massachusetts and Connecticut have minimum wage changes tied to an inflationary adjustment. Vermont will begin to tie minimum wage changes to an inflationary adjustment in 2019 and Maine will do so beginning in 2021.

Article 15: Relating to Effective Date

This article provides that the Act will take effect on July 1, 2017, except as otherwise provided herein.



APPENDIX

ALL FUNDS EXPENDITURES

	FY2016 Actual	FY2017 Enacted	FY2017 Revised	Change from Enacted	FY2018 Enacted	Change from Enacted
General Government						
Administration	\$349,623,351	\$391,952,283	\$388,342,357	(\$3,609,926)	\$359,226,084	(\$32,726,199)
Business Regulation	13,204,877	15,859,889	15,830,344	(29,545)	15,606,183	(253,706)
Labor and Training	425,337,568	419,517,728	442,149,771	22,632,043	429,907,376	10,389,648
Revenue	458,777,131	485,517,596	491,702,077	6,184,481	525,371,718	39,854,122
Legislature	37,669,916	42,749,302	45,647,814	2,898,512	42,252,464	(496,838)
Office of Commerce	73,415,799	79,415,044	78,537,193	(877,851)	58,598,372	(20,816,672)
Lieutenant Governor	1,026,362	1,079,576	1,053,288	(26,288)	1,084,217	4,641
Secretary of State	7,518,125	10,937,570	10,534,006	(403,564)	9,350,797	(1,586,773)
General Treasurer	49,277,318	37,560,433	43,429,579	5,869,146	42,764,450	5,204,017
Board of Elections	1,714,512	1,982,707	2,068,676	85,969	1,548,735	(433,972)
Ethics Commission	1,546,331	1,653,383	1,631,610	(21,773)	1,665,873	12,490
Office of the Governor	4,755,102	5,091,069	5,075,482	(15,587)	5,397,554	306,485
Commission for Human Rights	1,521,437	1,581,423	1,646,008	64,585	1,690,102	108,679
Public Utilities Commission	7,277,989	8,926,973	9,050,791	123,818	9,136,343	209,370
Total	\$1,432,665,818	\$1,503,824,976	\$1,536,698,996	\$32,874,020	\$1,503,600,268	(\$224,708)
Human Services						
Office of Health and Human Services	\$2,360,301,137	\$2,398,192,585	\$2,501,875,545	\$103,682,960	\$2,541,841,896	\$143,649,311
Children, Youth, and Families	214,952,935	216,489,823	216,455,797	(34,026)	209,049,728	(7,440,095)
Health	128,882,069	162,884,652	169,931,915	7,047,263	169,645,421	6,760,769
Human Services	615,305,121	602,087,123	662,983,300	60,896,177	614,682,222	12,595,099
BHDDH	378,574,897	385,632,555	395,151,028	9,518,473	397,090,236	11,457,681
Governor's Commission on Disabilities	429,998	685,423	778,020	92,597	842,190	156,767
Governor's Commission on the Deaf	455,950	587,746	565,650	(22,096)	627,910	40,164
Office of the Child Advocate	654,839	795,582	690,155	(105,427)	926,120	130,538
Office of Mental Health Advocate	545,220	542,009	549,273	7,264	549,563	7,554
Total	\$3,700,102,166	\$3,767,897,498	\$3,948,980,683	\$181,083,185	\$3,935,255,286	\$167,357,788
Education						
Elementary and Secondary Education	\$1,289,122,639	\$1,353,972,840	\$1,355,839,541	\$1,866,701	\$1,402,573,543	\$48,600,703
Public Higher Education	1,082,232,546	1,161,281,203	1,135,224,767	(26,056,436)	1,180,099,008	18,817,805
Council on the Arts	2,995,774	3,030,538	3,698,796	668,258	3,072,310	41,772
Atomic Energy Commission	1,576,882	1,333,049	1,539,039	205,990	1,304,373	(28,676)
Higher Education Assistance Authority	-	-	-	-	-	-
Historic Preservation and Heritage Comm.	2,972,449	2,803,698	3,218,083	414,385	2,490,767	(312,931)
Public Telecommunications Authority	-	-	-	-	-	-
Total	\$2,378,900,290	\$2,522,421,328	\$2,499,520,226	-\$22,901,102	\$2,589,540,001	\$67,118,673
Public Safety						
Attorney General	\$29,455,187	\$35,142,783	\$45,565,488	\$10,422,705	\$44,129,197	\$8,986,414
Corrections	212,530,274	224,790,655	220,717,697	(4,072,958)	235,700,265	10,909,610
Judiciary	113,538,723	117,067,369	118,620,202	1,552,833	122,006,254	4,938,885
Military Staff	15,372,292	23,177,316	20,809,945	(2,367,371)	38,177,942	15,000,626
Emergency Management Agency	18,635,772	23,994,138	21,926,478	(2,067,660)	18,454,652	(5,539,486)
Public Safety	114,278,534	119,972,144	141,881,143	21,908,999	120,977,086	1,004,942
Public Defender	11,380,521	11,897,202	11,800,028	(97,174)	12,140,826	243,624
Total	\$515,191,303	\$556,041,607	\$581,320,981	\$25,279,374	\$591,586,222	\$35,544,615
Natural Resources						
Environmental Management	\$78,795,498	\$102,747,614	\$102,641,715	(\$105,899)	\$103,951,092	\$1,203,478
Coastal Resources Management Council	4,423,433	7,322,525	8,259,745	937,220	4,836,869	(2,485,656)
Total	\$83,218,931	\$110,070,139	\$110,901,460	\$831,321	\$108,787,961	(\$1,282,178)
Transportation						
Transportation	\$395,129,559	\$478,457,845	\$524,046,040	\$45,588,195	\$514,065,072	\$35,607,227
Grand Total	\$8,505,208,067	\$8,938,713,393	\$9,201,468,386	\$262,754,993	\$9,242,834,810	\$304,121,417

