
Section III

Agency Analyses

Department of Administration

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Program				
Central Management	\$ 2,502,964	\$ 3,241,411	\$ 3,665,270	\$ 3,790,943
Accounts & Control	3,973,748	3,826,318	4,164,859	4,080,143
Office of Management & Budget	4,079,510	4,250,688	3,985,728	4,038,196
Purchasing	2,979,452	2,897,538	3,070,602	3,085,408
Auditing	1,434,565	1,391,916	1,567,230	1,476,262
Human Resources	10,606,059	10,122,167	11,480,655	10,371,075
Personnel Appeal Board	75,216	119,071	120,034	119,874
General	60,490,846	56,351,623	49,679,732	52,486,353
Debt Service	219,262,055	194,394,238	223,195,495	149,082,732
Legal Services	2,039,872	2,143,176	2,226,465	2,166,696
Facilities Management	35,730,262	38,083,786	38,959,702	37,681,225
Capital Projects and Prop. Mgt.	1,252,875	1,268,795	1,349,530	4,204,980
Information Technology	33,809,293	42,380,480	38,688,848	38,286,855
Library Programs	2,066,684	2,136,544	2,404,735	2,118,428
Planning	20,891,914	28,027,643	20,936,970	5,644,655
Energy Resources	5,740,201	10,839,223	10,599,692	10,601,458
Construction Permitting, Approvals & Licensing	2,823,428	2,772,832	3,025,059	3,024,913
Statewide Savings	(8,285,691)	-	-	(25,325,000)
Rhode Island Health Benefits Exchange	23,433,222	52,502,050	23,686,502	30,926,620
Diversity, Equity & Opportunity	859,481	974,210	1,189,650	1,190,135
Total	\$ 425,765,956	\$ 457,723,709	\$ 443,996,758	\$ 339,051,951
Expenditures by Category				
Salaries and Benefits	\$ 66,259,497	\$ 71,801,513	\$ 78,997,634	\$ 55,097,400
Contracted Services	25,630,659	58,163,451	27,149,263	34,925,561
Subtotal	\$ 91,890,156	\$ 129,964,964	\$ 106,146,897	\$ 90,022,961
Other State Operations	34,078,453	35,202,841	35,992,551	32,159,448
Aid to Local Units of Government	11,104,987	11,104,987	11,436,698	11,436,698
Assistance, Grants, and Benefits	26,720,782	38,584,190	30,664,777	15,334,267
Capital	36,139,009	41,059,874	29,989,826	41,115,845
Capital Debt Service	219,162,055	194,294,238	223,095,495	148,982,732
Operating Transfers	6,670,514	7,512,615	6,670,514	-
Total	\$ 425,765,956	\$ 457,723,709	\$ 443,996,758	\$ 339,051,951
Sources of Funds				
General Revenue	\$ 268,843,237	\$ 250,382,004	\$ 282,951,659	\$ 173,930,982
Federal Aid	51,493,455	89,252,942	39,065,513	43,302,629
Restricted Receipts	36,398,746	31,970,438	46,286,171	29,795,027
Other	69,030,518	86,118,325	75,693,415	92,023,313
Total	\$ 425,765,956	\$ 457,723,709	\$ 443,996,758	\$ 339,051,951
FTE Authorization	710.7	710.7	710.7	710.7

Summary. The Department of Administration requests FY 2016 expenditures totaling \$444.0 million from all sources of funds. This is \$18.2 million more than enacted, including \$14.1 million more from general revenues, \$3.9 million or 28.3 percent of which is for debt service adjustments and it includes the distribution of \$3.4 million in statewide savings. The request includes \$23.7 million for HealthSource RI; \$9.2 million is from federal funds and \$14.4 million is from an unidentified source. The request includes \$46.3 million from restricted receipts, \$9.9 million more than enacted to primarily reflect expenditures for the Regional Greenhouse Gas Initiative and information technology projects funded from the Information Technology Investment Fund.

The Governor recommends expenditures totaling \$339.1 million from all funds, including \$173.9 million from general revenues. The recommendation is \$105.0 million less than requested to reflect the Governor's debt restructuring savings of \$64.5 million, \$25.3 million in statewide savings, of which \$22.0 million is from personnel. The recommendation also reflects the transfer of the Rhode Island Film and Television Office and the Office of Housing and Community Development functions to the Executive Office of Commerce.

Target Issues. The Budget Office provided the Department with a general revenue target of \$273.6 million. The amount includes current service adjustments of \$11.6 million and a 7.5 percent target reduction totaling \$7.0 million, adjusted for certain exclusions. The constrained request met the target level. The Department includes revenue enhancements of \$2.5 million to offset the increase above the current service budget. The proposals to achieve the reductions are noted among the items described below where appropriate. *The recommendation is \$99.7 million less general revenues than the target.*

FY 2016 Budget	Budget Office	Department of Administration	Difference
FY 2015 Enacted	\$ 268,843,237	\$ 268,843,237	\$ -
Current Service Adjustments	11,575,714	12,701,793	1,126,079
New Initiatives	-	1,406,629	1,406,629
<i>Change to FY 2015 Enacted</i>	<i>\$ 11,575,714</i>	<i>\$ 14,108,422</i>	<i>\$ 2,532,708</i>
FY 2016 Current Service/ Unconstrained Request	\$ 280,418,951	\$ 282,951,659	\$ 2,532,708
Target Reduction/Initiatives	(6,797,165)	(9,329,873)	(2,532,708)
FY 2016 Constrained Target/Request	\$ 273,621,786	\$ 273,621,786	\$ -
<i>Change to FY 2015 Enacted</i>	<i>\$ 4,778,549</i>	<i>\$ 4,778,549</i>	<i>\$ -</i>

Staffing Authorization. Consistent with the enacted and revised budgets, the Department requests staffing of 710.7 full-time equivalent positions. This includes five new positions, one in the Office of Energy Resources and two each in the Office of Diversity, Equity and Opportunity and the Division of Human Resources. The request also includes a number of transfers within department functions. The 2014 Assembly concurred with the Governor's recommendation to eliminate 8.0 unidentified positions in the Department. The Department should have adjusted its budget accordingly in order to reflect its priority. Instead, the request further increases the unidentified positions by five, without identifying where the potential impacts might be. As of the pay period ending January 24, 2015, the Department had 626.2 full-time equivalent positions filled; five more than the pay period ending on December 13, 2014.

The Governor recommends the authorized level of 710.7 full-time equivalent positions, consistent with the request. However, to the request, it adds one new position in Central Management, to coordinate all public information requests in the Director's Office; 7.0 positions for HealthSource RI, six were previously in the Office of the Governor; and 1.0 new architect position for the review of I-195 Redevelopment projects. It also reflects the transfer of 13.6 positions to the Executive Office of Commerce.

Statewide

Distributed Statewide Medical Benefit Savings. The request reflects the distribution of \$8.3 million from all funds, of which \$3.4 million is from general revenues for statewide medical benefit savings, which were included in the Department of Administration for later distribution. *The Governor concurs.*

CurrentCare Health Information Exchange. The Department requests the enacted amount of \$225,000 from general revenues for the Health Information Exchange, an electronic network that gives medical professionals access to their patients' health information. The state pays a \$1 per member per month fee for state employees, though funding in the enacted budget is for six months, which will end the state's contribution to the system on December 31, 2014. The state's contribution in FY 2014 was \$422,373, a monthly average of \$35,198. The enacted budget reflects the Department's FY 2015 constrained proposal, which reduced the state's contribution by half.

The FY 2016 constrained budget eliminates funding for the Health Information Exchange project. The state's decision to contribute as a self-insured employer set an example and provided an incentive for other self-insured employers to contribute to the Health Information Exchange's funding model. The Department indicates that the total loss of state support could jeopardize the project. The *CurrentCare* Health Information Exchange indicates that one of the benefits this system provides is the avoidance of duplicating laboratory tests.

The Administration is in the process of determining whether this expenditure could be shifted to the internal service fund. Shifting the costs to the internal service fund would allow the Department to spread costs over all funds, saving general revenues. This would eliminate the need for a direct appropriation and the costs would now be reflected in the working rates for medical benefits. Assuming the maximum co-share amount of 20.0 percent, \$45,000 would be the amount that all state employees would contribute.

The Governor recommends funding consistent with the constrained request.

Personnel Reform Savings. The Governor plans to negotiate with labor unions to achieve the savings in addition to proposals contained in Article 22, which removes certain protections and parity provisions to provide flexibility on hires, lay-offs and medical benefits. *The Budget includes \$22.0 million in general revenue savings from statewide personnel savings.*

Statewide Operational Savings. The Division of Purchasing and Bureau of Audits will review recent state commodity and deliverable based contracts to ensure that the state has achieved all attainable savings. The Department of Administration will also obtain outside services to identify the savings. *The Budget assumes undistributed statewide general revenue savings of \$2.0 million.*

Energy Procurement. The Office of Energy Resources will establish a competitive procurement program for the state's electricity supply. The Office also expects additional savings may be attained through energy efficiency efforts. *The Governor recommends savings of \$1.0 million.*

Printing Savings. The Division of Information Technology will conduct a review of state printing to reduce the number of office printers. *The Budget includes statewide savings of \$0.1 million in printing costs.*

Telephone Savings. The Division of Information Technology will conduct a review of desk phones to identify and eliminate unused and underused telephone lines. *The Budget includes \$0.1 million in statewide savings from this.*

Legal Notices. The Governor proposes legislation in Article 27 to allow legal notices and advertisements to be posted electronically in lieu of in a newspaper, provided that the intent to do so is advertised where notice or advertisement is currently required to be published for three consecutive weeks. *The recommended budget assumes a statewide general revenue savings of \$0.1 million. The Governor submitted an amendment on March 26 to rescind this article.*

Local Aid

Library Aid. The Department requests the enacted amount of \$8.8 million to level fund state support of public libraries. The request is \$1.1 million or 12.2 percent less than allowed under current law. Rhode Island General Laws require the state to provide financial support to public libraries equal to 25.0 percent of the second prior fiscal year's local expenditures for library services. The Assembly enacted legislation during the 2008 and 2009 sessions to reduce the maintenance of effort requirement for municipalities to provide library services 80.0 percent of the previous year's amount.

The chief library officer annually determines each municipality's compliance with the maintenance of effort by comparing appropriation and expenditure amounts as reported by the libraries or the municipalities. In the event that a municipality has failed to meet the maintenance of effort requirement, the chief library officer will notify the municipality that it is not eligible for a state grant in aid. A municipality that is deemed ineligible may request a waiver from the requirement by submitting a letter to the chief library officer. *The Governor recommends funding as requested.*

Library Construction Aid. Consistent with the current service estimate, the Department requests \$2.7 million for library construction aid, \$331,711 more than enacted to reflect current funding requirements for FY 2016 based on updated cost information, interest rates, and construction schedules for approved projects. The increase primarily relates to the completion of a library constructed in Tiverton. The state reimburses libraries up to half the total costs for eligible projects on an installment basis for a period of up to 20 years. The payments do not begin until the state fiscal year following the completion, acceptance, and audit of the project. Reported expenditures were \$2.5 million each in FY 2014 and FY 2013, and \$2.8 million in FY 2012. The 2011 Assembly adopted legislation to set a three-year moratorium on the acceptance of applications for library construction aid projects. Effective July 1, 2014, the Office could begin to accept applications; however, as of December 19, it has not received any applications. *The Governor recommends funding as requested.*

Commerce Corporation

Executive Office of Commerce. The 2013 Assembly adopted several pieces of legislation pertaining to economic development. One of which created the Executive Office of Commerce to be administered by a secretary of commerce, effective February 1, 2015. The Office will oversee and serve as the lead agency of the Executive Branch for managing the promotion of commerce and the state's economy. Pursuant to 2013-H 6063, Substitute B, on or about February 1, 2015, the Executive Office of Commerce will have powers to operate functions from the Department of Business Regulation and, subsequently, various functions from the Department of Administration. The budget request does not reflect these changes.

The Budget reflects the transfer of various functions and funding from the Department of Administration to the Executive Office of Commerce. This includes 13.6 full-time equivalent positions from the Rhode Island Film and Television Office and the Office of Housing and Community Development. The Budget maintains the Department of Business Regulation as a stand-alone department.

Commerce Corporation - Operations. The Department of Administration's budget includes the enacted amount of \$4.0 million from general revenues to support general operations of the Corporation.

The FY 2016 budget request submitted by the Corporation to the Department of Administration includes expenditures of \$10.2 million, including a state appropriation of \$7.5 million, which accounts for 73.3 percent of the Corporation's budget. This is \$3.5 million more than enacted, including \$3.0 million to fund a statewide tourism initiative and \$0.4 million to be used upon board approval for leveraging federal and state funds as part of economic development projects. The Corporation's request includes \$3.8 million to support salary and benefit costs for 40.0 full-time equivalent positions. The request includes \$0.1 million for raises that would be awarded to employees based on performance. As of December 2014, the Corporation had 2.0 positions vacant. The request assumes use of \$1.4 million in unrestricted carry forward funds from FY 2015 and the projected ending balance for FY 2016 would be \$0.1 million in unrestricted cash.

The Department of Administration's constrained request reduces the Corporation's operating budget by \$0.3 million, and the Administration indicates that this could be achieved by eliminating 3.0 full-time positions. *The Governor transfers funding to the Executive Office of Commerce.*

Volvo Ocean Race. The request reflects the removal of \$775,000 for one-time expenditures relating to the Volvo Ocean Race. The City of Newport is scheduled to host a race on May 17, 2015, which will occur in FY 2015. *The Governor concurs.*

Innovate RI Small Business Program. The request includes the enacted amount of \$0.5 million from general revenues to support the Innovate RI Small Business and the Bioscience and Engineering Internship Programs. The Science and Technology Advisory Council developed guidelines to administer the programs. To be eligible, a business must meet the following conditions: be a Rhode Island-based business with 50 or fewer employees and have at least 51.0 percent of its employees residing in the state. A business must also certify that at least 51.0 percent of its research will be conducted in the state. Pursuant to the guidelines, an applicant may receive a matching grant of 30.0 percent of the amount of the recipient's federal award with a maximum matching grant not to exceed \$45,000.

Since its inception in FY 2014, the program has provided 46 grants totaling \$0.7 million to Rhode Island based companies with fewer than 50 employees. These grants have provided training opportunities for 26 interns. Funding has also been used for grant preparation support for seven companies and matching funds to 14 federal Small Business Innovate Research Phase I award recipients. According to the Council, the state matching funds have leveraged \$2.5 million in federal grants from the Departments of Defense and Energy, the National Science Foundation and the National Institutes of Health. *The Governor transfers this program to the Executive Office of Commerce. The Budget assumes \$1.0 million in general revenue funding.*

I-195 Redevelopment District Commission. The Department's request includes the enacted amount of \$0.3 million from general revenues to support the operations of the I-195 Redevelopment District Commission. The Commission was created by the 2011 Assembly as the responsible authority for the sale, marketing and oversight of land made available as a result of the relocation of Interstate 195.

The budget submitted by the Commission totaled \$1.4 million from all funds, including \$1.1 million from general revenues and \$0.3 million from Rhode Island Capital Plan funds. The request assumes \$0.1 million in carry forward funds from FY 2015. It includes \$0.3 million to fund two positions, an executive director and a project director; \$0.5 million for operating expenses, such as leases, insurance, and audit costs and \$0.4 million for contractual services such as legal services.

The Governor transfers this to the Executive Office of Commerce. She recommends \$1.1 million from all funds, including \$0.8 million from general revenues and \$0.3 million from Rhode Island Capital Plan funds. The recommendation also assumes use of \$0.1 million available from FY 2015 unexpended funds.

Slater Technology Fund Phase-Out. The Department of Administration's request includes the enacted amount of \$150,000 from general revenues for the Slater Technology Fund, which is a state-backed venture capital fund that invests in new ventures. The state was awarded a total of \$13.2 million as part of the federal State Small Business Credit Initiative, \$9.0 million of which was allocated to the Slater Technology Fund. Provided that returns on investments are received, the fund would eventually be self-sustaining.

The Slater Centers for Excellence was created in 1997; however, the Governor issued an executive order in 2005 to merge all the Centers into the Slater Technology Fund. The request brings funding to date to \$46.3 million.

Consistent with the revised recommendation, the Governor does not include funding for FY 2016.

Airport Impact Aid. Consistent with the enacted budget, the Department requests \$1.0 million for the Commerce Corporation so that the Airport Corporation can provide impact aid payments to the seven communities that host the six state airports. The community payments are made proportionately based on the number of total landings and takeoffs. *The Governor recommends \$1.0 million from general revenues; however, funding for this is reflected in the Executive Office of Commerce.*

Community Service Grants. The Department requests the enacted amount of \$0.9 million for all community service grants. There are 15 grants passed through the Commerce Corporation and six grants are administered by the Department of Administration. It should be noted that the FY 2014 final budget included \$10,222 from general revenues in grant expenditures to the Center to Advance Minority Participation in Construction to support minority participation in the construction industry. The funds are used to provide additional vocational training for minority construction employers and their employees, in order to increase their participation in building related trades and businesses in Rhode Island. The Department did not report expenditures for this in FY 2014. The Commerce Corporation indicated that it attempted to reach the Center on numerous occasions; however, it did not receive a call back. *The Governor transfers all community service grants administered by the Commerce Corporation to the Executive Office of Commerce.*

Experimental Program to Stimulate Competitive Research (EPSCoR). The Department's request includes the enacted amount of \$1.2 million for participation in the National Science Foundation's Experimental Program to Stimulate Competitive Research. This is the eleventh installment totaling \$13.0 million of state funds, which are necessary to receive federal grant awards of \$3.0 million per year to establish a partnership between state government, higher education and industry to effect lasting improvements in research infrastructure and national research and development competitiveness. Initially, this was a three-year commitment, which ended in FY 2011. FY 2015 will be the last year of the second five-year commitment. The Science and Technology Advisory Council indicates it has

submitted an application to continue the program, which would require state support for FY 2016 through FY 2020.

Since 2006, the Council has distributed \$9.8 million in collaborative research grants to 65 teams working on advances in marine sciences, biologics, energy, aquaculture, brain science and medical devices. *The Governor recommends \$1.2 million from general revenues; however, funding for this is reflected in the Executive Office of Commerce.*

HealthSource RI

Summary. The Patient Protection and Affordable Care Act of 2010 required that states establish exchanges, a marketplace for individuals/families and small businesses to compare policies and premiums, and purchase health insurance. The creation of the state's Health Benefits Exchange avoided federal intervention had the state not done so by January 1, 2013. States had the option of: operating their own exchanges, establishing state/federal partnership, whereby states manage certain functions and or default to the federally facilitated marketplace. The Act also required that state based exchanges be self-sustaining beginning on January 1, 2015; however, the FY 2015 enacted budget was predicated on the assumption that HealthSource RI would receive approval from the Centers on Medicare and Medicaid Services to use federal funds for its operations through FY 2015. Preliminary information from HealthSource suggests that it received approval to extend the use of certain grants.

Through FY 2015, HealthSource received a total of \$146.6 million in federal funding. Of this amount, \$75.9 million has been spent, leaving a balance of \$70.7 million. The Department's requests assume use of \$61.4 million in FY 2015 and the remaining \$9.2 million in FY 2016. The FY 2016 request is for \$23.7 million. This assumes use of the remaining \$9.2 million from federal funds plus an additional \$14.4 million from an unidentified source. The cover letter that was submitted with the request states that "state based marketplaces must pay for basic operational expenses in calendar year 2015 because the vast majority of state based marketplaces already have a revenue source in state statute to fund their operations." According to the Commonwealth Fund, of the 17 states and the District of Columbia that opted to operate state based exchanges, 14 have a funding mechanism.

The Governor includes legislation in Article 28 of 2015-H 5900 establishing a health reform assessment, which would take effect on January 1, 2016 on all health insurance premiums sold inside and outside of the exchange on the small group and the individual markets to support the operations of HealthSource RI. Payments from carriers would be due on the last day of January, April, July and October. The legislation allows the Secretary of Health and Human Services to set the assessment equal to the budget for the Exchange. However, the assessment upon each market must be in proportion to anticipated enrollment for each market. It authorizes the Health Benefits Exchange to set-off the amount of delinquency against any payments due to that health insurance carrier if assessment payments are more than 30 days late. This is estimated to generate \$11.8 million in calendar year 2016. The recommended budget assumes use of \$6.2 million in FY 2016.

Contracts. The FY 2016 budget submitted by the Department includes expenditures totaling \$23.7 million, including \$9.2 million from federal funds. Of the requested amount, \$20.2 million or 85.3 percent is for consultant services for the contact center, the Exchange's share of the Unified Health Infrastructure Project and other contractual costs. This reflects an increase of \$1.2 million from the enacted budget of \$19.0 million. *The Governor recommends a total of \$27.9 million from federal funds and the health reform assessment for contracted services. This is \$8.9 million more than enacted and is \$7.7 million more than requested to reflect delays from FY 2015.*

Technology Services. The Department requests expenditures of \$7.6 million, including \$4.9 million from federal funds for information technology related services to be provided by Deloitte, Software AG and CSG Consultants Inc. for several technology projects. This is \$0.5 million less than enacted. The request includes \$5.1 million for design and development costs relating to the Unified Health Infrastructure Project, a web-based system to be used by the general public to apply for state programs online and to buy health insurance. Deloitte Consulting is developing a premium billing module to facilitate the invoicing, collections, and customer service needs related to monthly premium payments and disbursement of payments to participating insurance carriers. It also includes \$0.5 million for independent verification and validation services to be provided by CSG Consultants Inc. *The Governor recommends \$1.8 million less than requested to request to reflect anticipated expenditures.*

Contact Center and Small Business Program. The request includes a total of \$4.4 million, of which \$0.8 million is from federal funds for expenditures related to the contact center, which provides customer service and handling of incoming calls. The request includes new expenditures of \$1.5 million to provide specialized support for the small business program to increase outreach and enrollment efforts and \$2.9 million, or \$0.7 million more for the contact center customization needs within the contract. The request is \$2.2 million more than enacted and it assumes that Office of Health and Human Services will cover 80.0 percent or \$11.6 million of the cost of the contact center with Medicaid funds. *The Governor recommends \$0.7 million less than requested to reflect anticipated expenditures.*

Communication, Media and Training Services. The request includes \$2.6 million, \$0.6 million more than enacted for communications and media, print, outreach, as well as training services. HealthSource RI also contracted with the Rhode Island Health Center Associations to provide one-on-one, face-to-face application and enrollment assistance to Rhode Islanders. These expenditures account for 10.9 percent of the budget request. Reported expenditures for FY 2014 totaled \$3.0 million, \$4.7 million below the final appropriation. *The Governor recommends \$1.5 million less than requested to reflect anticipated expenditures.*

Data, Analytics and Other Services. The request includes \$5.6 million, of which \$1.9 million is from federal funds for all other contractual services, including data, analytical, legal, actuarial and audit services. This is \$1.2 million less than enacted. The request includes \$0.5 million for services to be provided by the Wakely Consulting Group for the development of the Exchange's business process, developing a financial sustainability model and assisting HealthSource RI staff with health plan certification and qualification; \$0.8 million to obtain outside legal services and \$0.2 million for audit services, including an independent financial statement audit of the Trust Fund. It also includes \$4.0 million for data and analytical services, for which HealthSource RI will hire a contractor to help design and implement a data analysis system that will fully facilitate federal and state reporting. *The Governor recommends \$11.7 million more than requested to primarily reflect delays from FY 2015.*

Salaries and Benefits. The Department includes \$2.6 million, all from an unidentified source to support HealthSource RI's 15.0 full-time positions. The request includes medical benefit savings, the cost-of-living adjustment and benefit rate changes consistent with the FY 2016 planning values. The request is \$0.8 million less than enacted to primarily reflect removal of funds for positions that were not authorized in the enacted budget. The request does not assume any turnover savings for which the enacted budget includes \$0.2 million.

Of the authorized 15.0 full-time positions, nine are in the Department of Administration and six appear in the Office of the Governor. By definition, all positions in the Office of the Governor are unclassified. These appear to be included to preserve the unclassified status of the positions. All

positions are classified unless specified in the law. There is no statutory authority for HealthSource RI, therefore no authority for the positions to be unclassified. As of the pay period ending January 24, 2015, the Office had ten positions filled, resulting in five vacancies, including four in the Department of Administration and one in the Office of the Governor, consistent with filled positions reported on December 13, 2014.