GENERAL REVENUE EXPENDITURES

General Government	FY2016 Actual	FY2017 Enacted	FY2017 Revised	Change from Enacted	FY2018 Enacted	Change from Enacted
Administration	\$212,928,494	\$237,083,518	\$223,197,512	(\$13,886,006)	\$216,198,914	(\$20,884,604)
Business Regulation	8,174,920	10,583,452	10,021,228	(562,224)	10,815,093	231,641
Labor and Training	8,382,043	8,212,636	7,053,913	(1,158,723)	8,094,063	(118,573)
Revenue	109,737,194	113,893,951	110,827,613	(3,066,338)	143,622,132	29,728,181
Legislature	36,219,919	41,052,730	44,036,290	2,983,560	40,522,507	(530,223)
Office of Commerce	60,458,832	55,574,117	54,735,262	(838,855)	33,057,819	(22,516,298)
Lieutenant Governor	1,026,362	1,079,576	1,053,288	(26,288)	1,084,217	4,641
Secretary of State	6,690,089	10,281,051	9,920,874	(360,177)	8,911,319	(1,369,732)
General Treasurer	2,271,575	2,736,231	2,733,044	(3,187)	2,698,692	(37,539)
Board of Elections	1,714,512	1,982,707	2,068,676	85,969	1,548,735	(433,972)
Ethics Commission	1,546,331	1,653,383	1,631,610	(21,773)	1,665,873	12,490
Office of the Governor	4,755,102	5,091,069	5,075,482	(15,587)	5,397,554	306,485
Commission for Human Rights	1,242,374	1,258,128	1,247,603	(10,525)	1,258,074	(54)
Public Utilities Commission	-	-	-	-	-	-
Total	\$455,147,747	\$490,482,549	\$473,602,395	(\$16,880,154)	\$474,874,992	(\$15,607,557)
Human Services						
Office of Health and Human Services	\$911,535,815	\$936,987,012	\$949,973,952	\$12,986,940	\$964,299,956	\$27,312,944
Children, Youth, and Families	154,742,352	151,773,764	156,296,331	4,522,567	145,855,862	(5,917,902)
Health	25,468,221	25,931,822	25,499,235	(432,587)	24,893,123	(1,038,699)
Human Services	96,094,578	97,636,314	91,700,364	(5,935,950)	91,113,618	(6,522,696)
BHDDH	176,268,226	173,184,239	177,917,907	4,733,668	176,448,622	3,264,383
Governor's Commission on Disabilities	380,615	412,547	420,596	8,049	454,938	42,391
Governor's Commission on the Deaf	406,634	477,746	435,650	(42,096)	498,710	20,964
Office of the Child Advocate	643,280	650,582	545,541	(105,041)	781,499	130,917
Office of Mental Health Advocate	545,220	542,009	549,273	7,264	549,563	7,554
Total	\$1,366,084,941	\$1,387,596,035	\$1,403,338,849	\$15,742,814	\$1,404,895,891	\$17,299,856
Education						
Elementary and Secondary Education	\$1,064,893,020	\$1,112,847,293	\$1,113,248,602	\$401,309	\$1,161,071,396	\$48,224,103
Public Higher Education	180,874,064	196,357,528	198,426,426	2,068,898	220,882,593	24,525,065
Council on the Arts	1,844,116	1,951,884	1,906,368	(45,516)	1,945,056	(6,828)
Atomic Energy Commission	908,285	981,100	979,682	(1,418)	982,157	1,057
Higher Education Assistance Authority	-	-	-	-	-	-
Historic Preservation and Heritage Comm.	1,362,860	1,202,559	1,162,001	(40,558)	1,121,134	(81,425)
Public Telecommunications Authority	-	-	-	-	-	-
Total	\$1,249,882,345	\$1,313,340,364	\$1,315,723,079	\$2,382,715	\$1,386,002,336	\$72,661,972
Public Safety						
Attorney General	\$24,053,485	\$25,595,982	\$25,882,150	\$286,168	\$26,194,751	\$598,769
Corrections	208,284,387	211,700,506	213,627,370	1,926,864	218,300,828	6,600,322
Judiciary	95,181,220	96,606,091	97,067,590	461,499	98,964,477	2,358,386
Military Staff	2,219,237	2,659,719	2,576,341	(83,378)	2,634,057	(25,662)
Emergency Management Agency	1,762,456	1,848,876	1,847,848	(1,028)	1,734,470	(114,406)
Public Safety	93,409,462	99,442,148	100,335,839	893,691	100,279,086	836,938
Public Defender	11,306,039	11,784,382	11,702,208	(82,174)	12,043,006	258,624
Total	\$436,216,286	\$449,637,704	\$453,039,346	\$3,401,642	\$460,150,675	\$10,512,971
Natural Resources						
Environmental Management	\$38,163,784	\$40,206,777	\$38,295,450	(\$1,911,327)	\$39,304,184	(\$902,593)
Coastal Resources Management Council	2,410,069	2,452,438	2,469,896	17,458	2,487,578	35,140
Total	\$40,573,853	\$42,659,215	\$40,765,346	(\$1,893,869)	\$41,791,762	(\$867,453)
Grand Total	\$3,547,905,172	\$3,683,715,867	\$3,686,469,015	\$2,753,148	\$3,767,715,656	\$83,999,789