The Governor recommends \$2.4 million for all salaries and benefits, consisting of \$1.0 million from federal funds and \$1.4 million from restricted receipts. This is \$0.2 million less than requested to reflect additional turnover savings. The Governor also proposes legislation to add five positions for HealthSource RI to the unclassified service.

Leased Space and Other Operations. The request includes \$0.9 million from an unidentified source of funds for operating costs for HealthSource RI. The request is \$0.1 million less than enacted, to primarily adjust costs for rental spaces for which the enacted budget included \$0.6 million; however, the space that was obtained cost less than the amount budgeted. HealthSource RI signed a seven-month lease, effective June 1, 2014. It has four one-year renewal options. Per the lease agreement, monthly rent for year two through year five ranges from \$12,915 to \$14,219 and it also assumes an annual amount of \$90,000 for parking space. All other operating expenses are \$0.6 million, including \$0.3 million for printing and the remaining \$0.3 million is for postage, travel, insurance and office supplies. *The Governor recommends \$0.6 million from the health reform assessment to fund operating costs. The recommendation is \$0.3 million less than requested.*

Office of Energy Resources

Regional Greenhouse Gas Initiative. The Department requests expenditures of \$9.1 million or \$4.9 million more than enacted from the Regional Greenhouse Gas Initiative restricted receipt fund. The receipts are derived from the sale of carbon emission credits through an auction process. To date, 26 regional auctions have been held for a total of \$1,935.0 million. Rhode Island's share of that is \$35.7 million. The state was allocated just over 2.6 million tons of emission allowances. These allowances can be sold to energy producers in Rhode Island to offset the emissions they produce. The proceeds are to be used to invest in projects that reduce long-term energy demands and costs. The Office reports that a staffing shortage prevented it from completing the 2012 Allocation Plan, therefore expenditures for FY 2013 could not be made. At the end of FY 2014, the fund balance was \$15.9 million. The FY 2015 and FY 2016 requests reflect the Office's intent to disburse prior grants for various projects.

The 2014 Assembly adopted legislation to allow the Department of Environmental Management and the Office to use up to 10.0 percent or \$0.3 million, whichever is greater of the auction proceeds for administrative costs. The request includes \$0.4 million for operations, \$0.2 million more than enacted; all but \$1,310 is for salaries and benefits. The request includes \$0.1 million to fund a new position and includes \$0.1 million more to reflect more staff time being allocated to the initiative, the cost-of-living adjustment as well as benefit rates consistent with the planning values for FY 2016.

The Governor concurs and provides an additional \$1,766 for licensing costs associated with Microsoft Office 365.

The Governor also includes legislation in Article 24 establishing the Rhode Island Infrastructure Bank. It authorizes the Bank to create an efficient buildings fund. The Budget assumes \$3.0 million from 2014 Regional Greenhouse Gas Initiative auction proceeds would go to the Bank.

All Other Salaries and Benefits. The Department requests \$1.1 million from federal and restricted sources to fund all other salary and benefit costs in the Office of Energy Resources. This is \$29,959 more than enacted, including \$21,290 for two interns. The request includes the cost-of-living adjustment and benefit rates consistent with FY 2016 planning values. The request includes a shift of \$0.1 million of salary and benefit costs from federal funds to reflect the end of a grant to available restricted receipts from the Demand Side Management Fund. Consistent with the enacted budget, the request does not assume any turnover savings. As of the pay period ending January 24, 2015, the Office had no vacancies. *The Governor recommends funding as requested.*

All Other Projects and Operations. The Department requests \$0.3 million from federal and restricted sources for all other energy related projects and operating costs. This is \$0.1 million less than enacted, including \$48,221 less from federal funds from the Department of Energy for a three-year project to implement activities relating to a number of programmatic areas such as building codes and standards, alternative fuels, industrial efficiency, building efficiency, and solar and renewable technologies. It also includes a reduction of \$79,885 from restricted sources based on anticipated receipts. *The Governor recommends funding requested.*

Debt Service

38 Studios Debt Service. Consistent with the current service estimate, the Department requests \$12.5 million to reflect the actual debt service due relating to 38 Studios. Legislation contained in Chapter 29 of 2010 Public Laws authorized the Economic Development Corporation to establish a Job Creation Guaranty Program and allowed guaranteed loans in an amount not to exceed \$125.0 million. In 2010, the Corporation backed a \$75.0 million loan to 38 Studios through the Job Creation Guaranty Program. The 2013 Assembly repealed this program. *The Governor recommends funding as requested.*

Historic Structures Tax Credit. Consistent with the current service estimate, the request includes \$31.7 million from general revenues to fund debt service costs for historic tax credits. This is \$6,563 more than enacted and assumed \$75.0 million in new bonds in FY 2014 to cover expected credits; however, based on available proceeds in the Fund, the issuance did not occur.

The debt comes from the 2008 Assembly's legislation, which significantly modifies the program. It required upfront processing fees, placed a moratorium on new projects, reduced the overall effective credit from 27.75 percent to 22.0 percent, and authorized borrowing sufficient funds to cash out all credits. The 2013 Assembly adopted legislation to allow new projects to replace those projects that are not progressing and developed new requirements and standards. As of October 31, 2014, the Division of Taxation had conditionally approved projects totaling \$49.9 million. The Historical Preservation and Heritage Commission has reviewed and provided Phase II approval for 32 projects totaling \$42.3 million. *The Governor recommends \$0.3 million less than requested to reflect savings from a delay in issuance.*

RI Public Transit Authority Debt Service. The Department's request includes the enacted amount of \$1.8 million from general revenues for the Rhode Island Public Transit Authority's debt service payment. Initially, the Authority's debt service payment was proposed to be paid with general revenues for two years in order to help reduce the Authority's projected operating shortfalls in FY 2013 and FY 2014. However, the 2014 Assembly concurred with the Governor's recommendation for a third payment with general revenues and it also adopted legislation to transfer 5.0 percent of funding from the surcharges enacted in 2011 and motor vehicle fees to the Public Transit Authority to support its operations beginning in FY 2016. The five-year forecast assumed that the debt service payment would be covered by the Authority's sources. *The Governor recommends that the Authority's debt service*

payments be made with general revenues in lieu of Authority sources for an additional year. She includes \$1.7 million from general revenues, \$0.1 million less than enacted to reflect anticipated debt service.

Transportation Debt Service. The 2014 Assembly adopted multiple changes to transportation funding beginning in FY 2015, including the allocation of transportation related fees and other sources to the Highway Maintenance account to be used primarily by the Department of Transportation for transportation related expenses. Consistent with the current service estimate and the enacted budget, the request includes \$47.9 million for transportation related debt service, including \$19.3 million from the Highway Maintenance restricted receipts, \$1.9 million from federal funds and \$26.8 million from gasoline tax proceeds. It should be noted that the Department of Transportation's budget includes debt service costs of \$48.5 million, which is \$0.6 million above the request shown in the Department of Administration's budget. The Budget Office subsequently indicates that the debt service is estimated at \$47.9 million. *The Governor recommends \$47.9 million, \$0.1 million less than requested to reflect anticipated debt service costs.*

Convention Center Authority. The request includes \$23.0 million from general revenues for debt service for the Convention Center Authority, \$5,989 less than enacted and consistent with the current service estimate. Under the terms of the lease agreement between the state and the Convention Center Authority, the minimum rentals payable by the state in any fiscal year are equal to the gross debt service costs in that year; the state would be responsible for covering any operating shortfalls and recoups any operating profits.

The Authority's FY 2016 operating budget request totaled \$52.9 million, of which \$25.7 million or 48.5 percent is from state sources. This includes \$23.0 million for the aforementioned debt service and \$2.7 million from Rhode Island Capital Plan funds to renovate the Convention Center, the Dunkin' Donuts Center and the Veterans Memorial Auditorium. The remaining \$27.2 million of expenditures are supported by events, parking, rental, and food and beverage revenues from the three entities: the Convention Center, the Dunkin' Donuts Center and the Veterans Memorial Auditorium. *The Governor recommends funding as requested.*

Debt Restructuring. The Governor's recommendation includes a restructuring of general obligation bond debt, where principal payments are deferred and/or shortened to provide additional savings in particular years. Although the specific debts and amounts have not been identified, the budget includes savings of \$64.5 million in FY 2016, with anticipated FY 2017 savings of \$19.4 million. The state's debt service would increase in FY 2018, remain flat in FY 2019 and then increase by approximately \$15.0 million per year from FY 2020 to FY 2025 as compared to the current debt structure. In total, an additional \$90.0 million of long term debt will be incurred to save the projected \$83.9 million during the next two fiscal years.

The Governor includes savings of \$64.5 million from general revenues in FY 2016.

All Other Debt Service. Consistent with the current service estimate, the request includes \$108.2 million from all funds for all other debt service costs. This is \$3.8 million more from general revenues than enacted. This includes \$32.7 million or \$1.4 million more from Certificates of Participation for technology and energy conservation related projects. It includes an additional \$2.3 million for general obligation bond debt service for projected new issuances. The request includes the enacted amount of \$0.5 million for the I-195 land acquisition project and \$3.3 million for required payments under the Fidelity Job Rent Credits agreement. Under the incentive based agreement between the state and Fidelity, the state provides job rent credits for each full-time equivalent employee in excess of a 1,000

employee base. *The Governor recommends \$5.4 million less; all but \$14,142 is from general revenues to primarily reflect general obligation debt service.*

Facilities Management

Utilities. The Department projects utility costs of \$19.6 million from all funds for FY 2016, including \$16.5 million from general revenues at state buildings under its jurisdiction, including the Pastore Campus. The projection is \$1.6 million more than enacted and is 2.1 percent or \$0.4 million more than FY 2015 anticipated expenditures.

Compared to the enacted budget, the request includes \$0.6 million more for electricity to reflect a rate increase implemented by National Grid in January 2014, for which funding was not included in the enacted budget. In November 2014, National Grid proposed a 23.6 percent rate increase that would be in effect from January 1, 2015, through the end of June. Based on FY 2014 reported expenditures, the impact of the rate increase to the Department would be \$417,791 from all funds, including \$375,348 from general revenues. The Public Utilities Commission approved the rate increase; however, the increase is spread over 12 months instead of 6 months, which would impact both FY 2015 and FY 2016. The request does not include funding for this, as the budget was submitted prior to the proposed increase.

The request includes \$0.3 million less for oil, primarily for the Zambarano power plant being operated on woodchips for which the Department includes \$0.4 million in expenditures. It also includes \$0.7 million more for natural gas, which is \$0.1 million or 0.9 percent more than FY 2015 anticipated expenditures and \$0.3 million more for water to reflect anticipated consumption as well as a 16.9 percent rate increase that took effect in November 2013. *The Governor recommends \$0.7 million more than requested; all but \$53,225 is from general revenues to reflect funding for the rate increases.*

Building Maintenance and Snow Removal. Consistent with the revised budget, the Department requests a total of \$2.5 million from all funds, which is \$1.0 million more than enacted, including \$0.9 million from general revenues for building maintenance and snow removal expenditures. This includes \$0.7 million more for building maintenance, for which the enacted budget includes \$1.4 million. The Division is responsible for 140 state facilities, including 19 state buildings and receives maintenance requests from several agencies for painting, elevators repairs, leaking roofs and heating, ventilating and air conditioning. The request is based on reported expenditures for FY 2014, for which the Department incurred a deficit of \$0.7 million. The request includes \$0.4 million for snow plowing expenses, \$0.3 million more than enacted based on reported expenditures for FY 2014, for which the Department incurred a deficit of \$0.3 million. Due to the severity of last winter, the Department incurred more costs for snow removal and it indicates that there were several buildings that experienced heating issues.

The constrained request reduces the request for building maintenance costs by \$0.1 million. *The Governor concurs with the constrained request and further reduces these expenditures by \$0.5 million, including \$0.3 million less for snow removal.*

Salaries and Benefits. The Department requests \$10.9 million from all funds and staffing of 116.5 positions for the Division of Facilities Management. The request is \$0.7 million or 6.7 percent more than enacted. The request is \$259,900 more than the current service estimate, including \$97,003 from general revenues. This includes \$0.2 million to reflect the transfer of 2.0 positions from the utilities internal service fund to general revenues. The Department indicates that the amount of time the individuals spend on centralized services is not sufficient to offset the costs of the positions. It should

be noted that the Central Utilities Fund had a \$0.2 million deficit in FY 2014. The request also includes \$47,289 more for overtime. The budget request includes \$419,400 for overtime, \$6,502 more than FY 2014 reported expenditures and is \$4,400 more than the revised request. The request includes benefit rate changes to reflect FY 2016 planning values. It assumes \$0.4 million in turnover savings, \$27,269 less than enacted and \$80,272 less than projected for FY 2015. As of the pay period ending January 24, 2015, the Division had 12 vacancies, consistent with filled positions reported on December 13, 2014.

The Department's constrained budget shifts \$2.5 million of general revenues for salary and benefit costs for 19.8 full-time equivalent positions to Rhode Island Capital Plan funds. This includes 12.3 full-time equivalent positions from Facilities Management and 7.5 full-time equivalent positions from Capital Projects. The Department indicates that the positions would be entirely dedicated to the development, oversight, and completion of capital projects. The Department further notes that the intent of this initiative is to develop a system to capture the time spent on various projects in a transparent way. If the initiative is adopted, a billing methodology will be developed to charge staff time to individual projects. Rhode Island Capital Plan funds have been limited to use on physical assets. The funds were used nearly exclusively for debt service in the early 1990s. The voters approved a constitutional amendment in 2006 to limit the funds to be used solely for capital projects beginning in FY 2008. This initiative was included in the Department's last three budget requests.

The Governor recommends \$9.5 million from all funds, including \$8.2 million from general revenues. This is \$1.5 million less than requested, including \$1.2 million to reflect the cost of positions allocated to Capital Projects. It also includes \$0.2 million more for turnover savings and \$64,400 less for overtime.

Other Facilities Operations. The Department requests \$5.9 million from all sources of funds for all other expenditures for the Division. Reported expenditures for these items were \$6.0 million in FY 2014 and the request is \$53,907 more than projected for FY 2015. Expenditures for the operations of the central power plant account for more than 45.6 percent of the request and are projected to be \$0.1 million less than enacted. The contract for the operations of the power plant has two components: the direct labor paid, which is a fixed amount, and consumables, which depend on repair costs. Consistent with the revised budget, the request includes \$0.1 million in savings for janitorial services. The Department is in the process of preparing the bid documents for these services.

The request includes \$151,629 for landscaping and cleaning services at the State House and Station Park. It should be noted that the enacted budget includes the Department of Correction's constrained initiative to eliminate funding for landscaping and included a savings of \$231,386. The Department of Administration now assumes responsibility for the State House lawn and Station Park and requests funding for these expenses. It should be noted that the Department of Corrections submitted a budget requesting \$0.1 million for landscaping of Waterplace Park. *The Governor concurs and includes an additional \$346 for costs associated with Microsoft Office 365.*

Capital Projects

Staffing. The Department requests \$1.3 million from general revenues to fund the authorized level of 9.0 full-time equivalent positions in the Division of Capital Projects. The Division is responsible for the planning, design and construction of new state facilities and major renovations of existing buildings. The request is \$60,081 more than enacted to reflect the cost-of-living adjustment and benefit changes consistent with the planning values for FY 2016. Consistent with the enacted budget, the request does

not assume any turnover savings. As of the pay period ending January 24, 2015, the Division had one position vacant, which had just occurred.

The Department's constrained budget shifts \$2.5 million of general revenues for salary and benefit costs for 19.8 positions to Rhode Island Capital Plan funds. This includes 12.3 full-time equivalent positions from Facilities Management and 7.5 full-time equivalent positions from Capital Projects. The Department indicates that the positions would be entirely dedicated to the development, oversight, and completion of capital projects. The Department further notes that the intent of this initiative is to develop a system to capture the time spent on various projects in a transparent way. If the initiative is adopted, a billing methodology will be developed to charge staff time to individual projects. Rhode Island Capital Plan funds have been limited to use on physical assets. The funds were used nearly exclusively for debt service in the early 1990s. The voters approved a constitutional amendment in 2006 to limit the funds to be used solely for capital projects beginning in FY 2008. This initiative was included in the Department's last three budget requests.

The Governor's Budget consolidates construction, property and asset management functions into the Department of Administration. It appears that the positions are kept in their respective agencies, including the Departments of Behavioral Healthcare, Developmental Disabilities and Hospitals, Environmental Management and Transportation. The Governor's recommendation is \$2.9 million more from all funds than requested, including \$1.2 million for staff from Facilities Management and \$1.7 million for staff from the aforementioned departments.

Information Technology

Office of Digital Excellence. The request includes expenditures of \$1.0 million from general revenues to support 7.0 full-time positions and operating expenses for the Office of Digital Excellence. This is \$107,689 more than enacted, including \$43,596 for the cost-of-living adjustment and benefit rates consistent with the planning values for FY 2016. The request is \$64,093 above the current service estimate, of which \$41,824 is to restore the turnover savings included in the enacted budget and the remaining \$22,269 is for a position upgrade for the conversion of a vacant programmer analyst position to an information technology project manager. The Department notes that this position will be assigned to the Division of Motor Vehicles' technology project. The request assumes that this position will be filled by December 1. As of the pay period ending January 24, 2015, the Office had four vacancies, consistent with reported filled positions on December 13, 2014. The request includes the enacted amount of \$50,000 for operating expenses.

As part of its constrained budget, the Department increased turnover savings by \$1.1 million from general revenues. This assumes an additional turnover of \$31,862 for the Office of Digital Excellence. *The Governor recommends funding consistent with the constrained request.*

RI Financial Accounting System Operations. The Department requests expenditures of \$1.7 million from general revenues for operational expenditures of the state's financial accounting system. This is \$85,726 more than enacted, which includes \$32,867 for salaries and benefits to primarily reflect the cost-of-living adjustment and benefit rates consistent with FY 2016 planning values for 3.5 full-time equivalent positions that support the system. Operating costs are \$52,859 more than enacted, primarily for cable, data and sonnet lines, and software and hardware contracts. Excluding salary and benefit costs, the request is \$0.1 million more than FY 2014 reported expenditures and is \$36,316 more than FY 2015 projected costs. *The Governor concurs and provides \$482 for costs associated with Microsoft Office 365.*

Information Technology Investment Fund. The Department's request includes a total of \$7.6 million from all funds from the Information Technology Investment Fund, \$4.5 million more than enacted. This fund was created by the 2011 Assembly for acquiring information technology improvements, including, but not limited to, hardware, software, and ongoing maintenance. The 2012 Assembly transferred \$9.0 million into the fund and the 2014 Assembly adopted legislation to transfer an amount of not less than \$10.0 million from Tobacco bond refinancing proceeds into the fund and it also adopted legislation to transfer 10.0 percent of the \$1.00 monthly surcharge on wireless and land lines into the fund, effective July 1, 2015, which is estimated to generate \$1.5 million annually.

The Information Technology Investment Fund Review Committee, which consists of five members: chief information officer, chief digital officer, director of the Office of Management and Budget or designee, a designee from the Department of Administration and the chief financial officer of the Department of Administration approves all the projects. According to the policies and procedures adopted for use of the fund, priority is given to projects that benefit multiple agencies.

Of the \$7.6 million requested, \$5.8 million is for projects under the purview of the Office of Digital Excellence. This includes \$2.0 million to fund one-time agency projects. It also includes \$1.0 million to replace the payroll system, \$1.5 million for second year funding to replace the budgeting system, \$250,000 for the E-Local Permitting System and \$250,000 to digitize records for the Department of Environmental Management. The Department projects a FY 2016 ending balance of \$4.9 million from the fund.

The Governor recommends expenditures of \$7.5 million, \$0.1 million less than requested. The recommendation assumes that \$6.4 million in bond premiums that were deposited into the Rhode Island Capital Plan Fund in FY 2015 will be transferred into the Technology Investment Fund before June 30, 2015 to support the Unified Health Infrastructure Project. Under current law, a total of \$26.3 million from refinancing of tobacco bonds would be deposited into the Fund; the Governor proposes less transfer limiting that to approximately \$7.3 million.

Other Salaries and Benefits. The Department requests expenditures of \$24.0 million from all funds, including \$15.3 million from general revenues to fund the authorized level of 187.0 full-time positions in the Division of Information Technology. This is \$1.2 million more than enacted, including \$0.9 million from general revenues. The request includes the cost-of-living adjustment and benefit rates consistent with the planning values for FY 2016. The general revenue request is \$0.2 million more than the current service estimate to reflect additional turnover savings and none allocated to the Unified Health Infrastructure Program. The request also revised the allocation percentages based on FY 2014 reported agency usage. It assumes \$0.6 million in turnover savings, for which the enacted budget assumes \$0.7 million. As of the pay period ending January 24, 2015, the Division had 14.5 full-time equivalent positions vacant, consistent with the level reported on December 13, 2014.

As part of its constrained budget, the Department proposes to lay off 8.6 full-time equivalent positions and increases turnover savings affecting various programs for a savings of \$1.3 million from all funds, including \$1.1 million from general revenues. This includes \$0.6 million in savings from the Division, including \$0.1 million in additional turnover and \$0.5 million from the elimination of 4.0 positions. The positions include a programmer analyst that supports the Department of Transportation's Oracle Business Suite. It should be noted that the Department has historically stated its hardship in hiring qualified Oracle staff. The remaining positions include a programmer analyst assigned at the Department of Environmental Management, who supports permitting and environmental programs and the remaining two positions would impact the Department of Administration's operations.

The Governor concurs, with the exception of providing \$0.3 million less from all funds, including \$0.2 million from general revenues for additional turnovers savings.

All Other Operations. The Department requests revised expenditures of \$5.4 million from all funds for the Division of Information Technology, \$0.9 million less than enacted. This includes the removal of \$1.0 million due to overstated information technology costs for the Department of Transportation. Accounting for this adjustment, the request is \$3,638 more than enacted, including \$31,050 from general revenues. The request includes a savings of \$0.1 million from equipment maintenance and \$0.3 million due to the elimination of leasing costs for printers at the data center. The Department indicates that equipment totaling \$1.8 million was purchased for the Division of Information Technology's mailroom, based on Deloitte's recommendation for increased utilization relating to the Unified Health Infrastructure Project. This includes a barcode sorter and two automated mail inserters. The equipment was funded with federal funds by the Office of Health and Human Services. The request reflects increases of \$0.1 million for various software maintenance, \$0.1 million for internet services provided by Cox Communications and \$0.1 million for staff training. The request is \$10,006 less than projected expenditures for FY 2015.

The Department's constrained budget reduces the general revenue request by \$19,840 for licensing costs associated with Microsoft Office 365 that the Department installed in FY 2014, at a cost of \$160 per user.

The Governor concurs with the unconstrained request; however, provides \$1,017 less from all funds to reflect anticipated costs associated with Microsoft Office 365.

Human Resources

Human Resources Reorganization. In 2013, a comprehensive personnel study found that the current structure, organization and staffing of the Division of Human Resources is not sufficient to support the state's need, the recruiting process is highly paper-based, job classification structures do not reflect qualifications to deliver the services, and the compensation structures are non-competitive. The study included a total of 16 recommendations including restructuring the division, to be headed by a new chief of human resources that will be dedicated to establishing strategic direction and developing policies. The Department filled that position in December 2013.

As the Department moves to implement the recommendations from the study, its request reflects the reorganization of the Division of Human Resources and eliminates the current service center model. The current structure now includes the Office of Human Resources Site Operations and the Office of Employee Services, Payroll and Data.

The FY 2007 budget transferred positions as well as funding from various departments to centralized human resources functions. Prior to that, each agency handled its own human resources functions. According to the Fiscal Fitness documents, "consolidation will eliminate redundant activities, offer a broader, more in-depth level of expertise, implement a wider range of services and provide for the implementation of clear, consistent personnel policies across state service."

The reorganization established the Office of Labor Relations. It also merged the Offices of Employee Benefits and State Employees' Workers Compensation. The reorganization includes merging the chief of employee benefits and chief of workers' compensation into a new deputy personnel administrator.
The Governor concurs.

Personnel Redesign Study. The Department requests \$0.5 million from general revenues to obtain outside services to redesign the state's classification and compensation system. The goals of the study are to increase the state's ability to attract and maintain a high quality workforce and increase flexibility within the classification and compensation systems. The total cost of the study is \$834,275; however, the funding included in FY 2015 and FY 2016 totaled \$1.0 million. The Department indicates that the \$0.2 million or 20.0 percent requested above the contract cost is for potential change orders. The contract allows the scope of the study to be revised. *The Governor recommends funding as requested.*

Medical Related Costs Fund Shift. Consistent with the revised budget, the FY 2016 request reflects shifting current general revenue expenditures of \$0.2 million for costs related to employee health benefits to the Health Insurance Internal Service Fund. Shifting the costs to the internal service fund would allow the Department to spread costs over all budget funds; saving general revenues. This eliminates the need for a direct appropriation and the costs would now be reflected in the working rates for medical benefit costs. The enacted budget includes \$76,580 for the Worksite Wellness Program and \$130,000 for contractual services provided by Hewitt Associates, which performs employee health benefit analyses on an as-needed basis and contractual costs for audits of medical and pharmacy claims.

Staff estimates that the fiscal impact on the total costs of health benefits would grow by 0.1 percent. Based on the revised planning values for FY 2015, the impact for a family plan would be \$24 and for an individual plan would be \$8. Employees would be responsible for 15.0 percent to 25.0 percent of the cost and the state would be responsible for 85.0 percent to 75.0 percent.

The constrained request further shifts \$0.8 million in salary and benefit costs for 7.0 full-time equivalent positions from the Office of Employee Benefits and the Retiree Health Trust program into the State Employee Health Fund in the Department's internal service program, effective July 1, 2015. The Department indicates that the fiscal impact on the total costs of health benefits would grow by 0.5 percent. Based on the planning values for FY 2016, the impact for a family plan would be \$120 and for an individual plan would be \$42. Employees would be responsible for 15.0 percent to 25.0 percent of the cost and the state would be responsible for 85.0 percent to 75.0 percent.

The Governor recommends funding consistent with the constrained request.

Human Resources Staff. The Department's request includes \$11.1 million from all funds, including \$8.4 million from general revenues to fund 103.0 full-time positions in the Division of Human Resources. This is \$0.9 million more than enacted, including \$1.0 million from general revenues, which is \$0.6 million above the current service estimate. To the current service, it adds \$0.2 million to fund two new administrative positions, assumes \$66,354 less in costs allocated to other programs and adds \$0.3 million to primarily reflect that a greater share of salaries and benefits will now be funded with general revenues as part of the reorganization. The Department indicates that it will work with a vendor to develop a cost allocation plan with the goal of maintaining them as close as possible to the current allocations in order to avoid a large increase in general revenue funded positions.

The request includes the cost-of-living adjustment as well as benefit rates consistent with the Budget Office planning values for FY 2016. It assumes \$31,272 more in turnover savings, for which the enacted budget included \$0.3 million. As of the pay period ending January 24, 2015, the Office had 12 vacancies, one fewer than the amount reported on December 13, 2014.

The Department's constrained request includes \$190,541 in savings from the elimination of a human resources administrator position, which the Department indicates is currently working on the

reorganization of the division. *The Governor concurs and includes an additional \$0.1 million in turnover savings.*

Contracts. In April 2014, the Administration reached agreements with its largest unions for a new four-year contract effective July 1, 2013 through June 30, 2017. This includes 2.0 percent salary increases effective April 6, 2014 and October 5, 2014 offset by increased cost sharing measures for medical benefits. The Department requests new expenditures of \$120,000 from general revenues to print the finalized union contracts, pursuant to the contract agreements. The Department notes that the estimate is based on previous printing jobs. On February 5, the Administration indicated that the contracts still have not been signed. It also indicated that it obtained outside legal services for final signoff of the agreements.

The constrained budget removes the funding for this. *The Governor concurs with the constrained request.*

All Other Operations. The Department requests \$0.3 million from all funds, including \$0.2 million from general revenues for all other operating expenses for the Division of Human Resources. This is \$26,609 more than enacted, including \$19,818 from general revenues, of which \$17,798 is for Microsoft Office 365 that the Department installed in FY 2014, at a cost of \$160 per user. The request includes minor adjustments for mileage reimbursement, printing and office supplies to reflect anticipated expenditures. *The Governor recommends \$7,333 less general revenues than requested.*

Planning

Sustainable Communities Grant - RhodeMAP RI. The request removes the \$0.4 million from the Department of Housing and Urban Development to reflect the expiration of the Sustainable Communities Regional Planning Cooperative federal grant award. In 2011, the state was awarded a \$1.9 million grant for a three-year project to develop a sustainable plan for the state. The program supports planning efforts that integrate housing, land use, economic and workforce development, transportation, and infrastructure investments. In FY 2013, Fourth Economy completed the economic data analysis, which focused on the areas of the state's business climate and regulatory environment. In FY 2014, the state entered into a contract with Horsley Witten to provide planning consulting services for the development of the plan. The State Planning Commission adopted the economic development plan on December 11. *The Governor recommends funding as requested.*

Lead Abatement, Shelter & Housing Rental Subsidies. The 2014 Assembly adopted legislation to increase the real estate conveyance tax from \$2.00 to \$2.30 per \$500 or fractional part paid for the purchase of property conveyed for more than \$100. The fee increase will provide a permanent stream of funding to be used by the Housing Resources Commission for lead hazard reduction abatement, rental subsidy and shelter operations. The request includes the enacted amount of \$3.4 million from restricted receipts, including \$2.8 million from the real estate conveyance tax and \$0.6 million from a settlement for lead abatement activities.

The Revenue Estimating Conference met in November 2014, and estimated that the state would retain a total of \$9.1 million from the tax in FY 2016 from the current disposition of \$0.90 cents. Based on the estimate, an additional \$0.3 million can be assumed for housing initiatives.

The request should have removed the \$0.6 million from a settlement for lead abatement activities since it was for a one-time expense. Subsequently, the Department indicated that this was an oversight and it notified the Budget Office to reflect this change in the recommended budget.

The Governor transfers this program to the Executive Office of Commerce. She recommends \$2.8 million from real estate conveyance receipts. The recommendation excludes the \$0.6 million of one-time settlement funding.

All Other Salaries and Benefits. The Department requests \$4.1 million from all funds, including \$1.9 million from general revenues for all other salary and benefit costs for the Division of Planning. This is \$132,372 more than enacted, including \$96,697 from general revenues for the cost-of-living adjustment and to reflect benefit changes consistent with Budget Office instructions. The general revenue request is \$4,286 more than the current service estimate. The request includes \$0.1 million more in turnover savings for which the enacted budget includes \$0.1 million. As of the pay period ending January 24, 2015, the division had six vacancies, one more than reported on December 13, 2014. *The Governor recommends \$1.3 million less than requested, including \$0.7 million less general revenues to reflect the transfer of 11.0 positions to the Executive Office of Commerce.*

Disaster Recovery Grants. The request includes federal fund expenditures of \$4.3 million, \$0.3 million less than enacted to reflect anticipated expenditures for community disaster assistance. The request includes the enacted amount of \$2.3 million for Hurricane Sandy related projects and \$2.0 million to support infrastructures that were impacted by the 2010 flood. In September 2010, the U.S. Department of Housing and Urban Development awarded the state with a \$13.0 million grant for disaster recovery. Of this, the City of Cranston was awarded \$1.3 million and Warwick was awarded \$2.8 million. Of the \$9.0 million that went directly to the state, *\$3.1 million has been spent through FY 2014.* The requests include \$3.8 million in FY 2015 and \$2.0 million in FY 2016.

The Governor recommends the transfer of this program to the Executive Office of Commerce. The Commerce's budget includes funding for this as requested.

Community Development Block Grants. The request includes \$4.4 million from federal funds, \$0.1 million more than enacted for various community development block grants. The Community Development Block Grant Disaster Recovery Assistance is authorized under Title I of the Housing and Community Development Act of 1974, as amended. Annually, the grant awards are received from the federal government and prior years' remaining funds are carried forward for expenditures; the grants are also adjusted based on available balances of the block grant awards unspent by the Department. Due to the timing of payments, grant funds often overlap fiscal years. *The Governor recommends the transfer of this program to the Executive Office of Commerce. The Commerce's budget includes funding for this as requested.*

All Other Programs and Operations. The Department requests \$4.8 million from all funds, \$0.5 million more than enacted for all other programs and operating costs for the Division of Planning. This includes \$15,348 more from general revenues, including \$12,750 for insurance for the Water Resources Board Corporate members and \$2,598 for software maintenance costs associated with the Microsoft Office upgrade. Expenditures from federal funds include \$1.8 million for shelter operations, which reflects a slight increase from the enacted budget and all other federal fund expenditures are \$0.4 million for various planning grants.

Projected expenditures from other funds reflect an increase of \$0.2 million from the enacted amount of \$1.9 million, which are reimbursed by the Federal Highway Administration through the Department of Transportation for planning related projects. The Transportation Advisory Committee advises the State Planning Council on transportation planning and encourages public participation in the process. The Committee also reviews and provides input into the transportation planning documents that are the

responsibility of the State Planning Council including the Ground Transportation Plan and Transportation Improvement Program.

The Governor recommends \$1.8 million less than requested to reflect the transfer of this program to the Executive Office of Commerce. The Commerce's budget includes \$1.6 million for this, \$0.2 million less than requested to reflect anticipated expenditures.

Bureau of Audits

Salaries and Benefits. Consistent with the current service estimate, the Department requests general revenue expenditures of \$1.5 million to fund personnel costs for 12.0 full-time equivalent positions for the Bureau of Audits. This is \$0.1 million more than enacted to reflect the cost-of-living adjustment and benefit changes consistent with the planning values for FY 2016. The Bureau of Audits performs the auditing function for the Executive Branch. The Bureau is required to audit the financial records and accounts of all state departments and agencies on a biennial basis. The Bureau also audits human service providers. Consistent with the enacted budget, the request includes \$0.1 million in turnover savings. As of the pay period ending January 24, 2015, the Bureau had three positions vacant, consistent with the level reported on December 13, 2014.

The constrained request assumes an additional \$25,968 in turnover savings. *The Governor concurs with the constrained request.*

Operations. The Department requests \$0.1 million from general revenues for all operating costs for the Bureau of Audits. This is \$62,062 more than enacted, due to new expenditures of \$65,000 to obtain outside services to assess and certify that the Bureau's work is being documented and performed in accordance with internal auditing standards. The request includes minor adjustments for records keeping and telephone costs. The request is \$2,938 less than the revised request; however, it is \$10,492 more than FY 2014 reported expenditures.

The constrained budget removes the \$65,000 requested for the quality assessment certification; though the Department indicates that the assessment is in line with the Bureau's strategic plan. *The Governor concurs with the constrained request.*

Accounts and Control

Staffing and Operations. Consistent with the current service estimate, the Department requests \$4.2 million from general revenues for personnel and operating costs for the Office of Accounts and Control. The request includes \$4.0 million to fund 37.0 full-time equivalent positions, the authorized level. This is \$0.2 million more than enacted to reflect the cost-of-living adjustment and benefit changes consistent with the planning values for FY 2016. The request assumes \$12,620 less in turnover savings, for which the enacted budget included \$37,527. As of the pay period ending January 24, 2015, the Office had two vacancies, consistent with the level reported on December 13, 2014.

The request includes \$153,184 for all operating costs, \$15,780 more than enacted to primarily reflect expenditures for membership dues for the National Association of State Auditors, Comptrollers and Treasuries as well as \$12,000 for fees associated with state employees obtaining or viewing their paystubs online. This is a fee based system, with a charge of \$0.05 for each direct deposit. This equates to an annual cost of \$1.30 per employee.

As part of its constrained budget, the Department proposes to shift \$2.5 million of general revenues for salary and benefit costs for 19.8 full-time equivalent positions from Facilities Management and Capital Projects to Rhode Island Capital Plan funds. It also proposes to lay off 8.2 full-time equivalent positions and increased turnover savings by \$1.1 million from general revenues, including \$0.1 million from Accounts and Control. *The Governor concurs with the constrained request.*

Purchasing

Salaries and Benefits. The Department requests \$2.9 million from all sources to fund salary and benefit costs for 30.0 full-time positions in the Division of Purchasing. This is \$55,998 more than enacted and staffing consistent with the enacted budget. The request includes the cost-of-living adjustment and benefit rates consistent with the planning values for FY 2016. The request is \$0.1 million less than the current service estimate to primarily reflect the conversion of a vacant position and to reflect additional costs allocated to HealthSource RI and several other human services agencies. As of the pay period ending January 24, 2015, the Office had seven vacancies, consistent with the level reported on December 13, 2014. *The Governor recommends \$40,806 more from general revenues than requested to reflect that less cost can be reimbursed for HealthSource RI.*

Operations. The Department requests \$120,726 from general revenues for operating costs. This is \$35,152 more than enacted, including \$25,000 for outside legal services to examine the Division of Purchasing's procedures and regulations. The Department indicates that the examination is needed in order to reduce the number of protests, reissuing procurements, cancellations and change orders. The Division started this initiative in FY 2014 and reported expenditures were \$93,976. The revised request also includes \$25,000 from general revenues.

The constrained request reduces operation costs by \$30,817, including \$25,000 for the outside legal services. *The Governor recommends \$4,817 more than the constrained request.*

Office of Management and Budget

Electronic Permitting System. Consistent with the current service estimate, the request reflects the removal of \$0.3 million provided for the purchase or lease and operation of a web-accessible plan review management and inspection software system, which would create a standardized system available to the State Building Code Commission and all municipalities and fire districts. A vendor has been selected for the development of the system and the Department of Administration is in the process of finalizing the product contract with the vendor. The Department hopes to have phase I completed by the fall of 2015. It should be noted that the Information Technology Investment Fund includes \$250,000 in FY 2016 for phase II of the project. *The Governor concurs.*

Rhode Island Ready Project. Consistent with the current service estimate, the request reflects the removal of \$75,000 for the Rhode Island Ready Project, an initiative developed by the administration to enhance collaborative efforts between the Commerce Corporation, state agencies, such as the Department of Environmental Management, and cities and towns to increase the probability of business attraction, expansion and growth. The project is also intended to reduce time and increase the predictability of getting land developed, buildings constructed and operations up and running. The initial demonstration project will target eight to ten parcels in urban, suburban and rural areas of the state. It appears that this initiative is not moving forward. *The Governor concurs. The revised budget also removes the funds to reflect that the initiative is not moving forward.*

Office of Regulatory Reform. The request includes \$547,006 for the Office of Regulatory Reform, \$49,835 more than enacted. This includes \$541,196 for salary and benefit costs for six positions. The request includes the cost-of-living adjustment and benefit rates consistent with FY 2016 planning values. It assumes \$69,003 in turnover savings. As of the pay period ending January 24, 2015, the Office had two vacancies, including the director and an analyst. On January 30, the Governor appointed the director's position.

The request includes \$5,810 for operating costs, \$3,210 less than enacted to reflect adjustments for cell phones and office supplies. FY 2014 reported expenditures for operating costs were \$4,110.

The Governor recommends \$0.1 million less than requested, to reflect the transfer of the ombudsman position to the Department of Business Regulation.

All Other Salaries and Benefits. The Department requests \$3.3 million from general revenues to support staffing of 25.0 full-time positions, consisting of the Budget Office and Federal Grants Management functions of the Office of Management and Budget. This is \$245,949 more than enacted, including \$307,323 more from general revenues and reflects shifting personnel costs of \$61,374 for the Federal Grants Management Office from restricted receipts to general revenues. The receipts were derived from the 0.5 percent assessment on American Recovery and Reinvestment Act funded projects. The legislation adopted by the 2012 Assembly creating the Office established a restricted receipt account with receipts from administrative costs incurred for the oversight and management of federal funds.

The request assumes filling the director of the Office of Management in Budget in January 2015. It includes the cost-of-living adjustment and benefit rates consistent with FY 2016 planning values. *The Governor concurs with the request and includes \$27,953 less for turnover savings.*

Lean Processing Grant Program. The Governor recommends a Statewide Lean Processing Grant Program, which will be administered by the Office of Management and Budget. Agencies will submit applications to the Office and the agencies will be able to use these funds to conduct lean. *The Budget includes \$0.1 million from general revenues.*

All Other Operations. The Department requests \$156,955 from general revenues for all other operation costs for the Office of Management and Budget. The request is \$14,566 less than enacted to better align expenditures with FY 2014 spending. It includes adjustments for travel, dues for the state's subscription to Federal Funds Information for States and other items. *The Governor recommends \$30,817 more than requested. This includes \$50,000 for outside legal costs for the Office of Regulatory Reform to assist the Office with review and recommendations of regulations and general laws. The recommendation also includes a savings of \$20,000 from printing of budget books.*

Overhead Functions

RI Film and Television Office. Consistent with the current service estimate, the Department requests FY 2016 expenditures totaling \$324,809 from general revenues, of which \$296,200 will be used to support the Office's 2.6 positions. The request is \$14,017 more than enacted for benefit rate changes to reflect FY 2016 planning values consistent with Budget Office instructions. The 2012 Assembly adopted legislation to transfer the Film and Television Office from the Rhode Island State Council on the Arts to the Department of Administration.

The request includes \$480 more than enacted for operating costs for Microsoft Office 365 software costs.

As part of its constrained budget, the Department proposes to lay off 8.2 full-time equivalent positions and increased turnover savings by \$1.1 million from general revenues. This includes \$65,069 from the elimination of a 0.6 systems design program position. The Office indicates that this position is responsible for updating its website daily and building the Office's library via photographs. The elimination would prevent residents from obtaining information on film events and daily community news.

The Governor recommends transferring the Rhode Island Film and Television Office to the Executive Office of Commerce; however, no legislation to effectuate this change was included. That budget includes staffing and funding consistent with the unconstrained request and an additional \$482 for computer supplies.

Office of Diversity, Equity and Opportunity. The budget includes \$1.2 million from all funds for the Office of Diversity, Equity and Opportunity. This is \$0.3 million more than enacted; all but \$9,010 is from general revenues. In May 2013, Governor Chafee issued Executive Order 13-05 entitled "Promotion of Diversity, Equal Opportunity and Minority Business Enterprises in Rhode Island." The Executive Order required that the Department of Administration reviews all divisions and offices within the Department that are charged with facilitating equal opportunity employment and to make recommendations to improve collaboration between these offices. As part of the FY 2015 budget request, existing staff of 7.0 full-time positions and funding of \$0.9 million were transferred from the Division of Purchasing's Minority Business Enterprise Office and the Division of Human Resources' Outreach and Diversity Office. Additionally, the Department requested funding for three new positions. The Assembly did not concur and provided staffing at the existing level.

Consistent with the revised request, the budget includes an additional \$0.2 million to fund two new positions. Of the authorized seven positions, one was vacant as of the pay period ending November 29.

All other operating costs are \$24,586 more than enacted, including \$10,000 to obtain outside services to review the operations of the Minority Business Enterprise and \$15,000 for educational and training costs. *The Governor concurs and provides an additional \$485 from general revenues for licensing costs associated with Microsoft Office 365.*

All Other Salaries and Benefits. Excluding the items previously mentioned, the Department requests \$8.5 million from all sources of funds, including \$6.5 million from general revenues for all other salary and benefit costs for 73.6 full-time equivalent positions to support the following programs: Central Management, Legal Services, Personnel Appeal Board, Office of Library and Information Services, and Construction, Permitting, Approval and Licensing.

The request is \$1.1 million more than enacted, including \$1.0 million from general revenues. It includes benefit rate changes consistent with FY 2016 planning values and is \$0.4 million more than the current service estimate to primarily restore turnover savings included in the enacted budget. This includes \$0.3 million in Central Management and \$0.1 million in the Office of Library and Information Services for the chief of library services. The request only assumes \$0.1 million in turnover savings in Legal Services from a current vacancy. As of the period ending January 24, 2015, the Office had nine vacancies, two more than reported on December 13, 2015.

The constrained budget request assumes an additional \$0.2 million in turnover savings, \$0.1 million each in Central Management and the Office of Library and Information Services by maintaining the chief of library services, and \$20,000 in Legal Services.

The Governor concurs, with the exception of providing \$10,555 less general revenues for turnover savings.

Building Code Staff Training. The request includes expenditures of \$115,000 from general revenues for the State Building Code Commission to conduct training on adopted codes for building, residential, plumbing, mechanical, fuel gas, energy, and property management. The Commission consults training programs for code officials and building trades people, as statutorily mandated in 1992. The Department indicates that previous training costs were funded from American Recovery Act funds and were \$66,606 in FY 2012 and \$36,726 in FY 2013. It should be noted that the Building Code Commission proposes to increase the building permits-state properties fee to offset this cost. *The Governor recommends funding as requested.*

Labor Contract Negotiations. The Department requests a total of \$49,813 from general revenues, including \$25,153 in FY 2016 for continued negotiations with unresolved contractual issues. In April 2014, the Administration reached agreements with its largest unions. The Department indicates that it is utilizing Adler, Pollack and Sheehan for the State Police negotiation. Another firm is being utilized for final signoff of the agreements that were reached in April. It should be noted that outside legal costs for the Rhode Island Brotherhood of Correctional Officers negotiations are not reflected in the request. Reported expenditures were \$0.1 million in FY 2013 and \$0.4 million in FY 2014, \$62,101 above the final appropriation.

The constrained budget removes the funding for this. *The Governor concurs with the constrained request.*

Interlibrary Delivery System. The request includes \$0.6 million from all funds, including \$0.3 million from general revenues for the interlibrary loan system, which includes the delivery of books, audio/visual materials and other resources which are shared between and among more than 180 public libraries, academic libraries, state institution libraries, school libraries and other special libraries such as the Rhode Island Historical Society. The request is \$0.1 million more than enacted based on current utilization as well as the rebidding of the current contract.

The constrained budget assumes savings of \$143,150 from the interlibrary delivery system. In the event that utilization is more, this may not be achievable. *The Governor concurs with the constrained request.*

All Other Operations. The Department requests \$0.9 million from all funds, including \$0.4 million from general revenues for all other operating expenses. This is \$33,789 more than enacted, including \$45,242 from general revenues to reflect anticipated expenditures for online legal research, mileage allowance and user licensing fees relating to the Microsoft Office upgrade.

The constrained request reduces these expenditures by \$45,332. The Governor recommends \$24,984 less than unconstrained request to reflect some of the savings proposed.

Capital Projects. The Department requests \$22.2 million from Rhode Island Capital Plan funds for 24 capital project expenditures, \$10.4 million less than the enacted budget and \$1.0 million more than the approved plan. The request is consistent with the capital budget request. *The Governor recommends*

\$11.3 million more than requested. A detailed analysis of the projects is included in the Capital Budget section of this publication.

Revenue - Energy Efficiency Rebate. The 2008 Assembly approved \$53.1 million from Certificates of Participation in capital expenditures for energy service contracts, including designing, financing, installing and maintaining energy related capital improvements such as energy efficient boilers, lighting, motors, refrigeration, HVAC systems, and related controls. The Department indicates that it submitted an Energy Efficiency rebate application for energy efficiency related projects completed on the Pastore Campus and includes \$1.6 million in revenues from National Grid for energy efficiency rebates. The Department notes that revenues included is the agreed upon amount that will be released upon demonstration of meeting program thresholds. It should be noted that the majority of the funds will be received in FY 2015. This includes a reimbursement of \$0.2 million in January 2015, another \$1.1 million by the end of June 30, and the remaining \$0.3 million in FY 2016. *The Budget assumes these revenues in FY 2015.*

Revenues - Building Permits-State Properties. The Department proposes to increase the Building Permits-State Properties' fee charged to state agencies that present projects before the Building Code Commission for review and assumes \$0.6 million in revenues. The current fee is 0.50 percent of the total project and the Department proposes to increase it to 1.0 percent. Current law allows the State Building Code Standards Committee to set the permit fees; however, the proceeds are deposited as general revenues. According to the Department, the fee was 1.0 percent nine years ago; however, the Committee reduced it to 0.5 percent. Revenues were \$467,156 in FY 2013 and \$670,596 in FY 2014. *The State Building Code Commission approved the fee in November 2014.*

Unidentified Budget Initiative. The Department's constrained budget request includes \$2.8 million in savings, including \$1.5 million from general revenues from a statewide initiative. The Department indicates that it is in the preliminary stage of researching this initiative. *The Governor does not include this initiative.*

Department of Business Regulation

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Program				
Central Management	\$ 1,234,949	\$ 1,189,523	\$ 1,384,694	\$ 1,435,289
Banking Regulation	1,564,260	1,660,454	1,749,576	1,711,773
Securities Regulation	1,013,151	929,761	966,323	966,197
Commercial Licensing, Racing & Athletics	1,170,059	1,192,450	1,229,648	1,220,883
Insurance Regulation	5,177,250	5,621,771	5,927,699	5,763,467
Office of the Health Insurance Commissioner	2,539,472	2,941,922	3,253,436	3,341,757
Board of Accountancy	16,654	16,654	16,654	16,654
Boards for Design Professionals	260,635	264,810	272,332	273,009
Total	\$ 12,976,430	\$ 13,817,345	\$ 14,800,362	\$ 14,729,029
Expenditures by Category				
Salaries and Benefits	\$ 10,486,304	\$ 10,485,578	\$ 11,333,557	\$ 11,153,686
Contracted Services	1,965,260	2,750,985	2,841,245	2,960,317
Subtotal	\$ 12,451,564	\$ 13,236,563	\$ 14,174,802	\$ 14,114,003
Other State Operations	431,128	487,044	530,428	521,288
Aid to Local Units of Government	-	-	-	-
Assistance, Grant, and Benefits	80,000	80,000	80,000	80,000
Capital	13,738	13,738	15,132	13,738
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 12,976,430	\$ 13,817,345	\$ 14,800,362	\$ 14,729,029
Sources of Funds				
General Revenue	\$ 9,013,477	\$ 8,802,653	\$ 9,547,238	\$ 9,345,012
Federal Aid	2,021,830	2,469,508	2,709,175	2,795,240
Restricted Receipts	1,941,123	2,545,184	2,543,949	2,588,777
Other	-	-	-	-
Total	\$ 12,976,430	\$ 13,817,345	\$ 14,800,362	\$ 14,729,029
FTE Authorization	94.0	98.0	97.0	99.0

Summary. The Department of Business Regulation requests FY 2016 expenditures of \$14.8 million from all funds, including \$9.5 million from general revenues. The request is \$1.8 million more than enacted, including increases of \$0.5 million from general revenues, \$0.7 million from federal funds and \$0.6 million from restricted receipts. Consistent with the revised request, the Department includes staffing of 97.0 full-time equivalent positions, 3.0 more than the authorized level.