FTE POSITIONS

	FY2017 Enacted	FY2017 Revised	Change to Enacted	FY2018 Enacted	Change to Enacted
General Government					
Administration	708.7	708.7	-	696.7	(12.0)
Business Regulation	97.0	100.0	3.0	101.0	4.0
Executive Office of Commerce	16.0	16.0	-	17.0	1.0
Labor and Training	409.5	409.5	-	428.7	19.2
Revenue	523.5	523.5	-	533.5	10.0
Legislature	298.5	298.5	-	298.5	-
Lieutenant Governor	8.0	8.0	-	8.0	-
Secretary of State	59.0	59.0	-	59.0	-
General Treasurer	88.0	87.0	(1.0)	89.0	1.0
Board of Elections	12.0	12.0	-	12.0	-
Ethics Commission	12.0	12.0	-	12.0	-
Office of the Governor	45.0	45.0	-	45.0	-
Commission for Human Rights	14.5	14.5	-	14.5	-
Public Utilities Commission	51.0	51.0	-	51.0	-
Total	2,342.7	2,344.7	2.0	2,365.9	23.2
Human Services					
Office of Health and Human Services	179.0	178.0	(1.0)	285.0	106.0
Children, Youth, and Families	629.5	628.5	(1.0)	616.5	(13.0)
Health	503.6	503.6	-	493.6	(10.0)
Human Services	937.1	937.1	-	981.1	44.0
BHDDH	1,352.4	1,352.4	-	1,319.4	(33.0)
Office of the Child Advocate	6.0	7.0	1.0	8.0	2.0
Governor's Commission on the Deaf	4.0	4.0	-	4.0	-
Governor's Commission on Disabilities	4.0	4.0	-	4.0	-
Office of the Mental Health Advocate	4.0	4.0	-	4.0	-
Total	3,619.6	3,618.6	(1.0)	3,715.6	96.0
Education					
Elementary and Secondary Education	325.1	325.1	-	325.1	-
Public Higher Education	3,551.0	3,551.0	-	3,567.0	16.0
Council on the Arts	8.6	8.6	-	8.6	-
Atomic Energy Commission	8.6	8.6	-	8.6	-
Historical Preservation and Heritage Comm.	16.6	15.6	(1.0)	15.6	(1.0)
Total	3,909.9	3,908.9	(1.0)	3,924.9	15.0
Public Safety					
Attorney General	235.1	235.1	-	235.1	-
Corrections	1,423.0	1,423.0	-	1,423.0	-
Judiciary	723.3	723.3	-	723.3	-
Military Staff	92.0	92.0	-	92.0	-
Emergency Management	29.0	29.0	-	32.0	3.0
Public Safety	610.2	615.6	5.4	611.6	1.4
Public Defender	93.0	93.0	-	93.0	-
Total	3,205.6	3,211.0	5.4	3,210.0	4.4
Natural Resources					
Environmental Management	399.0	400.0	1.0	400.0	1.0
Coastal Resources Management Council	29.0	29.0	-	29.0	-
Total	428.0	429.0	1.0	429.0	1.0
Transportation					
Transportation	701.0	701.0	-	775.0	74.0
Higher Education Sponsored Research					
Office of Higher Education	1.0	1.0	-	1.0	-
CCRI	89.0	89.0	-	89.0	-
RIC	82.0	82.0	-	76.0	(6.0)
URI	573.8	573.8	-	573.8	-
Total	745.8	745.8	-	739.8	(6.0)
Grand Total	14,952.6	14,959.0	6.4	15,160.2	207.6

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Atomic Energy Commission

Coastal Resources Management Council

Elementary and Secondary Education

Environmental Management

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