The Governor recommends total expenditures of \$14.7 million from all funds and 99.0 full-time equivalent positions. This is \$1.8 million more than enacted and \$0.1 million less than requested.

Recommended staffing is 5.0 positions more than enacted, which includes the transfer of the ombudsman position from the Office of Regulatory Reform in the Department of Administration. Consistent with the revised budget, the recommendation adds 4.0 positions but does not fund them.

Target Issues. The Budget Office provided the Department of Business Regulation with a general revenue target of \$8.8 million. The amount includes current service adjustments of \$0.5 million and a 7.5 percent target reduction of \$0.7 million.

FY 2016 Budget	Budget Office	DBR	Difference
FY 2015 Enacted	\$ 9,013,477	\$ 9,013,477	\$ -
Current Service Adjustments	533,759	533,761	2
Change to FY 2015 Enacted	\$ 533,759	\$ 533,761	\$ 2
FY 2016 Current Service/Unconstrained Request	\$ 9,547,236	\$ 9,547,238	\$ 2
Target Reduction/Initiatives	(709,293)	(709,291)	2
FY 2016 Constrained Target/Request	\$ 8,837,943	\$ 8,837,947	\$ 4
<i>Change to FY 2015 Enacted</i>	\$ (175,534)	\$ (175,530)	\$ 4

The constrained budget submitted by the agency is \$4 above the Budget Office target. As part of its constrained budget, the Department proposes to eliminate seven positions not specifically identified. The Department indicates that the revenue loss would be \$1.2 million, \$0.5 million is from leaving seven current positions vacant and \$0.7 million is from the proposal to eliminate seven positions. Additionally, the Office of the Health Insurance Commissioner would maintain a vacant position for 5.5 pay periods to achieve \$33,096 in savings. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor’s budget is \$0.5 million above the target.*

Executive Office of Commerce. The 2013 Assembly adopted several pieces of legislation pertaining to economic development. One of which created the Executive Office of Commerce to be administered by a secretary of commerce, effective February 1, 2015. The Office will oversee and serve as the lead agency of the Executive Branch for managing the promotion of commerce and the state’s economy. Pursuant to 2013-H 6063, Substitute B, on or about February 1, 2015, the Executive Office of Commerce will have powers to operate functions from the Department of Business Regulation and, subsequently, various functions from the Department of Administration. *The Governor’s budget maintains the Department of Business Regulation as a stand-alone department.*

Central Management

Salaries and Benefits. The request includes \$1.3 million from general revenues, \$55,245 more than enacted to fund salary and benefit costs for 9.0 full-time positions in Central Management, which administers and oversees the statutory functions of the Department and provides support services for the other programs in the areas of budgeting, accounting, personnel, legal and computer services. The request fully funds the cost-of-living adjustment, includes step increases for two positions and reflects benefit rates consistent with FY 2016 planning values. Consistent with the enacted budget, it does not assume any turnover savings, and as of the pay period ending November 1, there were no vacancies in this division.

As part of its constrained budget, the Department proposes \$0.7 million in general revenue savings from the elimination of seven positions; \$80,652 is included in Central Management for the elimination of a non-revenue generating position, though it is not specifically identified.

The Governor recommends \$53,085 more general revenues and 2.0 more full-time equivalent positions than requested. This includes the transfer of 1.0 position and \$108,517 from the Office of Regulatory Reform within the Department of Administration for the ombudsman position. There is no proposal to change legislation, but current law requires that the director of the Office of Regulatory Reform designate a person for this position.

Consistent with the revised budget, the recommendation includes the transfer of a position from Commercial Licensing, Racing and Athletics to Central Management. The recommendation assumes \$0.1 million more in turnover savings than requested.

E-Licensing Software Maintenance. The Department requests \$94,500 from general revenues for ongoing maintenance costs associated with the e-licensing system. The 2006 Assembly approved \$1.0 million through the use of Certificates of Participation for an integrated web-based licensing system. The e-licensing system is completed and individuals and businesses now have access to register or renew licenses electronically. The annual software maintenance cost is \$90,000; however, the request appears to include a 5.0 percent inflator. The manufacturing warranty for the software will expire in November 2014 and the Department of Administration indicated that residual funds from the approved Certificates of Participation will be used for the first year's cost. The constrained budget reduces the request by \$4,500, which represents the requested 5.0 percent inflation. *The Governor recommends \$1,050 less than requested to reflect actual costs.*

All Other Operations. The Department requests the enacted amount of \$36,986 from general revenues for all operating costs for Central Management, consistent with the revised request. This includes expenditures for computer supplies, notary and postage. The request is \$1,704 more than FY 2014 reported expenditures. *The Governor recommends \$1,440 less than requested.*

Banking Regulation

Salaries and Benefits. The Department requests \$1.7 million from general revenues for salary and benefit costs to fund 15.0 full-time positions in the Banking Regulation Division, which is responsible for regulatory oversight of state-chartered financial institutions, credit unions, and licensees. Annual financial examinations are performed to ensure compliance with state banking laws, financial solvency, and safe operations. The request is \$0.2 million more than enacted, including \$0.1 million for the cost-of-living-adjustment, step increases for several positions and benefit rates consistent with FY 2016 planning values. The request is \$0.1 million more than the current service estimate to primarily reflect the restoration of turnover savings for which the enacted budget includes \$0.2 million. As of the pay period ending November 1, the division had one vacancy.

As part of its constrained budget, the Department proposes \$0.7 million in general revenue savings by eliminating seven unidentified positions. A savings of \$0.2 million is included in the Banking Regulation Division from the elimination of two positions. The Department indicates that a total of \$1.2 million in revenues would be lost from the aforementioned vacancies and the elimination of the seven positions. A total of \$2.1 million, or 5.4 percent of the revenues generated by the Department in FY 2014 was from this division. *The Governor recommends \$24,803 less than the unconstrained request to reflect turnover savings and medical benefit savings based on employee selection, consistent with the revised request.*

Operations. The Department requests the enacted amount of \$68,248 from all funds, including \$18,248 from general revenues for all other costs associated with the Banking Regulation Division. The request includes \$35,000 from all funds for staff training, mileage reimbursement and out-of-state

travel related to regulation of the banking industry. The request is consistent with the revised budget and is \$3,873 less than FY 2014 reported expenditures. *Consistent with the revised budget, the recommendation includes \$13,000 less from restricted receipts to reflect anticipated banking reimbursements.*

Securities Regulation

Salaries and Benefits. The Department's request includes salary and benefit expenditures of \$0.9 million from general revenues to support 10.0 full-time positions in the Securities Regulation Division. This is \$46,828 less than enacted and is \$0.1 million less than the current service estimate primarily to reflect additional turnover savings. The request includes \$44,952 for the cost-of-living increase and benefit rates consistent with the planning values for FY 2016. As of the pay period ending November 1, the Division had two positions vacant.

As part of its constrained budget, the Department proposes \$0.7 million in general revenue savings by eliminating seven unidentified positions. A savings of \$0.1 million is included in the Securities Regulation Division for the elimination of one position. The Department indicates that a total of \$1.2 million in revenues would be lost by maintaining seven vacancies. A total of \$19.1 million, or 49.4 percent of the revenues generated by the Department in FY 2014 was from this division. *The Governor recommends \$126 less than the unconstrained request to reflect minor adjustment to benefits.*

Operations. The Department requests the enacted amount of \$18,141 from all funds for all other Securities Regulation operations. This includes \$14,641 from general revenues and \$3,500 from restricted receipts. The request includes funding for record keeping expenses, professional subscriptions and travel expenses. Reported expenditures were \$13,352 in FY 2014, \$28,855 in FY 2013 and \$20,101 in FY 2012. *The Governor recommends funding as requested.*

Commercial Licensing, Racing and Athletics

Salaries and Benefits. The Department requests \$1.1 million from all funds, including \$0.6 million from general revenues for salaries and benefits for 11.0 full-time positions in the Commercial Licensing, Racing and Athletics Division, which is responsible for ensuring the proper conduct of licensees in relation to state law and regulations. This is \$59,164 more and 1.0 full-time position less than enacted to reflect the elimination of a vacant licensing aide position. The request includes \$49,161 for the cost-of-living adjustment and benefit rates consistent with the planning values for FY 2016. The request is \$32,426 more than the current service estimate to primarily reflect the restoration of turnover savings for which the enacted budget includes \$48,779. As of the pay period ending November 1, 2014, the division had 11.0 positions filled. *The Governor recommends \$8,765 less than requested from all funds, including \$67,665 less general revenues to reflect a shift of staff costs to available restricted receipts, consistent with the revised recommendation.*

Operations. The Department requests \$0.2 million from all funds for all operations for the Commercial Licensing, Racing and Athletics Division. This consists of \$6,666 or \$425 more from general revenues and the enacted amount of \$155,660 from restricted receipts for reimbursable office supplies and travel expenses accrued ensuring the proper conduct of licensees in relation to state law and regulations. Expenditures from restricted receipts include \$47,660 from the Commercial Licensing, Racing and Athletics Reimbursement Fund, which is projected to have a \$0.8 million balance at the end of FY 2016, and \$80,000 from the Real Estate Appraisers and Recovery Fund, which is reserved exclusively for defrauded consumers and funds are only disbursed in accordance with Superior Court orders. *The Governor recommends funding as requested.*

Insurance Regulation

Salaries and Benefits. The Department requests \$4.2 million from all sources to fund salary and benefit costs for 37.0 full-time positions in the Insurance Regulation Division. This is \$0.2 million more from general revenues and staffing consistent with the enacted and revised budgets. The request includes step increases for several positions, \$0.2 million for the cost-of-living adjustment and benefit rates consistent with FY 2016 planning values. It is \$27,172 less than the current service estimate to primarily reflect additional turnover savings. As of the pay period ending November 1, the Department had 6.0 positions vacant in this division.

As part of its constrained budget, the Department proposed \$0.7 million in savings by eliminating seven unidentified positions. A savings of \$0.3 million is included in the Insurance Regulation Division for the elimination of three positions. The Department indicates that a total of \$1.2 million in revenues would be lost from the aforementioned vacancies and the elimination of the seven full-time positions. A total of \$11.7 million, or 35.3 percent of the revenues generated by the Department in FY 2014 was from this division. *The Governor recommends \$4.0 million from all funds, \$164,232 less than the unconstrained request to reflect additional turnover savings.*

Actuarial Services for Rate Review Filings. Consistent with the revised request, the Department includes FY 2016 expenditures of \$1.5 million from restricted receipts, \$0.6 million more than enacted for the costs of actuaries for the Insurance program. The Department renewed its contract with Deloitte Consulting, Dewesse Consulting, Milliman USA, and Oliver Wyman Actuarial. The Department also contracted with a fifth firm, Merlinos Associates due to the increase number of rate filings. The contract includes a 5.0 percent inflator each year and is in effect through June 30, 2015. The Department indicates that the increase in cost is due to more complex rate filings, primarily for long-term care and lender place insurance contracts. The Department is statutorily required to review these rate filings of insurers to determine generally whether they are inadequate, excessive, or unfairly discriminatory. Licensed actuaries must be used in order to appropriately make any such determination.

The need for actuarial costs has historically been overstated, compared to actual expenditures. The request is \$0.6 million more than FY 2014 reported expenditures and expenses through the first quarter of the fiscal year totaled \$0.1 million. *The Governor recommends funding as requested.*

All Other Operations. Consistent with the enacted budget, the Department requests \$0.3 million including \$0.1 million from general revenues and \$0.2 million from restricted receipts for state operations in support of its Insurance Regulation Division. The request includes costs for mileage reimbursement and consultants and other clerical services needed to review rate filings, pursuant to Rhode Island General Law 27-9-52. *The Governor recommends funding as requested.*

Office of the Health Insurance Commissioner

Salaries and Benefits. The Office of the Health Insurance Commissioner requests expenditures of \$2.0 million to fund 13.0 full-time equivalent positions. This is \$0.4 million more than enacted to primarily reflect the restoration of \$0.1 million in turnover savings that the enacted budget assumed and \$0.1 million that was previously funded by the Health Benefits Exchange to support 1.2 full-time equivalent positions reviewing health insurance rates. The Exchange positions subsequently became vacant and the request assumes that 1.0 position would be funded with federal Rate Review funds. The general revenue request is \$31,969 more than enacted. This reflects the cost-of-living adjustment as

well as funding to upgrade a vacant administrative officer position to a principal policy associate. As of the pay period ending November 1, the Office had two positions vacant.

The Office's constrained request includes a general revenue savings of \$33,096 by keeping the deputy executive assistant position vacant for several pay periods, although this position is currently filled.

The Governor recommends \$35,707 less than the unconstrained request, including \$4,094 less from general revenues to primarily reflect excluding the requested upgrade.

Operations. The Office of the Health Insurance Commissioner requests \$0.3 million more than enacted primarily from federal funds to improve rate review transparencies by developing a consumer-oriented website that publishes health pricing data. The request includes a reduction of \$6,350 from general revenues to help offset the increase in salaries and benefits.

The constrained request reflects the elimination of the entire \$13,120 enacted for operating costs though the Office indicates that this reduction is unattainable.

The Governor recommends \$0.1 million more federal funds than requested to reflect funding from the State Innovation Model grant. This project will be in conjunction with the Office of the Lieutenant Governor and several human services agencies. The funds will be used to support the development and testing of state-based models for multi-payer medical claim payments.

Board of Accountancy

Operations. Consistent with the enacted budget, the request includes \$16,654 from general revenues for the Board of Accountancy operations, including general office supplies, maintenance costs and contracted legal services that are necessary to support the Board's operations. Reported expenditures were \$5,037 in FY 2014, \$8,506 in FY 2013 and \$4,904 in FY 2012. *The Governor recommends funding as requested.*

Boards for Design Professionals

Staffing and Operations. The Department's request includes \$0.2 million from general revenues for salary and benefit costs for 2.0 full-time positions to support the Boards for Design Professionals. The request is \$11,697 more than enacted, including \$10,528 for the cost-of-living adjustment. The request is \$1,169 more than the current service estimate to reflect a step increase for an administrative assistant position that also supports the Board of Accountancy. The Boards for Design Professionals provide administrative support to the following independent boards: 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 for Architects.

The request includes the enacted amount of \$58,765 from general revenues for operating costs, including contracted stenographic services required for hearings, postage, and miscellaneous office supplies. The Department's request is consistent with historical expenditures for these items. *The Governor recommends \$677 more than requested to reflect current planning values.*

Executive Office of Commerce

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Program				
Central Management	\$ -	\$ 335,644	\$ -	\$ 956,254
Housing & Community Development	-	-	-	14,376,885
RI Film & Television Office	-	-	-	325,291
Quasi-Public Appropriations	-	-	-	16,204,064
Economic Development Initiative Funds	-	-	-	44,458,000
Total	\$ -	\$ 335,644	\$ -	\$ 76,320,494
Expenditures by Category				
Salaries and Benefits	\$ -	\$ 315,644	\$ -	\$ 2,433,802
Contracted Services	-	-	-	-
Subtotal	\$ -	\$ 315,644	\$ -	\$ 2,433,802
Other State Operations	-	15,000	-	127,649
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	14,839,329
Capital	-	5,000	-	305,000
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	58,614,714
Total	\$ -	\$ 335,644	\$ -	\$ 76,320,494
Sources of Funds				
General Revenue	\$ -	\$ 335,644	\$ -	\$ 62,236,691
Federal Aid	-	-	-	10,983,803
Restricted Receipts	-	-	-	2,800,000
Other	-	-	-	300,000
Total	\$ -	\$ 335,644	\$ -	\$ 76,320,494
FTE Authorization	-	5.0	-	18.6

Summary. The 2013 Assembly adopted several pieces of legislation pertaining to economic development. One of which created the Executive Office of Commerce to be administered by a secretary of commerce, effective February 1, 2015. The Office will oversee and will serve as the lead agency of the Executive Branch for managing the promotion of commerce and the state's economy. Pursuant to 2013-H 6063, Substitute B, on or about February 1, 2015, the Executive Office of Commerce will have powers to operate functions from the Department of Business Regulation and, subsequently, various functions from the Department of Administration.

The Governor recommends expenditures of \$76.3 million, including \$62.2 million from general revenues and staffing of 18.6 full-time equivalent positions. The recommendation reflects the transfer of the Rhode Island Film and Television Office and the Office of Housing and Community Development from the Department of Administration. The budget maintains the Department of Business Regulation as a stand-alone department.

Executive Office of Commerce

Staffing and Operations. The Executive Office of Commerce will oversee and will serve as the lead agency of the Executive Branch for managing the promotion of commerce and the state's economy. *The Governor recommends total expenditures of \$1.0 million from general revenues, including \$0.9 million to fund 5.0 full-time equivalent positions and \$0.1 million for operating costs. Staffing includes the secretary of commerce, a deputy director, a director of communications, a chief of strategic planning, monitoring and evaluation, and one administrative support position.*

Housing and Community Development

Lead Abatement, Shelter & Housing Rental Subsidies. The 2014 Assembly adopted legislation to increase the real estate conveyance tax from \$2.00 to \$2.30 per \$500 or fractional part paid for the purchase of property conveyed for more than \$100. The fee increase will provide a permanent stream of funding to be used by the Housing Resources Commission for lead hazard reduction abatement, rental subsidy and shelter operations. The request includes the enacted amount of \$3.4 million from restricted receipts, including \$2.8 million from the real estate conveyance tax and \$0.6 million from a settlement for lead abatement activities. The request should have removed the \$0.6 million from a settlement for lead abatement activities since it was for a one-time expense. Subsequently, the Department indicated that this was an oversight and it notified the Budget Office to reflect this change in the recommended budget.

The Revenue Estimating Conference met in November 2014, and estimated that the state would retain a total of \$9.1 million from the tax in FY 2016 from the current disposition of \$0.90. Based on the estimate, an additional \$0.3 million can be assumed for housing initiatives.

The Governor recommends \$2.8 million from real estate conveyance receipts. The recommendation excludes the \$0.6 million of one-time settlement funding.

Disaster Recovery Grants. The Department of Administration's request includes federal fund expenditures of \$4.3 million, \$0.3 million less than enacted to reflect anticipated expenditures for community disaster assistance. The request includes the enacted amount of \$2.3 million for Hurricane Sandy related projects and \$2.0 million to support infrastructures that were impacted by the 2010 flood. In September 2010, the U.S. Department of Housing and Urban Development awarded the state with a \$13.0 million grant for disaster recovery. Of this, the City of Cranston was awarded \$1.3 million and Warwick was awarded \$2.8 million. Of the \$9.0 million that went directly to the state, *\$3.1 million has been spent through FY 2014.* The requests include \$3.8 million in FY 2015 and \$2.0 million in FY 2016. *The Governor recommends funding as requested.*

Community Development Block Grants. The Department of Administration's request includes \$4.4 million from federal funds, \$0.1 million more than enacted for various community development block grants. The Community Development Block Grant Disaster Recovery Assistance is authorized under Title I of the Housing and Community Development Act of 1974, as amended. Annually, the grant awards are received from the federal government and prior years' remaining funds are carried forward for expenditures; the grants are also adjusted based on available balances of the block grant awards unspent by the Department. Due to the timing of payments, grant funds often overlap fiscal years. *The Governor recommends funding as requested.*

Salaries and Benefits. The Department's request includes \$1.2 million from all funds, including \$0.6 million from general revenues for salary and benefit costs for 11.0 full-time equivalent positions. This

is \$19,499 more than enacted and is \$5,876 more than the current service estimate and assumes no turnover savings. The request includes medical benefit savings based on employee selections, the cost-of-living adjustment and benefit rate changes consistent with the FY 2016 planning values. *The Governor recommends funding as requested.*

All Other Programs. The Department of Administration's request includes \$1.8 million from all funds for all other programs administered by the Office of Housing and Community Development; all but \$10,605 is from federal funds for shelter and emergency shelter operations. *The Governor recommends \$0.2 million less from federal funds than requested to reflect anticipated expenditures.*

RI Film and Television Office

RI Film and Television Office. Consistent with the current service estimate, the Department of Administration's request includes \$324,809 from general revenues, of which \$296,200 will be used to support the Office's 2.6 positions. The request is \$14,017 more than enacted for benefit rate changes to reflect FY 2016 planning values consistent with Budget Office instructions. The 2012 Assembly adopted legislation to transfer the Film and Television Office from the Rhode Island State Council on the Arts to the Department of Administration. The request includes \$480 more than enacted for operating costs for Microsoft Office 365 software costs.

As part of its constrained budget, the Department proposes to lay off 8.2 full-time equivalent positions and increased turnover savings by \$1.1 million from general revenues. This includes \$65,069 from the elimination of a 0.6 systems design program position. The Office indicates that this position is responsible for updating its website daily and building the Office's library via photographs. The elimination would prevent residents from obtaining information on film events and daily community news.

The Governor recommends transferring the Office to the Executive Office of Commerce; however, no legislation to effectuate this change was included. She recommends staffing and funding consistent with the unconstrained request and provides an additional \$482 for computer supplies.

Quasi-Public Appropriations

Commerce Corporation - Operations. The Department of Administration's budget includes the enacted amount of \$4.0 million from general revenues to support general operations of the Corporation.

The FY 2016 budget request submitted by the Corporation to the Department of Administration includes expenditures of \$10.2 million, including a state appropriation of \$7.5 million, which accounts for 73.3 percent of the Corporation's budget. This is \$3.5 million more than enacted, including \$3.0 million to fund a statewide tourism initiative and \$0.4 million to be used upon board approval for leveraging federal and state funds as part of economic development projects. The Corporation's request includes \$3.8 million to support salary and benefit costs for 40.0 full-time equivalent positions. The request includes \$0.1 million for raises that would be awarded to employees based on performance. As of December 2014, the Corporation had 2.0 positions vacant. The request assumes use of \$1.4 million in unrestricted carry forward funds from FY 2015 and the projected ending balance for FY 2016 would be \$0.1 million in unrestricted cash.

The Department of Administration's constrained request reduces the Corporation's operating budget by \$0.3 million, and the Administration indicates that this could be achieved by eliminating 3.0 full-time positions.

The Governor's budget assumes revenues totaling \$20.9 million for the Commerce Corporation. This includes \$11.5 million from general revenues; \$7.6 million more than enacted and new receipts of \$6.4 million from redirected hotel tax proceeds to fund a series of programs in FY 2016, and will provide a permanent stream of funding for the Corporation. The recommendation includes other sources of \$3.0 million from program finance charges and cash receipts available.

The Governor recommends total expenditures of \$19.1 million, including \$11.5 million from general revenues.

Revenues	Existing Sources	FY 2016 Governor	Difference
State Appropriation - General Operations	\$ 3,944,514	\$ 7,894,514	\$ 3,950,000
Executive Office of Commerce Programs	-	3,600,000	3,600,000
<i>Subtotal State Appropriation</i>	<i>\$ 3,944,514</i>	<i>\$ 11,494,514</i>	<i>\$ 7,550,000</i>
Redirected Hotel Tax Proceeds	-	6,412,796	6,412,796
Other (unrestricted cash & program financing)	3,037,934	3,037,934	-
Total	\$ 6,982,448	\$ 20,945,244	\$ 13,962,796

Tourism and Marketing Campaign. The Commerce Corporation's budget includes \$5.5 million from direct general revenues and hotel tax proceeds redirected from general revenues for a statewide tourism campaign that will promote Rhode Island as a vacation and leisure destination and will also include efforts to attract businesses. According to the Commerce Corporation, the amount spent for statewide tourism efforts in FY 2014 was \$0.6 million and currently \$0.5 million is budgeted for FY 2015. This includes \$0.2 million to fund two positions, consisting of a tourism district director and a tourism manager, and an intern. The remaining \$0.3 million is budgeted for postage, mileage reimbursement, website maintenance and \$110,000 for the state's share of the Discover New England consortium.

Competitive Student Loan Forgiveness. The Commerce Corporation's budget includes \$1.8 million from direct general revenues and hotel tax proceeds redirected from general revenues for a student loan forgiveness program to provide up to four years of loan forgiveness for an associate, bachelor or a graduate degree in the fields of natural or environmental sciences, computer technology, engineering or medicine. Recipients must work at least 35 hours per week for an employer located in the state; two-thirds of the awardees must be permanent residents of the state. The legislation establishing this program is included in Section 8 of Article 24 of 2015-H 5900.

High School, College and Employer Partnerships. The Commerce Corporation's budget includes \$0.9 million from direct general revenues and hotel tax proceeds redirected from general revenues to allow the Commerce Corporation to provide funds to support partnerships among high schools, the Community College of Rhode Island, other institutions of higher education, and employers to offer courses towards high school diplomas, internships, and associate degrees.

Building and Fire Permit Initiatives. The Commerce Corporation's budget includes \$0.3 million from direct general revenues and hotel tax proceeds redirected from general revenues to expedite building permit and fire inspection processes for state supported projects. The Governor includes legislation in Article 29, mandating that projects receiving Commerce Corporation incentives be subject only to the state building and fire codes with the inspections done by the state. A municipality with a population greater than 150,000 may opt to review and inspect its own projects. The Administration indicates that the funds will be used for one-time transition costs for the state taking over the fire and building inspections currently performed at the local level.

Industry Cluster Grants. The Governor proposes the creation of an Industry Cluster Grants Program and includes \$2.0 million from the debt restructuring savings, including \$750,000 in FY 2016 for the Commerce Corporation to provide startup and technical assistance grants ranging from \$75,000 to \$250,000; and to provide competitive grants ranging from \$100,000 to \$500,000 for activities within an industry cluster and to close industry cluster gaps.

Office of Economic Empowerment. The Commerce Corporation's budget includes \$0.3 million from direct general revenues and hotel tax proceeds redirected from general revenues to fund a new Office of Economic Empowerment, which would serve as a one-stop shop for individuals to access federal and state benefits, including education, job training, and employment opportunities.

Innovative Matching Grants/Internships. The Department of Administration's request includes the enacted amount of \$0.5 million from general revenues to support the Innovate RI Small Business and the Bioscience and Engineering Internship Programs. The Science and Technology Advisory Council developed guidelines to administer the programs. To be eligible, a business must meet the following conditions: be a Rhode Island-based business with 50 or fewer employees and have at least 51.0 percent of its employees residing in the state. A business must also certify that at least 51.0 percent of its research will be conducted in the state. Pursuant to the guidelines, an applicant may receive a matching grant of 30.0 percent of the amount of the recipient's federal award with a maximum matching grant not to exceed \$45,000.

Since its inception in FY 2014, the program has provided 46 grants totaling \$0.7 million to Rhode Island based companies with fewer than 50 employees. These grants have provided training opportunities for 26 interns. Funding has also been used for grant preparation support for seven companies and matching funds to 14 federal Small Business Innovate Research Phase I award recipients. According to the Council, the state matching funds have leveraged \$2.5 million in federal grants from the Departments of Defense and Energy, the National Science Foundation and the National Institutes of Health.

The budget includes \$1.0 million from general revenues, \$0.5 million more than enacted from general revenues or redirected hotel taxes to support the Small Business Innovation Research grants and the Bioscience and Engineering Internship Programs.

I-195 Redevelopment District Commission. The Department of Administration's request includes the enacted amount of \$0.3 million from general revenues to support the operations of the I-195 Redevelopment District Commission. The Commission was created by the 2011 Assembly as the responsible authority for the sale, marketing and oversight of land made available as a result of the relocation of Interstate 195.

The budget submitted by the Commission totaled \$1.4 million from all funds, including \$1.1 million from general revenues and \$0.3 million from Rhode Island Capital Plan funds. The request assumes \$0.1 million in carry forward funds from FY 2015. It includes \$0.3 million to fund two positions, an executive director and a project director; \$0.5 million for operating expenses, such as leases, insurance, and audit costs; and \$0.4 million for contractual services such as legal services.

The Governor recommends \$1.1 million from all funds, including \$0.8 million from general revenues and \$0.3 million from Rhode Island Capital Plan funds. The recommendation also assumes use of \$0.1 million available from FY 2015 unexpended funds.

Airport Impact Aid. Consistent with the enacted budget, the Department of Administration's request include \$1.0 million for the Commerce Corporation so that the Airport Corporation can provide impact aid payments to the seven communities that host the six state airports. The community payments are made proportionately based on the number of total landings and takeoffs. *The Governor recommends funding as requested.*

Experimental Program to Stimulate Competitive Research (EPSCoR). The Department of Administration's request includes the enacted amount of \$1.15 million for participation in the National Science Foundation's Experimental Program to Stimulate Competitive Research. This is the eleventh installment totaling \$13.0 million of state funds, which are necessary to receive federal grant awards of \$3.0 million per year to establish a partnership between state government, higher education and industry to effect lasting improvements in research infrastructure and national research and development competitiveness. Initially, this was a three-year commitment, which ended in FY 2011. FY 2015 will be fifth and final year of the second commitment. The Science and Technology Advisory Council indicates it has submitted an application to continue the program, which would require state support for FY 2016 through FY 2020.

Since 2006, the Council has distributed \$9.8 million in collaborative research grants to 65 teams working on advances in marine sciences, biologics, energy, aquaculture, brain science and medical devices. *The Governor recommends funding as requested.*

Chafee Center at Bryant. The Department of Administration's request includes the enacted amount of \$226,200 for the Chafee Center at Bryant University, which helps local companies initiate and/or develop international trade opportunities. *The Governor recommends \$376,200 from general revenues, \$150,000 more than enacted.*

Slater Technology Fund Phase-Out. The Department of Administration's request includes the enacted amount of \$150,000 from general revenues for the Slater Technology Fund, which is a state-backed venture capital fund that invests in new ventures. The state was awarded a total of \$13.2 million as part of the federal State Small Business Credit Initiative, \$9.0 million of which was allocated to the Slater Technology Fund. Provided that returns on investments are received, the fund would eventually be self-sustaining.

The Slater Centers for Excellence was created in 1997; however, the Governor issued an executive order in 2005 to merge all the Centers into the Slater Technology Fund. The request brings funding to date to \$46.3 million. *The Governor does not recommend any general revenue funding. The Department of Administration's budget, however, includes \$4.3 million in federal funds from the State Small Business Credit Initiative.*

Community Service Grants. The Department of Administration's request includes the enacted amount of \$0.6 million for 14 community service grants that are passed through the Commerce Corporation. It should be noted that the FY 2014 final budget included \$10,222 from general revenues in grant expenditures to the Center to Advance Minority Participation in Construction to support minority participation in the construction industry. The funds are used to provide additional vocational training for minority construction employers and their employees, in order to increase their participation in building related trades and businesses in Rhode Island. The Department did not report expenditures for this in FY 2014. The Commerce Corporation indicated that it attempted to reach the Center on numerous occasions; however, it did not receive a call back. *The Governor recommends funding as enacted.*

Economic Development Initiative Funds

The Governor recommends refinancing and restructuring a portion of the state's general obligation bond debt. The recommended budget assumes a general revenue savings of \$84.0 million over two years, which the Governor proposes to use to fund several economic development initiatives. This assumes use of \$64.5 million in FY 2016 and \$19.4 million in FY 2017. Of the \$64.5 million included for FY 2016, \$44.5 million would be used by the Executive Office of Commerce to fund several initiatives. Legislation effectuating these initiatives are found in Article 29 of 2015-H 5900. The Governor also includes legislation in Article 1 authorizing the Secretary of Commerce to transfer funds between each program initiative as he deems necessary. Prior to doing so, the Secretary must notify the Director of the Office of Management and Budget, and the chairpersons of the House and Senate Finance Committees.

I-195 Redevelopment Project Fund. The budget includes \$25.0 million from the debt restructuring savings to establish a fund to provide developers and businesses with financing for capital investment, including land acquisition in order to promote the development of the land. The Fund would be administered by the I-195 Redevelopment District Commission.

Incentives for Tax Stabilization. The Governor recommends the creation of an incentive program allowing the Commerce Corporation to enter into agreements to reimburse qualifying communities up to 10.0 percent of foregone property tax revenues in exchange for the municipalities' providing developers with tax stabilization agreements for redeveloped and rehabilitated properties. Supporting documents suggest that these would be funded from a pool of \$12.7 million in general revenue funding available from debt refinancing.

Small Business Assistance Program. The Governor recommends \$5.5 million from debt restructuring to establish a Small Business Assistance Program for businesses with less than 200 employees that are having difficulties obtaining financing from traditional lending organizations. Ten percent of the funding must be set-aside for a microloan program to be administered by a third party with expertise in microloans.

First Wave Closing Fund. The Governor recommends \$5.0 million from the debt restructuring savings to establish a First Wave Closing Fund, which would provide a company with financing to ensure that certain transactions that are deemed critical to the state's economy occur, subject to the Commerce Corporation's Board approval.

Affordable Housing Fund. The Budget includes \$3.0 million from general revenues from debt restructuring to finance the development of affordable housing. This program will be administered by Rhode Island Housing, which will leverage federal resources and private equity for the **program**. Previously, the voters approved a total of \$75.0 million from general obligation bonds for the construction of affordable housing units.

Rhode Island Infrastructure Bank. The budget renames the Clean Water Finance Agency as the Rhode Island Infrastructure Bank, expands the Agency's purview to include renewable energy and efficiency projects, and authorizes the Bank to create an efficient buildings fund. The budget includes \$2.0 million from the debt restructuring savings, \$2.0 million from reprogramming the Energy Revolving Loan Fund at Commerce Corporation and \$3.0 million from the Regional Greenhouse Gas Initiative from the Office of Energy Resources.

The Governor includes legislation in Article 24 to extend the electric and gas demand charges by 21 years, from 2017 to 2038. These surcharges fund the Energy Efficiency/Demand Side Management Programs. The article alters the distribution to allow each entity to receive 50.0 percent. A portion of these funds would be set aside for debt service coverage on some Infrastructure Bank loans.

Anchor Tax Credit. The Governor's recommended budget includes the creation of a tax credit program establishing a credit of an unspecified amount that may be applied against corporate income tax liability for up to five years by qualifying businesses that have successfully solicited the relocation of a separate business to the state or relocating at least ten employees of that separate business on a permanent basis. The budget dedicates \$5.7 million from debt refinancing proceeds over two fiscal years for this purpose but the credits do not appear limited to that total, nor is there a cap on the total credits that may be received by an entity. The FY 2016 budget includes \$1.8 million.

Streetscape Improvement Fund. The Governor proposes legislation to authorize the Commerce Corporation to award loans, matching grants and other forms of financing to enhance sidewalks, signage of public space and lighting in order to create an attractive environment in local business districts. The Governor recommends \$1.0 million in FY 2016 and indicates intent to recommend \$1.0 million in FY 2017. General revenue funding comes from debt refinancing.

Industry Cluster Grants. The Governor proposes the creation of an Industry Cluster Grants Program and includes \$2.0 million from the debt restructuring savings, including \$750,000 in FY 2016 for the Commerce Corporation to provide startup and technical assistance grants ranging from \$75,000 to \$250,000; and to provide competitive grants ranging from \$100,000 to \$500,000 for activities within an industry cluster and to close industry cluster gaps.

Innovation Initiative. The Governor proposes establishing an Innovation Initiative for small businesses with less than 500 employees to purchase research and development support from the state's institutions of higher education and other providers. The budget provides \$0.5 million from general revenues from debt restructuring in FY 2016 to create a voucher program that would allow small businesses to earn \$5,000 to \$50,000. The Governor indicates intent to recommend \$0.5 million in FY 2017.

Department of Labor and Training

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Program				
Central Management	\$ 2,437,211	\$ 1,468,181	\$ 3,608,329	\$ 1,980,112
Workforce Development Services	34,761,176	45,160,030	32,739,918	30,619,841
Workforce Regulation and Safety	2,720,916	2,794,384	2,978,910	2,925,633
Income Support	462,320,667	429,122,385	396,126,505	400,791,134
Injured Workers Services	8,951,372	8,645,481	8,580,529	8,501,946
Labor Relations Board	388,648	381,690	396,651	389,651
Total	\$ 511,579,990	\$ 487,572,151	\$ 444,430,842	\$ 445,208,317
Expenditures by Category				
Salaries and Benefits	\$ 38,105,588	\$ 39,556,657	\$ 36,053,944	\$ 38,810,888
Contracted Services	4,364,433	9,122,223	7,165,685	7,158,685
Subtotal	\$ 42,470,021	\$ 48,678,880	\$ 43,219,629	\$ 45,969,573
Other State Operations	4,898,680	4,617,835	5,929,740	5,929,723
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	428,486,982	396,047,536	383,699,980	383,355,728
Capital	2,052,638	3,623,043	3,324,751	1,696,551
Capital Debt Service	5,000,000	2,300,000	-	-
Operating Transfers	28,671,669	32,304,857	8,256,742	8,256,742
Total	\$ 511,579,990	\$ 487,572,151	\$ 444,430,842	\$ 445,208,317
Sources of Funds				
General Revenue	\$ 8,669,103	\$ 9,013,937	\$ 10,464,315	\$ 8,424,769
Federal Aid	42,183,672	51,450,837	35,362,882	38,164,061
Restricted Receipts	41,540,583	51,418,162	21,486,108	23,130,150
Other	419,186,632	375,689,215	377,117,537	375,489,337
Total	\$ 511,579,990	\$ 487,572,151	\$ 444,430,842	\$ 445,208,317
FTE Authorization	410.0	410.0	410.0	410.0

Summary. The Department of Labor and Training requests \$444.4 million from all fund sources, including \$10.5 million from general revenues. The request is \$67.1 million less than enacted, including \$1.8 million more from general revenues and reductions of \$42.1 million from other funds, \$20.1 million from restricted receipts and \$6.8 million from federal funds, primarily related to unemployment insurance benefits and loan repayment. The request includes 410.0 full-time equivalent positions, which is consistent with the enacted level and revised request.

The request is \$1.6 million above the Budget Office's general revenue current services target of \$8.8 million. The Department submitted a constrained request that totals \$10.1 million and includes \$0.3 million less from general revenues than the unconstrained request.

The Governor recommends \$445.2 million from all sources, including \$8.4 million from general revenues. This is \$1.1 million more than requested, including \$1.7 million less from general revenues.

The recommendation shifts \$1.6 million requested from general revenues for the unemployment insurance system upgrade to be funded from restricted receipts, reduces other funds by \$1.6 million for capital expenditures, includes turnover and operating savings of \$60,294 from general revenues and adds \$2.8 million from federal funds, primarily for unemployment insurance positions for funding at the current services level. The Governor recommends 410.0 full-time equivalent positions, consistent with the request and the enacted authorization.

Target. The Budget Office provided the Department with a general revenue target of \$8.5 million. That includes current service adjustments of \$0.2 million and a 7.5 percent target reduction of \$0.3 million, adjusted for certain exclusions. The constrained budget submitted by the Department exceeds the target by \$1.6 million by including general revenue funding for expenses related to the new unemployment insurance tax and benefit systems being developed, discussed separately. The Governor's general revenue recommendation is \$60,294 less than the constrained budget target.

FY 2016 Budget	Budget Office	Labor and Training	Difference
FY 2015 Enacted	\$ 8,669,103	\$ 8,669,103	\$ -
Current Service Adjustments	160,212	160,212	-
New Initiatives	-	1,635,000	1,635,000
Change to FY 2015 Enacted	\$ 160,212	\$ 1,795,212	\$ 1,635,000
FY 2016 Current Service/ Unconstrained Request	\$ 8,829,315	\$ 10,464,315	\$ 1,635,000
Target Reduction/Initiatives	(344,252)	(344,252)	-
FY 2016 Constrained Target/Request	\$ 8,485,063	\$ 10,120,063	\$ 1,635,000
<i>Change to FY 2015 Enacted</i>	<i>\$ (184,040)</i>	<i>\$ 1,450,960</i>	<i>\$ 1,635,000</i>

Demand-Driven Workforce Development. The request includes \$33.8 million from all sources, including \$1.1 million from general revenues for various workforce development programs and administration within the Department. The Governor recommends \$31.7 million, including \$0.8 million from general revenues for workforce development programs. Supporting documents reference a plan to realign workforce training efforts with an emphasis on employers' needs to train people for positions that currently exist and use performance measurements to optimize the investment of existing workforce development funding. However, there is no accompanying legislation or plan.

Work Immersion. The FY 2015 enacted budget includes \$1.1 million from general revenues for certain workforce development programs, including work immersion, non-trade apprenticeships, 3.0 positions for Back to Work Rhode Island, and subsidized child care while in training. For FY 2015, the Department provided specific allocations for each component, including \$1.2 million for work immersion, which is a paid employment program where individuals are partnered with businesses for a temporary work experience to increase the individual's employability and assist businesses by training individuals for potential employment. The Department reimburses the employer for up to 50 percent of the cost of up to 200 hours of work during a ten-week period and up to 75 percent reimbursement if the individual is hired at the completion of the program. From the programs beginning in FY 2014 through November 2014, \$0.4 million has been spent for 553 participants and 78 were hired.

The FY 2016 request includes the enacted level of funding, but does not specify the amount for each component, as the Department plans to base the allocations on the FY 2015 experience in terms of program participation and successes. The Back to Work Rhode Island and subsidized child care pilot programs are not included in the request, since those programs end in FY 2015; however, the request includes the same level of funding, shifting the funding to the remaining components. The request appears to include \$0.9 million for work immersion, assuming that a majority of the funding for the

programs that ended is allocated to the work immersion program which is the largest of the components; this is \$0.4 million more than enacted.

As part of its constrained request, the Department requests a reduction of \$344,252 from among all of these new job development programs, though specific program reductions have not been identified and would be determined at a later date. This is the exact amount of the Budget Office target reduction. *The Governor recommends funding consistent with the constrained request, but does not allocate the reduction to specific programs.*

Non-Trade Apprenticeships. The FY 2015 enacted budget includes \$1.1 million from general revenues for certain workforce development programs. For FY 2015, the Department provided specific allocations for each component, including \$150,000 for non-trade apprenticeships. It appears that no expenditures were made in FY 2014 for this program and the Department has not been able to provide FY 2015 expenditures. Two apprenticeship proposals were approved in November 2013; the chosen providers then prepared curriculum plans, and presented them to the State Apprenticeship Council in the spring of 2014. The employer pays the wages for any apprenticeship and department expenses are for administration.

The FY 2016 request includes the enacted level of funding, but does not specify the amount for each component, as the Department plans to base the allocations on the FY 2015 experience in terms of program participation and successes. The Back to Work Rhode Island and subsidized child care pilot programs are not included in the request, since those programs end in FY 2015; however, the request includes the same level of funding as when all programs were operational, shifting the funding to the remaining components. The request appears to include \$150,000 for non-trade apprenticeships, consistent with the enacted level.

As part of its constrained request, the Department requests a reduction of \$344,252 from among all of these new job development programs, though specific program reductions have not been identified and would be determined at a later date. This is the exact amount of the Budget Office target reduction. *The Governor recommends funding consistent with the constrained request, but does not allocate the reduction to specific programs.*

Self-Employment Assistance. The FY 2015 enacted budget includes \$1.1 million from general revenues for certain workforce development programs. The FY 2016 request includes the enacted level of funding, but does not specify the amount for each component, as the Department plans to base the allocations on the FY 2015 experience in terms of program participation and successes.

Consistent with the revised request, the FY 2016 request adds the self-employment assistance program and appears to allocate \$0.1 million. The self-employment assistance program provides training and information to individuals collecting unemployment benefits who are interested in becoming self-employed and opening their own business. The Department received a one-time grant from the United States Department of Labor for the program, which will be expended in FY 2015. Since the Department determined the program has been successful, it requests general revenues to continue it. The Department has not been able to provide the number of individuals that participated or have been successful in starting their own business.

As part of its constrained request, the Department requests a reduction of \$344,252 from among all of these new job development programs, though specific program reductions have not been identified and would be determined at a later date. This is the exact amount of the Budget Office target reduction.

The Governor recommends funding consistent with the constrained request, but does not allocate the reduction to specific programs.

Back to Work Rhode Island. The FY 2015 enacted budget includes \$1.1 million from general revenues for certain workforce development programs and for FY 2015, the Department provided specific allocations for each component; it included \$0.4 million for the Back to Work Rhode Island program and the 3.0 related positions. Because the program ended December 31, 2014, there is no funding in the request for this program; the positions were not removed, but were allocated to other duties within the Department. The program allowed individuals to continue collecting unemployment benefits while participating in on-the-job training activities for up to six weeks. The Department spent approximately \$20,000 in FY 2014 and requests \$158,263 for this program in its FY 2015 revised request; it has not been able to provide the number of participants. *The Governor does not include any legislation to continue the program or any funding for the program.*

Subsidized Child Care Pilot. The FY 2015 enacted budget includes \$1.1 million from general revenues for certain workforce development programs and for FY 2015, the Department provided specific allocations for each component; including \$0.1 million for the child care component. The child care pilot program allows a parent, with an annual income below 180 percent of the federal poverty level who is attending certain job readiness programs, access to subsidized child care, if child care is required for participation. The program began October 1, 2013, and will end June 30, 2015, so there is no funding in the request for this program in FY 2016. The Department spent \$9,664 in FY 2014 for these expenditures and requests \$90,336 in FY 2015. *The Governor does not include any legislation to continue the program or any funding for the program.*

Unemployment Insurance Consortium. The Department requests \$5.6 million from all sources for expenses related to the replacement of the unemployment benefit and tax systems. The request includes \$4.0 million from federal funds comprised of \$3.6 million for system development and \$0.3 million for salaries and benefits. It also includes a new request for \$1.6 million from general revenues, including \$0.9 million for salaries and benefits and \$0.8 million for a new imaging system to be compatible with the new tax and benefit systems. There are no general revenues in the enacted budget for this project and \$1.0 million from federal funds; the request is \$4.6 million above the enacted level. The Department indicates approximately eight positions would be filled with this request.

Rhode Island joined into a consortium with Maine and Mississippi to develop new automated unemployment insurance tax and benefit systems, based on Mississippi's systems. The U.S. Department of Labor awarded the consortium \$90.0 million for the project, \$60.0 million for the centralized program development and \$10.0 million for each state to develop the program to its specific needs. The requested \$3.6 million for the system development represents the last of Rhode Island's \$10.0 million allocation. The Department was able to secure \$1.5 million in additional federal funds to support staffing expenses related to developing the system, but those funds will expire September 30, 2015. The requested general revenues would be used to maintain staff to continue the development of the system. The Department will continue to seek additional federal resources whenever possible, but requests general revenues because these federal resources are expected to end. This is a 3-5 year project for the new system: the benefit portion will be done in 2016, while the tax portion will be completed in 2018.

It should be noted that for FY 2014, the Department anticipated need of up to \$8.0 million for staffing from September 2014 through the completion of the projects and for FY 2015, the Department indicated its staffing need was closer to \$1.0 million annually or \$4.8 million through FY 2019.

The Governor recommends total funding as requested; she includes federal funds as requested, but assumes use of \$1.6 million from Job Development Fund restricted receipts in lieu of general revenues. Use of the Job Development Fund for this purpose requires legislation which was inadvertently omitted from the budget recommendation.

Unemployment Insurance Benefits. The Department requests \$175.5 million from all fund sources for the payment of all unemployment insurance benefits. This includes \$174.0 million from the Employment Security Trust Fund for the first 26 weeks of regular benefits and \$1.5 million from federal funds for the Work Share program, which allows employers to reduce staff hours to avoid layoffs and allows the workers to collect unemployment benefits for those reduced hours. The request is \$34.5 million less than enacted, including \$0.9 million less from federal stimulus funds and \$33.6 million less from the Trust Fund. *The Governor recommends funding as requested.*

Loan Repayment. The Department does not request any funding from the Job Development Fund for the payment of the interest and principal on the state's outstanding federal loans for the payment of unemployment insurance benefits. The loan was repaid on November 5, 2014. The enacted budget includes \$25.6 million. *The Governor concurs.*

Unemployment Insurance Legal Fees. The Department requests \$0.4 million from restricted receipts for legal fees related to unemployment insurance claims appeals, which is \$0.2 million more than enacted. The 2013 Assembly passed legislation to change the payment amounts and manner in which legal fees were paid to attorneys in unemployment insurance appeals, intended to reduce expenditures from the restricted receipt accounts to avoid the use of general revenues. Combined with other reductions, the enacted budget assumed total savings of \$0.4 million. The Department implemented the lower fees; however, expenditures remain higher than projected but there are sufficient restricted receipts to offset these expenses. *The Governor recommends funding as requested.*

Unemployment Insurance Administration. The Department requests \$3.1 million, primarily from federal funds, from all sources for the administration and operations of the unemployment insurance program, excluding salaries and benefits. The request is \$0.7 million less than enacted. The request includes \$1.7 million for information technology and computer related expenses including special projects from dedicated federal sources, which is \$0.6 million less than enacted to reflect the completion of projects in FY 2015 and an expected reduction in administration funds in the coming year from the state's declining unemployment rate and number of claimants. It also includes \$0.4 million for both centralized state services and postage, \$0.1 million each for stenographic services for adjudication and appeals, printing, and rental and lease costs, along with \$0.3 million for utilities, various maintenance costs, and office supplies. *The Governor recommends funding as requested.*

Police and Fire Relief Fund. The Department requests \$4.1 million from general revenues for the payment of police and fire benefits paid to surviving spouses of deceased police and firefighters and education benefits for spouses and children of deceased or disabled officers and firefighters, as well as the disabled worker. This consists of \$3.5 million for pension benefits and \$0.6 million for education benefits; the request is \$0.1 million less than enacted from a recent decline in the number of certain eligible recipients. *The Governor recommends funding as requested.*

Workforce Investment Act Grants. The request includes \$5.8 million from federal Workforce Investment Act funds to support employment initiatives oriented toward youth, adults and dislocated workers. This is \$2.2 million less than enacted and \$6.5 million less than the revised request, which includes funds carried forward from FY 2014. The request includes \$0.5 million less than enacted from two grants that are expiring and represents more conservative estimates of available funding for

these programs, including less funding carried forward from FY 2015 than prior requests. The request is comprised of \$2.8 million for youth programs, \$1.5 million for dislocated workers, and \$1.5 million for adult programs. *The Governor recommends funding as requested.*

Human Resource Investment Council Grants. The Department requests \$7.9 million from restricted receipts or \$0.2 million more than enacted to support workforce development grant awards and employment and training initiatives through the Governor's Workforce Board and the Human Resource Investment Council. The grant awards for FY 2016 will be determined in FY 2015.

The Council receives primary funding from the Job Development Fund, a 0.21 percent assessment of the employer's payroll tax. The assessment generates approximately \$12.5 million for the Council's use. Administrative costs are approximately \$3.1 million, including the Department's internal expenses for staff and operations. The balance is distributed for workforce development activities, including adult education and these requested grant expenditures. *The Governor recommends funding as requested.*

All Other Workforce Development Grants. The Department requests \$2.5 million from federal funds for all other workforce development grants. This is \$2.7 million less than enacted, including \$2.0 million from reduced utilization of the trade adjustment act program, and reductions of \$0.6 million for workforce innovation and \$0.1 million for the data quality initiative to reflect the end of the grant periods. The request includes \$1.7 million for trade adjustment act programs, \$0.5 million for senior community service employment, and \$0.1 million each for the disability employment initiative, data quality initiative and On-Ramps to Career Pathways programs and reflects the estimated federal awards for FY 2016. *The Governor recommends funding as requested.*

Workforce Development Operations. The Department requests \$1.8 million from all sources, including \$1.7 million from federal funds and \$0.1 million from restricted receipts, for administration and operations of the workforce development services program, excluding salaries and benefits. This includes \$0.1 million for the Governor's Workforce Board, \$0.6 million for Workforce Investment Act programs, and \$1.1 million for all other workforce development programs. The request is \$8,187 less than enacted and includes reductions for lease and utilities costs to be in line with FY 2014 expenditure levels and increases computer and information technology expenses to complete renovations at the neWORKri locations. *The Governor recommends funding as requested.*

Temporary Disability Insurance Benefits. The Department requests \$175.0 million from the Temporary Disability Insurance Fund for the benefit payments that protect eligible workers against wage loss resulting from a non-work related illness or injury. This is \$5.0 million more than enacted and consistent with the revised request. Requested benefits increase 2.9 percent from the enacted level, which is near pre-recession growth; however, the request reflects a 9.8 percent increase from FY 2014. *The Governor recommends funding as requested.*

Temporary Disability Insurance Administration. The Department requests \$6.0 million from the Temporary Disability Insurance Fund for administrations of the Temporary Disability Insurance program. This is \$0.1 million more than enacted, primarily for staffing expenses from shifting 0.7 positions to other programs, maintaining vacant positions and adding \$225,102 for the cost-of-living adjustment. It also includes \$27,621 less for administrative expenses, primarily for maintenance and utility expenses. *The Governor recommends funding as requested.*

Temporary Caregiver Benefits. The Department requests \$10.0 million from the Temporary Disability Insurance Fund for benefits for the temporary caregiver insurance program. This is \$10.0

million less than enacted and \$7.3 million above FY 2014 expenditures. Although the number of applications was high, the amount of benefits utilized was much lower than anticipated in FY 2014 and the Department anticipates that benefit utilization will increase slightly in both FY 2015 and FY 2016.

The program began on January 1, 2014, and allowed eligible claimants up to four weeks of benefits to care for a seriously ill child, spouse, domestic partner, parent, parent-in-law or grandparent, or to bond with a newborn child, new adopted child or new foster care child. The benefit rate is the same as temporary disability insurance benefits. *The Governor recommends funding as requested.*

Temporary Caregiver Administration. The Department requests \$1.0 million from the Temporary Disability Insurance Fund, which is \$0.2 million more than enacted for administration of the temporary caregiver program. This includes \$0.3 million more for salaries and benefits from shifting 3.0 positions from other divisions, for a total of 10.0 positions, and \$42,289 for the cost-of-living adjustment. The Department based its original staffing request on other states' experience, but after six months, assigned additional staff to the program. The request also includes \$23,993 for administration, such as postage, office supplies and utilities, which is \$92,851 less than enacted based on the first eight months of actual expenses. Requested administrative expenses are \$676 more than FY 2014 expenditures; however, the program was only operating for half of the fiscal year. *The Governor recommends funding as requested.*

Workers' Compensation. The Department requests \$4.3 million from workers' compensation restricted receipts for administration of the workers' compensation program, excluding salaries and benefits. This includes \$1.8 million for operations at the Donley Rehabilitation Center, \$1.6 million for the Administration Fund for payment of claims for second injuries, \$0.5 million for claims processing, \$0.4 million for the education unit and \$0.1 million for all other administrative costs. The request includes \$1.9 million for doctors, dentists, nurses, employing a graduate student under a training program and other medical services at the Donley Center and for claims determinations, \$0.5 million for information technology expenses, and \$0.3 million for all other operating expenses, such as insurance, utilities and office supplies. The request is \$0.3 million less than enacted, including \$0.7 million less from second injury claims partially offset by increases of \$0.2 million for continued computer programming upgrades and information technology services for claims processing and \$0.1 million for various medical services at the Donley Rehabilitation Center. *The Governor recommends funding as requested.*

Capital Improvements. The Department requests \$3.1 million from Rhode Island Capital Plan funds for a series of nine asset protection projects at the Center General Complex, Donley Rehabilitation Center and West Warwick field office. This is \$1.1 million more than enacted and consistent with the Department's capital budget request. The Department does not request any funding for the roof replacement project since it is expected to be completed in FY 2015. *The Governor recommends \$1.6 million less than requested for the asset protection project, which is discussed in greater detail in the Capital Budget section of this publication.*

Operating Transfers. Excluding items mentioned previously, the Department's revised request includes \$8.3 million for expenditures classified as "operating transfers," which is \$45,073 more than enacted. The changes include \$0.2 million more from Temporary Disability Insurance funds to support the employer tax unit in the Department of Revenue and \$0.2 million less for reimbursements to the three state institutions of higher education. These are shown for accounting purposes to reflect transfers of funds in and out of the state's general fund, out of the temporary disability insurance and employment security funds and among state agencies. These transfers double count expenditures that

appear elsewhere in this budget or in other state agencies. *The Governor recommends funding as requested.*

All Other Salaries and Benefits. The Department requests \$29.6 million from all sources for all other salary and benefit expenses for the remaining 339.6 positions, including \$3.3 million from general revenues, \$17.5 million from federal funds and \$8.8 million from restricted receipts. The request is \$2.7 million less than enacted; it includes \$3.3 million less from federal funds from shifting expenses to restricted receipt accounts, maintaining vacancies and an expected reduction in unemployment administration funding in the coming year from the state's declining unemployment rate and number of claimants. The request increases general revenues by \$0.3 million from filling a 0.5 position in Central Management and 1.0 Workforce Regulation and Safety position funded from general revenues in addition to the cost-of-living adjustment.

The request includes the enacted number of positions but shifts positions and funding between programs. The request includes turnover savings of \$7.0 million from maintaining approximately 68 positions vacant, primarily related to unemployment insurance administration, but also workforce development. Based on the request, the cost-of-living increase is \$1.3 million, \$0.2 million from general revenues. The Administration reached agreements with its largest unions for a new four-year contract effective July 1, 2013 through June 30, 2017 that includes 2.0 percent salary increases effective April 6, 2014, October 5, 2014 and October 4, 2015, offset by increased cost sharing measures for medical benefits. The estimated cost for FY 2016 reflects approximately 5.6 percent growth over personnel expenditures for FY 2014.

The Governor recommends \$2.8 million more than requested, including \$53,277 less from general revenues. This includes \$2.9 million to fund unemployment insurance positions at the current services level because the Department has not yet received notification of any definite reductions to current funding levels. Consistent with the revised recommendation, it also includes turnover savings from not filling the requested workforce regulation and safety position and additional turnover in the workers' compensation and workforce development divisions. It also adds \$0.1 million from federal funds to offset the general revenue reduction, though the addition is greater than the general revenue reduction.

All Other Operations. The Department requests \$0.2 million from general revenues for all other operations. This is \$14,402 less from general revenues. The request includes \$132,972 for the workforce regulation and safety division, \$17,669 for central management, \$53,370 for the Labor Relations Board and \$2,811 for the Police and Fire Relief program. The request is \$1,099 or 0.4 percent more from general revenues than the revised request for the same expenditures, reflecting a one percent increase for some expenditures and no increase for others. *The Governor recommends \$7,017 less than requested from general revenues, including \$7,000 less for legal expenses for the Labor Relations Board and \$17 less for various operating expenses in the Office of the Director to make expenditures consistent with FY 2013 and FY 2014 expenditures.*

Department of Revenue

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Program				
Office of Director	\$ 1,122,100	\$ 1,114,066	\$ 1,297,284	\$ 1,144,238
Office of Revenue Analysis	564,334	545,366	617,882	574,490
Lottery Division	342,306,302	330,592,118	353,138,521	303,850,780
Division of Municipal Finance	2,256,992	2,279,033	2,413,338	2,186,998
Taxation	22,098,570	21,956,569	23,431,071	22,819,933
Registry of Motor Vehicles	24,846,255	22,342,940	24,217,898	21,465,170
State Aid	67,020,089	67,249,646	63,165,640	63,165,640
Total	\$ 460,214,642	\$ 446,079,738	\$ 468,281,634	\$ 415,207,249
Expenditures by Category				
Salaries and Benefits	\$ 45,081,072	\$ 44,624,302	\$ 48,709,532	\$ 47,430,708
Contracted Services	4,323,223	4,514,951	1,954,161	1,882,007
Subtotal	\$ 49,404,295	\$ 49,139,253	\$ 50,663,693	\$ 49,312,715
Other State Operations	340,044,958	327,071,842	351,325,937	299,661,838
Aid to Local Units of Government	67,150,629	67,378,685	63,380,856	63,321,548
Assistance, Grants, and Benefits	108,923	108,923	108,923	108,923
Capital	3,442,837	2,314,918	2,734,124	2,734,124
Operating Transfers	63,000	66,117	68,101	68,101
Total	\$ 460,214,642	\$ 446,079,738	\$ 468,281,634	\$ 415,207,249
Sources of Funds				
General Revenue	\$ 107,798,690	\$ 107,304,673	\$ 108,813,459	\$ 105,198,446
Federal Aid	5,113,145	4,692,166	1,385,590	1,315,154
Restricted Receipts	4,000,819	2,309,433	3,943,638	3,894,326
Other	343,301,988	331,773,466	354,138,947	304,799,323
Total	\$ 460,214,642	\$ 446,079,738	\$ 468,281,634	\$ 415,207,249
FTE Authorization	505.0	505.0	513.5	514.5

Summary. The Department of Revenue requests expenditures of \$468.3 million for FY 2016, including \$108.8 million from general revenues, \$1.4 million from federal funds, \$3.9 million from restricted receipts and \$354.1 million from other sources including Lottery funds. The request is \$8.1 million more than the enacted budget. This includes increases of \$1.0 million from general revenues and \$10.3 million from other funds and reductions of \$3.7 million from federal funds and \$57,181 from restricted receipts.

The Governor recommends \$415.2 million from all sources, which is \$53.1 million less than requested. Recommended general revenues are \$105.2 million, \$2.6 million less than enacted and \$3.6 million less than requested. The recommendation includes \$0.1 million less than requested from federal funds, \$49,312 less from restricted receipts, and \$49.3 million less from other sources, primarily Lottery funds.

Staffing Authorization. The Department requests 513.5 full-time equivalent positions, 8.5 more than authorized. The request reflects the creation of a training supervisor position within the Office of the Director and part-time customer service representative positions, equivalent to 6.5 full-time positions within the Registry of Motor Vehicles. The request also includes the restoration of 1.0 unidentified full-time equivalent position assumed allocated to other state agencies in the enacted budget; however, it does not identify the specific division to which the restored position would be assigned.

The Administration reached agreements with its largest unions for a new four-year contract effective July 1, 2013 through June 30, 2017 that includes 2.0 percent salary increases effective April 6, 2014, October 5, 2014, and October 4, 2015. Based on the request, the FY 2016 cost for the increases is \$2.2 million from all funds, including \$1.7 million from general revenues.

The Governor recommends 514.5 full-time equivalent positions, 1.0 more than requested. The recommendation includes the requested part-time customer service positions and an additional 3.0 new full-time positions for the Division of Taxation to implement recommended revenue initiatives. The Governor does not include the requested training supervisor position and does not recommend the restoration of the unidentified position.

Target Issues. The Budget Office provided the Department of Revenue with a general revenue target of \$105.5 million. The amount includes current service adjustments of \$0.9 million and a 7.5 percent reduction of \$3.3 million.

FY 2016 Budget	Budget Office	DOR	Difference
FY 2015 Enacted	\$ 107,798,690	\$ 107,798,690	\$ -
Current Service Adjustments	949,411	1,014,769	65,358
<i>Change to FY 2015 Enacted</i>	<i>\$ 949,411</i>	<i>\$ 1,014,769</i>	<i>\$ 65,358</i>
FY 2016 Current Service/Unconstrained Request	\$ 108,748,101	\$ 108,813,459	\$ 65,358
Target Reduction/Initiatives	(3,268,040)	(3,340,718)	(72,678)
FY 2016 Constrained Target/Request	\$ 105,480,061	\$ 105,472,741	\$ (7,320)
<i>Change to FY 2015 Enacted</i>	<i>\$ (2,318,629)</i>	<i>\$ (2,325,949)</i>	<i>\$ (7,320)</i>

The constrained budget submitted by the agency is \$7,320 less than the target. The proposals to achieve the reductions are noted among the items described below where appropriate.

Subsequent to submission of its budget request, the Department submitted an amendment requesting \$304,560 from general revenues to fund the new part-time customer service positions and 11 raises for supervisory positions approved at a public hearing on December 2, 2014 as part of its constrained budget. Inclusion of the funds increases the proposal to \$297,240 more than the target. *The Governor's recommendation is \$0.3 million below the target.*

Office of the Director

Training Supervisor. The Department requests \$0.1 million from general revenues for the creation of a training supervisor position within the Office of the Director. The Department notes that the position was determined necessary following the drafting of the departmental strategic plan. The Office of the Director oversees overall Department operations and the position would be tasked with the coordination and supervision of staff currently engaged in developing and conducting in-service training programs in all divisions and the evaluation of in-service training.

As part of its constrained request, the Department excludes the position. *The Governor does not recommend the position.*

All Other Staffing and Operations. The Department requests \$1.2 million from general revenues which is \$89,409 more than enacted for all other Office operations. The Office oversees overall departmental operations and is comprised of two units: the director of revenue and legal services.

The request includes \$1.1 million, which is \$20,854 more for salaries and benefits for the authorized 9.0 full-time equivalent positions in the Office. This includes \$58,344 to fund the cost-of-living increases. The request includes turnover savings associated with holding a senior internal auditor position vacant for the fiscal year and is consistent with current planning values and statewide benefit savings.

The Department also requests \$0.1 million, which is \$68,555 more from general revenues for operations expenses, reflective of annual Microsoft 365 license costs. The Department indicates that in the beginning of FY 2015, it was advised by the Division of Information Technology that the license costs would need to be included in its FY 2016 operating request. The request includes the enacted amount of \$20,010 from general revenues for general office expenses and the Office's proportional share of a leased copy machine.

The Governor recommends funding as requested for staff salaries and benefits. The recommendation includes \$1,284, which is \$67,271 less than requested for the Department's Microsoft 365 licenses, shifting costs to each division for its respective licenses.

Office of Revenue Analysis

State Economic Modeling Software. The Department requests \$38,600 to purchase new economic modeling software for the Office of Revenue Analysis. The Office currently utilizes the Regional Economic Models REMI PI+ software to perform impact analysis of economic development and policy proposals. The request reflects the annual license cost of the Regional Economic Models REMI Tax PI software, which the Department notes includes the ability to model the impact of specific changes to tax incentives on state revenues and expenditures; the Office reports that the requested software will allow it to produce more nuanced models of expenditure and revenue changes. The enacted budget includes \$27,500 for the biennial license cost of the Office's current modeling software.

As part of its constrained request, the Department excludes the requested new software. *The Governor does not recommend the purchase.*

All Other Operations. The Department requests \$0.6 million, which is \$42,448 more than enacted for all other Office of Revenue Analysis staffing and operations. The request includes \$0.6 million to fund salaries and benefits for 4.0 full-time positions, including \$27,928 to fund the cost-of-living increases and \$13,047 for a salary increase for the Chief of the Office of Revenue Analysis, approved via a public hearing in December 2013. The Department reports that insufficient funds were included in its FY 2015 budget request, and therefore the enacted budget, to cover the cost of the increase. Consistent with the enacted budget, the request does not include turnover savings.

The Department additionally requests \$7,680, which is \$28,400 less than enacted from general revenues for all other Office operations. This includes \$900 less for general office supplies and expenses, consistent with historical expenditures. Also included is \$27,500 less than enacted for

software maintenance agreements, reflective of the inclusion of the biennial license for the Office's economic modeling software in the Department's revised FY 2015 request.

As part of its constrained request, the Department includes turnover savings of \$5,595. It should be noted that these savings are not associated with any current or anticipated vacancies in the Office. *The Governor recommends turnover savings consistent with the constrained request, but includes an additional \$803 for the Office's Microsoft 365 license costs.*

Lottery Division

Commission Payments. The Department requests \$332.2 million, which is \$7.8 million more than enacted from Lottery funds for commission prizes and payments to reflect enacted estimates. The appropriations act historically includes language authorizing the Lottery to pay winning prize funds and commission payments to Twin River and Newport Grand casinos for the fiscal year. *The Governor recommends \$48.8 million less than requested, including \$7.4 million more for table game prizes and \$56.2 million less for traditional lottery prizes, to reflect the November 2014 Revenue Estimating Conference.*

All Other Table Gaming Operations. The Department's request includes \$4.7 million, which is \$0.4 million more than enacted from Lottery funds for salaries and benefits for 33.0 table gaming positions reflective of current staffing, updated planning values, and statewide medical benefit savings. The request includes \$0.2 million to fund the cost-of-living increases. As of November 29, 2014, the Division reported no table gaming vacancies.

Also included is the enacted amount of \$1.4 million from Lottery funds for table gaming operations, including \$0.1 million for general office supplies and operating expenses and \$1.3 million for transfers to the Department of Public Safety for the 10.0 sworn members of the State Police Gaming Enforcement Unit.

The Governor recommends \$5,280 more than requested, including \$133,066 less for staff salaries and benefits, to reflect historical expenditures and additional statewide benefit savings, and \$138,346 more for payments to the Department of Public Safety for the State Police unit, consistent with the Department's anticipated costs.

Network Security Audits. The Department requests \$0.1 million from Lottery funds for contracted network security audits to ensure information technology policies, procedures, documentation, and implementation are in line with industry best practices and to safeguard Lottery funds. Audits were last performed in FY 2013. *The Governor does not recommend the funding.*

All Other Operations. The Department requests \$16.1 million, which is \$2.5 million more than enacted from Lottery funds for all other Lottery Division operations. This includes \$0.3 million more for salaries and benefits for 51.0 full-time equivalent positions, including \$0.3 million to fund the cost-of-living increases. The request is consistent with current staffing, planning values, and statewide medical benefit savings and assumes no turnover savings, as the Department anticipates filling all vacant Lottery positions within the current year. As of November 29, 2014, the Division reported 1.0 vacant position.

The request also includes \$2.2 million more than enacted from Lottery funds for all other operations expenses. This includes \$1.8 million more than enacted from Lottery funds for state reimbursement of qualified advertising expenses at Twin River Casino, consistent with statutory changes enacted by the

2014 Assembly. The request also includes \$10,000 more than enacted from Lottery funds for payments to students performing the weekly drawing of winning Lottery numbers, reflective of historical expenditures, and \$0.1 million for the purchase of new vehicles to replace those in the Lottery fleet that have reached the end of their useful life.

The Governor recommends \$0.4 million less than requested to reflect historical expenditures, including \$0.2 million less for staff salaries and benefits and \$0.2 million less for operating expenditures including building maintenance, unspecified software purchases, postage, and mileage.

Division of Municipal Finance

Actuarial and Legal Services. The Department requests \$0.2 million, which is \$22,500 less than enacted for legal services associated with municipal finance oversight, reflective of an anticipated reduction in legal expenses related to financial oversight in Woonsocket. The request includes the enacted amount of \$0.1 million for actuarial services associated with the Locally Administered Pension Plans Study Commission. *The Governor recommends \$42,500 less than requested to reflect FY 2014 actual expenditures.*

Oversight Reimbursement. The Department requests \$0.2 million, which is \$0.1 million more than enacted from general revenues for municipal finance oversight reimbursements. The request is consistent with state law enacted by the 2013 General Assembly, which requires that the state reimburse 50.0 percent of the cost for a finance advisor to municipalities that have improved in financial standing so as to no longer require a receiver. The request includes \$130,084 for reimbursements to Central Falls and East Providence, consistent with the enacted budget. It also includes \$59,308 for reimbursements to Woonsocket, reflective of the anticipated end of the city's Budget Commission and the establishment of a finance advisor position effective January 1, 2015, and \$25,824 for reimbursements to the Central Coventry Fire District, reflective of the anticipated end of fiscal oversight effective July 1, 2015.

The Governor recommends \$59,308 less than requested to reflect savings associated with East Providence's finance advisor concurrently holding the position in Woonsocket. Since his initial appointment in FY 2014, the East Providence advisor's workload has reportedly lessened. The advisor will hold a dual appointment, spending approximately three days per week working on behalf of Woonsocket and the other two working on behalf of East Providence.

Software Upgrade. The Department requests \$21,500, which is \$6,500 more than enacted from general revenues for the purchase of document management software for the Division of Municipal Finance. The Department reports that the new software will enable municipalities to upload financial reports digitally, promoting data sharing and collaborative document management between the Division and municipal governments. The Division reports that the submission of hard-copy municipal data has resulted in delayed determination of proportional shares of state aid programs.

As part of its constrained request, the Department excludes the software upgrade and \$20,000 from general revenues. *The Governor does not recommend the software purchase.*

All Other Operations. The Department requests \$2.0 million which is \$0.1 million more than enacted from general revenues for all other Division of Municipal Finance operations. This includes \$0.1 million more for salaries and benefits for 17.0 full-time equivalent positions and \$4,672 less than enacted for operations expenditures. The request includes \$90,905 for the cost-of-living adjustments and reflects current planning values and statewide medical benefit savings. Consistent with the revised

request, the request includes turnover savings reflective of filling three vacant positions at the lowest salary level in FY 2015. The request also reflects reimbursements to the Division for a programming services officer position tasked with assisting the Emergency Management Agency. The Department requests reductions for cellular use, printing services, and office supplies, consistent with historical expenditures.

As part of its constrained request, the Department proposes maintaining the programming services officer position vacant for FY 2016 and includes savings of \$0.1 million from general revenues. It should be noted, however, that as the Division is reimbursed by the Emergency Management Agency for the position, any savings consistent with the vacancy of the position should be reflected in the Agency's budget. *The Governor recommends funding consistent with the constrained request.*

Local Aid

Payment in Lieu of Taxes. The Department requests \$35.1 million for the Payment in Lieu of Taxes program, which reimburses cities and towns for property taxes which would have been due on real property owned by nonprofit educational institutions, nonprofit hospitals, or any state-owned hospital, veterans' residential facility or correctional facility, which is exempt from taxation by state law. Reimbursement is statutorily based on 27.0 percent of the tax that would have been collected if the property had been taxable, subject to appropriation. If the appropriation is less than the amount necessary to reimburse at 27.0 percent, the reimbursements are ratably reduced. The state makes one payment to communities in July of each year.

The request is \$5.0 million less than enacted and reflects removal of funding made available through refinancing of tobacco bonds. The Assembly adopted legislation authorizing the Tobacco Settlement Financing Corporation to raise additional funds in an amount of not less than \$20.0 million from the Tobacco Settlement Financing Corporation Act through the refunding of its bonds. Of this amount, \$5.0 million was designated for deposit into the state's General Fund in support of the Payment in Lieu of Taxes program. The request includes funding consistent with funding levels provided in FY 2013 and FY 2014. *The Governor recommends funding as requested.*

Distressed Communities Relief Fund. The Department requests the enacted amount of \$10.4 million to fund the Distressed Communities Relief program for FY 2016. This program was established in 1990 to provide assistance to the communities with the highest property tax burdens relative to the wealth of the taxpayers. The 2005 Assembly increased eligibility for FY 2006 to any community falling into the lowest 20.0 percent for at least three of four indices to be eligible for assistance under the program. For FY 2015 and FY 2016, the cities of Central Falls, East Providence, North Providence, Pawtucket, Providence, West Warwick, and Woonsocket qualify for the program. *The Governor recommends funding as requested.*

Motor Vehicles Excise Tax Program. The Department requests the enacted amount of \$10.0 million to level fund the Motor Vehicles Excise Tax program for FY 2016. The 2010 Assembly enacted legislation mandating a \$500 exemption for which the state will reimburse municipalities an amount subject to appropriation. The legislation allowed municipalities to provide an additional exemption not subject to reimbursement, removed the provision that restricted municipalities from taxing the difference in the event that the value of a vehicle is higher than the prior fiscal year, allowed rates to be lowered from existing frozen levels, and restored the authority for fire districts to levy a motor vehicles excise tax. *The Governor recommends funding as requested.*

Property Tax Revaluation Reimbursements. The Department requests \$1.8 million, which is \$1.1 million more than enacted from general revenues to reimburse communities conducting scheduled property revaluations or statistical updates in FY 2016. The request reflects anticipated expenses for maximum allowable reimbursements for communities scheduled to complete revaluations in FY 2016. Expenditures fluctuate annually; they were \$0.4 million in FY 2014, \$0.9 million in both FY 2013 and FY 2012, \$0.7 million in FY 2011, \$1.5 million in FY 2010, and \$1.0 million in FY 2009. In FY 2016, the communities that qualify for reimbursement are Burrillville, Central Falls, Jamestown, Johnston, Lincoln, Little Compton, New Shoreham, North Kingstown, North Smithfield, Providence, Scituate, Smithfield, South Kingstown, West Warwick, and Westerly. *The Governor recommends funding as requested.*

Municipal Incentive Aid. The Department requests the enacted amount of \$5.0 million from general revenues to fund the Municipal Incentive Aid program, which encourages sustainable funding of retirement plans and reduction of unfunded liabilities. To receive aid, municipalities must meet certain benchmarks for each program year. For FY 2014, a municipality could receive funds if it had no locally administered pension plan; if it submitted an approved Funding Improvement Plan by June 1, 2013, or if its locally administered plan was not required to submit a Funding Improvement Plan. For FY 2015 and FY 2016, a municipality qualifies for the program if its pension plan is in the state-administered Municipal Employee Retirement System; if it has submitted or implemented an approved Funding Improvement Plan within 18 months of critical status notification; or, if it is not required to submit a Funding Improvement Plan and is making 100 percent of its Annually Required Contribution.

Aid is distributed on the basis of the most recent estimate of population of each municipality as a share of the total state population, as reported by the Bureau of the Census. Payments are made in March of each year. If a municipality is not eligible to receive aid, its share may be reappropriated to the following fiscal year. To receive the prior and current years' share of aid, the municipality must meet the funding requirements for both years. *The Governor recommends funding as requested.*

Car Rental/Surcharge - Warwick Share. The Department requests the enacted amount of \$0.9 million, from restricted receipts for the City of Warwick, reflective of updated receipt estimates. The 2002 Assembly enacted legislation to provide the sales and vehicle rental surcharge revenues generated through customer facility charges from rental car companies at T.F. Green Airport. The receipts are deposited into a restricted account for the City of Warwick. *The Governor recommends funding as requested.*

Division of Taxation

Combined Reporting. The Department requests \$0.9 million, which is \$0.4 million more than enacted from general revenues for the implementation of business tax restructuring and combined reporting effective tax year 2015. This includes \$0.8 million to fund 7.0 full-time equivalent positions for the full fiscal year. The enacted budget assumes the positions will be filled as of January 1, 2015. Also included is \$50,000 for staff training and \$50,000 for legal services associated with changes implemented by the 2014 Assembly. As of November 29, 2014, the Division reports that 1.0 of the 7.0 combined reporting positions has been filled. The remaining positions, an implementation aide, a legal officer, and four revenue agent positions will be posted publicly after January 1, 2015.

The enacted budget includes several changes to business tax law, effective January 1, 2015. The changes include the implementation of combined reporting for business corporations tax filers and the elimination of the franchise tax. Additionally, the apportionment calculation used by filers to determine net income and tax liability from the current three-factor method, which weighs property, sales, and

payroll equally, will be replaced by the "single sales" method, which uses only sales, to be determined by market-based sourcing as of tax year 2015. *The Governor recommends funding as requested.*

Revenue Initiatives. The Division is not currently authorized to establish contingency fee contracts or to allow tax return filers to conduct managed self-audits. Contingency fee contracts permit third party contractors to review Division tax and collections data to assess additional taxes, interest, or penalties owed and reductions in claimed refunds. Vendors are prohibited from conducting field audits and are paid on a contingency basis, as a percentage of the actual amount of revenues collected. Managed self-audits allow filers to review their own records, under the administration of the Division, to determine any additional tax liability owed, typically sales and use taxes. Filers typically receive reduced interest and penalties for reported and paid liabilities. .

The Governor includes Sections 5 and 9 of 2015-H 5900 to authorize the Division to engage in both initiatives and recommends \$0.3 million from general revenues to fund 3.0 new full-time equivalent positions, including 2.0 revenue agent positions to administer contingency fee contracts and 1.0 new principal revenue agent to administer the self-audit program. The Governor's budget assumes additional total revenues of \$2.3 million from these initiatives.

All Other Salaries and Benefits. The Department requests \$20.7 million, which is \$1.1 million more than enacted from all sources for salaries and benefits for 215.0 full-time equivalent positions for the Division of Taxation. This includes \$0.9 million more from general revenues, \$0.1 million more from federal funds, \$0.1 million more from restricted receipts, and \$0.1 million more from Temporary Disability Insurance funds. The request includes \$0.6 million, of which \$0.5 million is from general revenues, to fund the cost-of-living increases and assumes 2.7 percent or \$0.6 million in turnover savings, equivalent to 5.7 vacant positions, assuming an average Division salary of \$59,051. The enacted budget assumes \$1.0 million, equivalent to 10.8 vacancies. As of the November 29, 2014, the Division reported 197.0 filled positions.

The 2014 Assembly authorized the creation of 7.0 new revenue officer positions associated with enhanced collection and compliance initiatives included in the enacted budget. As of December 6, 2014, the Division reports that of its total authorized 25.0 revenue officer positions, 6.0 are currently vacant.

As part of its constrained request, the Department proposes the elimination of 26 revenue officer positions for FY 2016, and includes \$1.5 million in savings from general revenues. The eliminations would include 13.0 positions in the compliance and collections section of the Division and 13.0 in the field audit section. The enacted budget assumes a full year of funding for the total 25.0 authorized revenue officer positions. The Department reports that each compliance and collections revenue officer is anticipated to collect \$0.9 million in delinquent taxes each year. Revenue officers in the field audit section are anticipated to collect an average of \$0.7 million each year. The anticipated total revenue loss resulting from the eliminations would be \$21.1 million for FY 2016.

The Governor recommends \$0.8 million less than requested from all sources, including \$0.7 million less from general revenues. The recommendation includes turnover savings consistent with historical expenditures and recent staffing changes and reflects additional statewide benefit savings.

All Other Operations. The Department requests \$2.0 million, which is \$0.2 million less than enacted from all funds for all other Division of Taxation operations. This includes \$50,000 less from general revenues, reflective of the anticipated termination of Division legal expenditures for the Landmark and Westerly Hospital bankruptcy case. Also included is \$62,220 less from federal funds, \$25,835 less

from restricted receipts, and \$0.1 million less from other funds. The request is consistent with historical and anticipated expenditures for contracted financial services, printing, postage, and other office expenses.

The Governor recommends \$33,482 less than requested from all sources, including \$39,101 less from general revenues. The recommendation includes \$34,518 for the Division's Microsoft 365 licenses, offset by savings of \$68,000 to reflect the anticipated internal processing of International Fuel Tax Agreement returns. The Governor's revised FY 2015 recommendation includes \$0.6 million from federal funds to develop systems architecture within the Integrated Tax System to process the returns.

The Division of Motor Vehicles

License Plate Reissuance. The Department requests \$2.6 million from general revenues to implement license plate reissuance, effective September 1, 2015. The 2013 Assembly enacted Section 1 of Article 6 of 2013-H 5127, Substitute A, as amended, eliminating the requirement for validation stickers to be affixed to vehicle license plates and delaying the issuance of new license plates from September 1, 2013. New plates will be issued at the time of initial registration and upon the renewal of registrations. The November 2014 Revenue Estimating Conference included \$2.5 million of revenues from the plate reissuance for FY 2016.

The Governor does not recommend the requested funding and includes Article 26 of 2015-H 5900, postponing the start of license plate reissuance to September 1, 2016. Documents supporting the recommendation note that reissuance costs would be higher than anticipated; however, the Budget Office reports that project costs have not been finalized. The Administration is currently reviewing the plans for potential revision. The Governor's recommended budget assumes net savings of \$0.1 million from the postponement.

Information Technology Modernization. The Department requests \$2.1 million, which is \$3.9 million less than enacted from all funds for the Rhode Island Modernization System project. This includes \$3.8 million less from federal funds and \$0.1 million less from restricted receipts. The modernization project is intended to expand the online functions available on the Division of Motor Vehicles' website and reduce wait times for transactions performed at the Registry. The Department's capital budget request programs \$3.7 million for the current year, \$1.0 million for FY 2016, and \$2.1 million for FY 2017. However, in May 2014, the Department and Hewlett Packard altered the methodology for system design and development. Resulting changes to the scope of work and project timeline have altered the project schedule, requiring a fourth new contract amendment. As of December 9, 2014, a new amendment had not been signed. *The Governor recommends funding as requested.*

Part-Time Customer Service Representatives. The Department requests \$0.2 million from general revenues for the creation of 12 part-time customer service positions in the Division of Motor Vehicles, equivalent to 6.5 full-time positions, each working a maximum of 19 hours per week. The request is reflective of anticipated staffing needs associated with the ongoing design and development of the Rhode Island Modernization System and its implementation throughout FY 2016. As of January 2015, the Department has not provided an updated staffing plan reflective of ongoing negotiations with Hewlett Packard or the fourth contract amendment for the completion of the Modernization System. *The Governor recommends funding as requested.*

All Other Salaries and Benefits. The Department requests \$13.9 million, which is \$0.8 million more than enacted from all sources for all other Registry salaries and benefits. This includes \$0.8 million

more from general revenues and \$12,983 more from federal funds and \$645,427 from all funds, of which \$643,157 is from general revenues, to fund the cost-of-living increases. The request includes \$0.5 million in turnover savings, equivalent to 5.6 vacant positions, assuming an average value of \$87,366 per position; the enacted budget assumes \$0.8 million of savings. The remainder of the request is reflective of current planning values and statewide medical benefit savings and includes \$25,000 more from general revenues for overtime expenses associated with training sessions for the Rhode Island Modernization System.

It should be noted that in December 2014, raises were approved for 11.0 filled Division customer service supervisor positions at a public hearing. However, funding for the raises is not included in the Department's FY 2016 operating budget request. The Department reports that the raises are the result of negotiations between the Administration and the collective bargaining agent for Division customer service representatives. The negotiations took place after the budget request had been submitted.

Subsequent to submission of its budget request, the Department submitted an amendment requesting the \$56,154 from general revenues to fund the raises for the supervisory positions as part of its constrained budget.

The Governor recommends \$140,793 less than requested from general revenues. The request restores \$0.2 million of turnover savings included in the enacted budget to reflect current staffing and anticipated customer service needs. The requested funds for the supervisory position raises are included.

All Other Operations. The Department requests \$5.2 million, which is \$0.4 million less than enacted from general revenues for all other operating expenses for the Division of Motor Vehicles. The request includes \$0.2 million more than enacted for staff travel, mileage, office supplies, postage, and printing costs, consistent with historical expenditures. The request includes \$0.6 million less than enacted from general revenues for software licensing and maintenance agreements for existing Registry information and database systems. The Department reports that the request is reflective of existing software and information technology system architecture and server upgrades included in the revised FY 2015 request. *The Governor recommends \$27,454 more than requested from general revenues for the Division's Microsoft 365 licenses.*

Target - DMV Branch Closures. As part of its constrained request, the Department proposes the closure of four Registry branch locations, Woonsocket, Wakefield, Westerly, and Warren, and includes total associated savings of \$1.6 million from general revenues. The proposal includes the elimination of 44.0 full-time equivalent positions, with associated savings of \$1.5 million. It also includes operations savings of \$0.1 million from general revenues reflective of the termination of the locations' leases and general office expense reductions associated with the closed branch locations. It should be noted that Rhode Island General Law 31-2-6 requires the Division maintain branch offices in Warren and Westerly. *The Governor does not recommend the proposal.*

Legislature

	FY 2015	FY 2015	FY 2016	FY 2016
	Enacted	Revised	Request	Recommended
Expenditures by Program				
General Assembly	\$ 5,314,598	\$ 6,144,378	\$ 5,526,121	\$ 5,526,121
Fiscal Advisory Staff	1,730,384	1,726,518	1,846,092	1,846,092
Legislative Council	4,694,111	4,638,093	5,018,501	5,018,501
Joint Comm. on Legislative Affairs	21,009,636	23,203,715	23,170,750	23,170,750
Office of the Auditor General	5,254,121	5,022,127	5,579,580	5,579,580
Special Legislative Commissions	13,900	13,900	13,900	13,900
Total	\$ 38,016,750	\$ 40,748,731	\$ 41,154,944	\$ 41,154,944
Expenditures by Category				
Salaries and Benefits	\$ 32,255,238	\$ 32,954,157	\$ 35,293,497	\$ 35,293,497
Contracted Services	442,850	573,350	421,350	421,350
Subtotal	\$ 32,698,088	\$ 33,527,507	\$ 35,714,847	\$ 35,714,847
Other State Operations	2,765,162	3,933,720	2,876,597	2,876,597
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	2,300,000	2,441,330	2,300,000	2,300,000
Capital	253,500	846,174	263,500	263,500
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 38,016,750	\$ 40,748,731	\$ 41,154,944	\$ 41,154,944
Sources of Funds				
General Revenue	\$ 36,429,671	\$ 39,233,413	\$ 39,474,071	\$ 39,474,071
Federal Aid	-	-	-	-
Restricted Receipts	1,587,079	1,515,318	1,680,873	1,680,873
Other	-	-	-	-
Total	\$ 38,016,750	\$ 40,748,731	\$ 41,154,944	\$ 41,154,944
FTE Authorization	298.5	298.5	298.5	298.5

Summary. The Legislature estimates FY 2016 expenditures of \$41.2 million and 298.5 full-time equivalent positions. This includes \$39.5 million from general revenues and \$1.7 million from restricted receipts and includes funding for statewide benefit adjustments. *The Governor recommends funding as requested.*

Office of the Lieutenant Governor

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 1,040,151	\$ 941,878	\$ 1,067,086	\$ 1,063,157
Contracted Services	750	40,750	750	40,750
Subtotal	\$ 1,040,901	\$ 982,628	\$ 1,067,836	\$ 1,103,907
Other State Operations	47,783	69,464	22,964	87,964
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	12,000	-	100,000
Capital	750	750	750	750
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 1,089,434	\$ 1,064,842	\$ 1,091,550	\$ 1,292,621
Sources of Funds				
General Revenue	\$ 1,015,084	\$ 1,007,208	\$ 1,091,550	\$ 1,227,621
Federal Aid	74,350	40,134	-	65,000
Restricted Receipts	-	17,500	-	-
Other	-	-	-	-
Total	\$ 1,089,434	\$ 1,064,842	\$ 1,091,550	\$ 1,292,621
FTE Authorization	8.0	8.0	8.0	8.0

Summary. The Office of the Lieutenant Governor requests total expenditures of \$1.1 million for FY 2016, which is \$2,116 more than enacted. The changes include \$76,466 more from general revenues and \$74,350 less from federal funds to reflect the expiration of a federal grant. The request includes 8.0 full-time equivalent positions, consistent with the enacted authorization. *The Governor recommends \$1.3 million from all funds, which is \$0.2 million more than enacted and requested. She includes staffing as requested and enacted.*

Target Issues. The Budget Office provided the Office with a general revenue target of \$961,065. The amount includes current service adjustments of \$23,905 and a 7.5 percent target reduction of \$77,924.

The Office of the Lieutenant Governor did not submit a constrained budget request. The Office's budget is \$130,485 above the target. *The Governor's budget is \$0.3 million above the target.*

	Budget Office	Lieutenant Governor		Difference
FY 2016 Budget				
FY 2015 Enacted	\$ 1,015,084	\$ 1,015,084	\$	-
Current Service Adjustments	23,905	76,466	\$	52,561
Change to FY 2015 Enacted	\$ 23,905	\$ 76,466	\$	52,561
FY 2016 Current Service/Unconstrained Request	\$ 1,038,989	\$ 1,091,550	\$	52,561
Target Reduction/Initiatives	(77,924)	-	\$	77,924
FY 2016 Constrained Target/Request	\$ 961,065	\$ 1,091,550	\$	130,485
Change to FY 2015 Enacted	\$ (54,019)	\$ 76,466	\$	130,485

Staffing. The Office requests \$1.1 million from general revenues for salaries and benefits for 8.0 full-time equivalent positions. This is \$26,935 more than enacted, including \$101,285 more from general revenues and \$74,350 less from federal sources. The shift from federal sources to general revenues reflects the expiration in FY 2015 of the Exchange Establishment One federal grant, which had been used to fund personnel expenses. The increase primarily reflects an estimated \$51,099 for the cost-of-living adjustment for state employees, updated benefit rates and revised staffing needs.

The Office does not request any change to the Lieutenant Governor's salary. However, there will be an adjustment to reflect the current law requirement that it increase based on the total increase in the Consumer Price Index for all Urban Consumers over the four previous fiscal years. This is an 8.1 percent increase meaning the new Lieutenant Governor's salary will increase from \$108,808 to \$117,637; a \$14,085 impact including benefits.

The Governor recommends \$23,006 more than enacted, which is \$3,929 less than requested. The recommendation includes the increase to the new Lieutenant Governor's salary and turnover savings to better reflect anticipated compensation for new hires.

Municipal Incentive Grants. In February 2015, Governor Raimondo issued Executive Order 15-06 entitled "Strengthening Municipalities for Future Growth and Success," which includes several provisions that require the Office of the Lieutenant Governor to assist municipalities in regionalization and consolidation efforts. *The Governor recommends \$0.1 million for a municipal incentive grants program to be administered by the Office of the Lieutenant Governor. The program would provide assistance to municipalities consistent with the Executive Order. No additional guidance on the use of funds is included in the budget.*

State Innovation Model Grant. The Office of the Lieutenant Governor received federal funds in FY 2013 and FY 2014 for the State Innovation Model Grant, which reflects an award from the Centers for Medicare and Medicaid Services to support the development and testing of state-based models for multi-payer medical claim payment. The Office spent \$1.4 million from this grant in FY 2014, or \$15,063 less than the final appropriation, but did not request funding for FY 2015 or FY 2016. *The Governor recommends \$65,000 to reflect funds available from this grant for FY 2016.*

Transition Expenses. The enacted budget includes \$25,000 from general revenues for transition expenses for the newly elected Lieutenant Governor. The FY 2016 request removes these one-time expenditures. *The Governor concurs.*

Legal Services. The Office of the Lieutenant Governor did not request expenditures for outside legal services and none were included in the enacted budget. The Office has not incurred such expenditures in recent years. The Lieutenant Governor's staff included an attorney, but the Office does not currently have one. The Office submitted a second quarter report indicating the need for \$40,000 for legal services. The Office noted that it retained outside counsel early in 2015 for services relating to a Public Utilities Commission hearing concerning the proposed National Grid rate hike. The Office assumes that it will also need to purchase outside legal services in FY 2016. *The Governor recommends \$40,000 to purchase legal services in FY 2016.*

All Other Operations. The Office requests \$24,464, or \$181 more than enacted from general revenues for all other operations. The changes include increases for dues and fees, food, and repairing and maintaining office equipment. *The Governor recommends funding as requested.*

Office of the Secretary of State

	FY 2015		FY 2015		FY 2016		FY 2016
	Enacted		Revised		Request		Recommended
Expenditures by Program							
Administration	\$ 2,205,748	\$	2,264,550	\$	2,267,521	\$	2,553,390
Corporations	2,278,601		2,242,682		2,305,330		2,302,691
State Archives	584,018		681,338		598,673		653,374
Elections	1,636,292		1,629,858		879,691		1,017,899
State Library	521,178		543,537		544,546		536,744
Office of Public Information	1,141,118		573,181		965,097		907,786
Total	\$ 8,366,955	\$	7,935,146	\$	7,560,858	\$	7,971,884
Expenditures by Category							
Salaries and Benefits	\$ 5,420,287	\$	5,253,517	\$	5,632,421	\$	5,680,095
Contracted Services	292,200		301,750		161,750		330,000
Subtotal	\$ 5,712,487	\$	5,555,267	\$	5,794,171	\$	6,010,095
Other State Operations	1,903,856		2,077,878		1,546,075		1,288,931
Aid to Local Units of Government	-		-		-		-
Assistance, Grants, and Benefits	135,611		135,611		135,611		135,611
Capital	615,001		166,390		85,001		537,247
Capital Debt Service	-		-		-		-
Operating Transfers	-		-		-		-
Total	\$ 8,366,955	\$	7,935,146	\$	7,560,858	\$	7,971,884
Sources of Funds							
General Revenue	\$ 7,337,203	\$	7,296,007	\$	6,580,205	\$	6,936,530
Federal Aid	-		34,123		-		-
Restricted Receipts	529,752		541,262		544,407		599,108
Other	500,000		63,754		436,246		436,246
Total	\$ 8,366,955	\$	7,935,146	\$	7,560,858	\$	7,971,884
FTE Authorization	57.0		57.0		57.0		57.0

Summary. The Secretary of State requests FY 2016 expenditures of \$7.6 million, which is \$0.8 million less than the FY 2015 enacted budget. The request includes \$756,998 less from general revenues, \$14,655 more from restricted receipts, and \$63,754 less from other fund sources. The request includes 57.0 full-time equivalent positions, consistent with the enacted authorization.

The Office subsequently submitted revisions to its request that increases general revenues by \$0.4 million and Rhode Island Capital Plan funds by \$23,000. The revisions are discussed in the items described where appropriate.

The Governor recommends \$8.0 million from all sources, which is \$0.4 million less than enacted and \$0.4 million more than requested. The recommendation reflects many of the proposals included in the Office of the Secretary of State's revisions to its request. The Governor includes 57.0 positions, consistent with the authorized and requested level.

Target Issues. The Budget Office provided the Office of the Secretary of State with a general revenue target of \$6.4 million. The amount includes current service adjustments of \$0.4 million and a 7.5 percent target reduction of \$0.5 million.

FY 2016 Budget	Budget Office	Secretary of State	Difference
FY 2015 Enacted	\$ 7,337,203	\$ 7,337,203	\$ -
Current Service Adjustments	(391,747)	(756,998)	(365,251)
Change to FY 2015 Enacted	\$ (391,747)	\$ (756,998)	\$ (365,251)
FY 2016 Current Service/Unconstrained Request	\$ 6,945,456	\$ 6,580,205	\$ (365,251)
Target Reduction/Initiatives	(510,812)	(154,158)	356,654
FY 2016 Constrained Target/Request	\$ 6,434,644	\$ 6,426,047	\$ (8,597)
<i>Change to FY 2015 Enacted</i>	<i>\$ (902,559)</i>	<i>\$ (911,156)</i>	<i>\$ (8,597)</i>

The Office's budget is \$8,597 below the target. The proposals to achieve the reductions are noted among the items described where appropriate. *The Governor's budget is \$0.5 million above the target.*

Information Technology Reconfiguration. The Office requests \$38,176 less than enacted for information technology expenditures. This includes a reduction of \$80,000 to reflect that the annual vendor payments for the Central Voter Registration servers and the servers for everyday operations ended in FY 2014, as well as an increase of \$50,000 for necessary memory upgrades for the servers in FY 2016. The request also includes an increase of \$10,000 to reflect a new maintenance contract for the servers, which are no longer under warranty. The other major change is a reduction to reflect savings on internet services as a result of lower service provider rates.

The Office subsequently submitted revisions to its request that would increase funding for information technology projects by \$0.1 million and software maintenance agreements by \$27,500 relating to its efforts to make improvements to its eGov/Information Technology Division.

The Governor recommends \$118,291 more than enacted, which includes the funding to make improvements to the eGov/Information Technology Division consistent with the Office's subsequent request.

State Agency Rules and Regulations. The Office of the Secretary of State requests no funding for FY 2016 for modifications to the existing program used for posting agency rules and regulations on its web site. The Office is responsible for maintaining the rules and regulations filed by state agencies, boards and commissions. The enacted budget includes \$100,000 for these modifications, which the Office expects to complete in FY 2015. The Office indicates that the funds will be used to design, write, and implement the new program and then convert the existing data into the new format.

The Office subsequently submitted revisions to its FY 2015 revised request, removing the \$0.1 million to reflect that it does not plan to move forward with this project.

The Governor concurs with the Office's revisions to its request.

Lobby Tracker Module. Rhode Island General Law requires lobbyists to register with the Office of the Secretary of State and the Office to maintain this information as a public record. One of the ways the public can access this information is in a searchable database on the Office's web site. Consistent with the enacted budget, the Office requests \$24,000 from general revenues for a new lobby tracker program to monitor all reporting activity of lobbyists, entities, and lobby firms registered with the state.

The program will track compensation for lobbyists, expenses, and contributions. The Office indicates that while the current tracking system utilizes an unsupported database and outdated programming, the new program has been written in current programming language and is scalable and compatible with other programs. The Office notes that the \$24,000 requested represents twelve monthly payments of \$2,000 for services associated with monitoring and supporting the new system.

The Governor recommends funding as requested.

Elections and Civics Personnel. The Office of the Secretary of State requests \$0.5 million, or \$0.1 million more than enacted for salaries and benefits for 5.0 positions in the Elections and Civics Division. The increase primarily reflects the cost-of-living adjustment for state employees, statewide benefit adjustments, higher medical benefit costs than assumed in the enacted budget, and the Division's anticipated staffing needs for FY 2016. There is currently one vacancy in the division, but the request assumes that the division will be fully staffed throughout FY 2016. *The Governor recommends \$0.1 million less than requested primarily to reflect that two administrative positions were transferred to the Administration program where personnel are being utilized.*

Voter Rolls. The Electronic Registration Information Center, which was formed in 2012 with assistance from the Pew Charitable Trusts, also indicates on its web site that it provides its members with reports that show voters who have moved within the state, voters who have moved out of state, voters who have died, duplicate registrations in the same state and individuals who are potentially eligible to vote but have not yet registered. The Electronic Registration Information Center currently has 11 member states and the District of Columbia; however, it current membership does not include Florida, where many Rhode Islanders have retired over the years, nor does it include any of the other ten most populous states.

The Office of the Secretary of State did not include funding in its budget request for updating the state's voter rolls. The Office subsequently submitted revisions to its request to increase general revenues by \$0.1 million to pursue efforts to update the state's voter rolls and contact eligible voters who have not registered. This includes \$26,000 that would be paid to the Electronic Registration Information Center for annual dues, \$60,000 for mailings to eligible voters who have not yet registered and \$14,000 for mailings to former Rhode Island voters who have moved out of state.

The Governor recommends \$100,000, consistent with the Office's subsequent request.

Other Election Expenses. The Secretary of State and the Board of Elections request \$0.4 million from general revenues, which is \$0.8 million less than enacted for election expenses, excluding the Elections and Civics personnel above. This includes \$0.6 million less for printing expenses, \$0.1 million less for referenda expenses, and \$42,000 less for postage to reflect that FY 2016 is an off-year in the two-year election cycle. The request is \$31,097 more than the Office's spending in FY 2014, the last off-year.

The Office of the Secretary of State also submitted a constrained budget request which would reduce advertising as well as legal expenses for issues that arise regarding central voter registration, campaign issues, ballot referenda, and proposed legislation.

The Board of Elections requests \$18,872 less than enacted, including \$17,500 less for postage to reflect that FY 2016 is an off-year in the two-year election cycle. *The Governor recommends \$0.4 million for both agencies, which includes \$13,268 less than requested for the Board of Elections and \$7,235 more than requested for the Secretary of State, primarily to reflect an anticipated increase in printing costs.*

State Archives. The Secretary of State requests \$598,673 from all fund sources or \$14,655 more than enacted for the operation of the state archives, which is funded primarily by the Historical Records Trust Fund. The request includes funding as enacted from general revenues and \$14,655 more from restricted receipts based on the projected receipts for FY 2016. The requested changes would primarily be used for personnel expenses for the 3.4 positions in the Division, including the cost-of-living adjustment for state employees offset by medical benefits savings. *The Governor recommends \$54,701 more than requested from restricted receipts based on updated receipts and expenditures.*

Records Center. The Records Center is an internal service program that does not appear in the Appropriations Act. Its expenses are budgeted in user agencies that pay a portion of their operating costs into this fund for record storage and retrieval. The Center requests expenditures of \$903,436, which is \$21,000 more than the enacted appropriation. This includes \$503,763 for 4.8 full-time equivalent positions, or \$18,028 more than enacted. Besides salaries and benefits, the request includes a \$2,972 increase, including \$2,509 more for information technology expenditures and \$463 more to rent storage and office spaces. *The Governor recommends \$0.1 million less than requested to better reflect anticipated personnel expenditures.*

Other Salaries and Benefits. The request includes \$4.8 million, or \$0.1 million more than enacted from general revenues for salary and benefit expenses to fully fund the 44.9 remaining full-time equivalent positions, excluding the elections and state archives divisions mentioned above and the Records Center. The increase primarily reflects the cost-of-living adjustment for state employees, statewide benefit adjustments, higher medical benefit costs than assumed in the enacted budget, and the Office's anticipated staffing needs for FY 2016.

The Office also submitted a constrained request which would reduce the salaries of all division directors for a general revenue savings of \$0.1 million.

The Office subsequently submitted revisions to its request to reduce personnel funding by \$7,027. This assumes not filling a vacant legal counsel position and an increase to reflect anticipated staffing costs for its eGov/Information Technology Division.

The Governor recommends \$0.1 million more than requested to better reflect the Office's anticipated staffing needs for FY 2016. This is largely consistent with the Office's revisions to its request, and also reflects that two administrative positions were transferred from the Elections and Civics program to better reflect where personnel are being utilized.

Rhode Island Government Owner's Manual. The Office requests no funds to publish the Rhode Island Government Owner's Manual, since it is printed in odd numbered years, per Rhode Island General Law 22-3-12. There is \$14,045 in the FY 2015 enacted budget for printing the manual. *The Governor concurs.*

State House Tours. Consistent with its revised request, the Office's request includes the enacted level of \$12,750 for a contract with Johnson and Wales University to coordinate tours of the State House to the public and all the school districts in Rhode Island. Many of the tours are at the request of General Assembly members and accommodate the various educational institutions throughout the state. Students volunteer to lead tours, but the University coordinates the schedules of the students and handles their training. Past expenditures average \$12,400 from FY 2007 through FY 2014. *The Governor recommends \$2,250 more than enacted.*

State House Visitor's Center. Consistent with the enacted budget, the Office requests \$15,000 from restricted receipts to fund the State House Visitor's Center and Gift Shop, which opened in December 2013. Staffing is provided by Rhode Island senior citizens and merchandise sales are used to fund the restricted receipt account. The receipts will in turn be used to replenish the merchandise, and the Office anticipates \$15,000 will be needed for purchases in FY 2016. *The Governor recommends funding as requested.*

Rhode Island Charter Encasement. The Secretary of State requests \$436,246 from Rhode Island Capital Plan funds in FY 2016, \$0.1 million less than enacted for restoration and other work associated with the encasement of the Rhode Island Charter. The funds will be used primarily for replacing the encasement and HVAC and cooling systems that protect the charter. The operating budget request is not consistent with the Office's capital request, which assumed the work would be completed in FY 2015. The Office subsequently indicated that it expects the project to be completed in FY 2016.

The Office subsequently submitted revisions to its request to include \$23,000 from general revenues to insure the Rhode Island Charter while it is being transported to and from Massachusetts for work relating to the charter encasement project.

The Governor recommends the \$436,246 from Rhode Island Capital Plan funds. Based on documents supporting the Governor's budget, it appears general revenue funding of \$23,000 is included to insure the Charter.

Transition Expenses. The enacted budget includes \$25,000 from general revenues for transition expenses for the newly elected Secretary of State. The FY 2016 request excludes these one-time expenditures. *The Governor concurs.*

Community Service Grants. The Office requests funding as enacted from general revenues for the three community service grants it administers. This includes \$121,620 for the Rhode Island Historical Society, \$9,619 for the Museum of Work and Culture, and \$3,396 for the Newport Historical Society. *The Governor recommends funding as requested.*

Legal Services. The Office requests \$35,450 for legal services for outside legal counsel to represent the Office as needed for issues that arise regarding central voter registration, campaign issues, ballot referenda, and proposed legislation.

The Office subsequently submitted revisions to its request to increase outside legal services by \$34,450 instead of filling the vacant legal counsel position.

The Governor recommends \$70,000 for outside legal services, consistent with the subsequent request.

All Other Operations. The Office of the Secretary of State requests \$0.6 million from general revenues for all other operations, or \$10,422 more than enacted. This includes increases for various operating expenses, including \$5,440 more for subscriptions, \$3,983 more for rent, \$1,700 more for office supplies, and \$1,685 more for dues and fees.

The Office also submitted a constrained budget request which included reductions in printing costs and office supplies for a general revenue savings of \$4,635.

The Office subsequently submitted revisions to its request to reflect \$9,800 more to train staff in the lean government process.

The Governor recommends \$13,770 more than requested. She includes the additional \$9,800 for staff training consistent with the Office's subsequent request, as well as increases for postage and other miscellaneous expenditures.

Office of the General Treasurer

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Program				
General Treasurer	\$ 2,735,587	\$ 2,681,115	\$ 2,630,715	\$ 2,679,865
Unclaimed Property	19,712,197	19,629,629	11,485,637	17,986,352
Employees' Retirement System	10,837,045	11,366,804	16,852,688	11,782,495
Crime Victim Compensation	1,957,064	1,988,629	1,983,666	1,982,066
Subtotal	\$ 35,241,893	\$ 35,666,177	\$ 32,952,706	\$ 34,430,778
Expenditures by Category				
Salaries and Benefits	\$ 8,507,130	\$ 8,198,309	\$ 8,533,423	\$ 8,953,112
Contracted Services	5,401,214	6,040,107	5,905,389	5,905,039
Subtotal	\$ 13,908,344	\$ 14,238,416	\$ 14,438,812	\$ 14,858,151
Other State Operations	19,573,674	19,620,486	16,712,619	17,771,352
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	1,695,000	1,755,000	1,755,000	1,755,000
Capital	64,875	52,275	46,275	46,275
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 35,241,893	\$ 35,666,177	\$ 32,952,706	\$ 34,430,778
Sources of Funds				
General Revenue	\$ 2,432,105	\$ 2,417,151	\$ 2,372,700	\$ 2,420,250
Federal Aid	870,338	902,766	891,955	891,955
Restricted Receipts	31,718,842	32,127,266	29,469,233	30,899,755
Other	220,608	218,994	218,818	218,818
Total	\$ 35,241,893	\$ 35,666,177	\$ 32,952,706	\$ 34,430,778
FTE Authorization	83.0	83.0	83.0	83.0

Summary. The Office requests unconstrained expenditures of \$33.0 million, which is \$2.3 million less than enacted. This includes \$59,405 less from general revenues. The Office requests 83.0 full-time equivalent positions, the authorized level. The Office also submitted a constrained request that totals \$2.3 million from general revenues and includes \$32,800 less from general revenues than the unconstrained request.

The Governor recommends \$34.4 million from all funds, which is \$1.5 million more than requested primarily to reflect the Revenue Estimating Conference unclaimed property estimate. General revenues are \$11,855 less than enacted and \$47,550 more than requested. She recommends 83.0 full-time equivalent positions, consistent with the enacted authorization.

The Governor also recommends transferring administrative responsibility for the state's tuition savings program to the Office but does not include additional funding or staffing directly associated with this proposal.

Target Issues. The Budget Office provided the Office with a general revenue target of \$2.3 million. The amount includes current service adjustments of \$70,089 and a 7.5 percent target reduction of \$187,665.

The constrained budget submitted by the agency is \$25,371 above the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$0.1 million more than the target.*

FY 2016 Budget	Budget Office	Treasurer	Difference
FY 2015 Enacted	\$ 2,432,105	\$ 2,432,105	\$ -
Current Service Adjustments	70,089	(59,405)	(129,494)
<i>Change to FY 2015 Enacted</i>	\$ 70,089	\$ (59,405)	\$ (129,494)
FY 2016 Current Service/ Unconstrained Request	\$ 2,502,194	\$ 2,372,700	\$ (129,494)
Target Reduction/Initiatives	(187,665)	(32,800)	154,865
FY 2016 Constrained Target/Request	\$ 2,314,529	\$ 2,339,900	\$ 25,371
<i>Change to FY 2015 Enacted</i>	\$ (117,576)	\$ (92,205)	\$ 25,371

Unclaimed Property Transfer to General Fund. The Office requests \$7.2 million for the transfer from unclaimed property to the state, \$3.3 million less than enacted. Transfers of unclaimed property to the state are shown as expenditures in the Office's operating budget. Although this represents the agency's estimate, the transfer is adopted by the Revenue Estimating Conference that meets in November and May and expenditures reflect that. *The Governor recommends a transfer of \$8.1 million, consistent with the November Revenue Estimating Conference estimate.*

Unclaimed Property Claims. The Office requests \$8.8 million for payment of unpaid property claims, which is \$0.2 million less than enacted to reflect estimated claims activity. Although this represents the agency's estimate, these expenditures will be based on the estimate adopted by the Revenue Estimating Conference that meets in November and May. *The Governor recommends claims of \$8.8 million, consistent with the November estimate.*

Unclaimed Property Change in Liability. The Office requests an increase of \$0.6 million in the amount of revenues set aside for future claims liability. Although this represents the agency's estimate, these expenditures will be based on the estimate adopted by the Revenue Estimating Conference that meets in November and May. *The Governor adds \$0.2 million to the set aside to reflect the November estimate.*

Crime Victim Compensation. The FY 2016 request includes \$1.5 million for crime victim compensation claims, which is consistent with the enacted budget and includes \$0.9 million from restricted receipts and \$0.6 million from federal funds. The program pays claims from restricted receipts and federal grant awards. Restricted monies come from fees collected by the state courts. Federal funds come from the Victims of Violent Crimes program administered by the United States Department of Justice.

The Office historically budgeted the maximum federal grant award and did not always reflect likely expenditures. The Office's current request reflects its estimate for likely expenditures based on available grant funds as of September 30, 2013, and its estimate of its FY 2014 grant award. Federal grant funds from the United States Department of Justice are drawn down on a reimbursement basis after awards are paid or administrative expenses are incurred. The grant award is 60.0 percent of the court receipts disbursed for claims from the previous federal period. For the past several fiscal years, the program expended a significant amount of court receipts, resulting in larger federal grant awards.

The program has three years to utilize each grant award. For FY 2014, the program used funds from the 2010 grant. *The Governor recommends funding as requested.*

Retirement System Legal. The FY 2016 request includes \$1.3 million for legal expenses which is \$0.9 million more than enacted from Retirement System restricted receipts for legal expenses associated with the current legal challenges to the changes made during the 2009 and 2011 legislative sessions. *The Governor recommends funding as requested.*

Municipal Payroll Audit. The FY 2016 request removes \$150,000 in contracted costs associated with performing a municipal payroll audit during FY 2015. The Retirement System underwent an audit of the municipal payroll for those communities participating in the Municipal Employees' Retirement System during FY 2015.

Municipal pension benefits are provided through either the state-run Municipal Employees' Retirement System (MERS) or through locally-administered plans, often referred to as non-MERS plans. Thirty-six non-MERS pension plans are locally-administered (not governed by state law) by 24 communities, of which half cover public safety employees. Many of these plans are included in collective bargaining agreements, and a few municipal employees are covered by plans administered by employee unions. *The Governor recommends funding as requested.*

Retirement System Actuaries. The FY 2016 request includes an additional \$80,000 for actuarial services for total expenditures of \$0.4 million. The additional cost associated with the implementation of new Government Accounting Standards Board (GASB) standards as well as a valuation of the teachers' survivors benefit plan, which does not occur every year unlike the other plans. *The Governor recommends funding as requested.*

Retirement System Computer Upgrades. The FY 2016 budget request for \$3.3 million is \$0.4 million less than enacted from retirement fund administration restricted receipts for a new computer system. The savings result from the System not having to run parallel systems for most of FY 2016. The System will run parallel systems for FY 2015 as the new system is being implemented. The Office anticipates the new system being up and running in FY 2016.

The final contract terms with the vendor were agreed to in June 2013. The first year of the contract was FY 2015. The total price will be \$21.4 million over 12 years. *The Governor recommends funding as requested.*

Retirement System Disability Determinations. The Office requests \$0.4 million for costs related to disability determinations of the Retirement Board which is \$0.2 million more than enacted. Of the increase, \$60,000 reflects an increase in fees charged for independent medical examiners that are used to determine eligibility for disability pensions as well as an increase in the number of people applying for disability pensions. The Retirement System pays the cost of independent medical examinations as part of the evaluation process. The remaining \$90,000 is related to contracted disability investigations to vet potential and current cases and thwart fraudulent activity based on an increase in the number of investigations. *The Governor recommends funding as requested.*

Capitol Police Security. The Office requests \$44,095, including \$5,000 from general revenues for the Capitol Police officer stationed in the building at Service Road in Warwick. This is \$43,595 more than enacted including \$5,000 from general revenues. The Department of Administration's Division of Information Technology also has space in the building and the Office has indicated it believes that the

Department of Administration will also be charged for a portion of the Officer's time, and the request reflects that cost sharing.

As part of its constrained request, the Office reduces expenditures for the Capitol Police by \$1,102 from all funds, \$700 from general revenues. It is not clear how these savings would be achieved because the cost is based on the salary of the person assigned to that station.

The Governor recommends \$350 less from general revenues than the unconstrained request.

Transition Expenses. The enacted budget includes \$25,000 from general revenues for transition expenses associated with the new elected General Treasurer. The FY 2016 request removes these expenditures as the new Treasurer will take office during FY 2015. *The Governor removes funding as requested.*

Salaries and Benefits. The Office requests \$8.5 million for salaries and benefits for FY 2016. This is \$26,293 more than enacted and includes \$96,505 less from general revenues. The request includes turnover savings of \$0.3 million which is equal to 3.1 vacant positions. The Office currently has 9.5 vacant positions. These turnover savings are partially offset by updated benefit rates and a cost-of-living adjustment of \$0.4 million of which \$0.1 million is from general revenues.

The Governor recommends \$0.4 million more than requested including \$0.1 million from general revenues based on a request from the new General Treasurer after taking office. This reflects funding for an investigative and compliance officer to monitor annual disability medical certifications for the Retirement System.

Other Operating Adjustments. The Office requests \$1.7 million for all other operating expenses, which is \$22,391 less than enacted including \$57,100 more from general revenues. The majority of the general revenue increase, \$45,000 is to reflect the payment of bank fees. The Treasury had negotiated banking contracts with reduced fees that expire in FY 2016. The remainder of the general revenue increase is to replace outdated computer equipment.

As part of its constrained request, the Office proposes partially reducing non-discretionary bank fees, fees on bonds and delaying the purchase of new computers for savings of \$32,100. The Office indicates that it is confident that the constrained request is achievable however, any activity beyond its control could impact bank fees and fees on bonds and notes would reduce the savings.

The Governor recommends the reductions proposed in the constrained request. She also removes \$20,000 in fees on bonds and notes consistent with her revised recommendation.

Rhode Island Board of Elections

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 1,306,590	\$ 1,307,294	\$ 1,323,208	\$ 1,196,343
Contracted Services	73,488	73,488	73,788	73,488
Subtotal	\$ 1,380,078	\$ 1,380,782	\$ 1,396,996	\$ 1,269,831
Other State Operations	657,109	568,589	1,352,166	526,784
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	2,000,000	2,620,273	-	-
Capital	107,940	86,555	3,000	21,690
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 4,145,127	\$ 4,656,199	\$ 2,752,162	\$ 1,818,305
Sources of Funds				
General Revenue	\$ 4,145,127	\$ 4,656,199	\$ 2,752,162	\$ 1,818,305
Federal Aid	-	-	-	-
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 4,145,127	\$ 4,656,199	\$ 2,752,162	\$ 1,818,305
FTE Authorization	11.0	11.0	11.0	11.0

Summary. The Rhode Island Board of Elections requests \$2.8 million from general revenues, \$1.4 million less than enacted. The Board requests 11.0 full-time equivalent positions, consistent with the enacted authorization.

The Board subsequently submitted revisions to its request removing \$1.1 million it had requested for voting machines and \$37,602 it had inadvertently requested for employee benefits.

The Governor recommends \$1.8 million from general revenues, which is \$2.3 million less than enacted and \$0.9 million less than requested. Consistent with the Board's revisions to its request, she does not include funding for new voting machines. The Governor includes the requested 11.0 positions.

Target Issues. The Budget Office provided the Board with a general revenue target of \$1.8 million. The amount includes current service adjustments of \$2.2 million and a 7.5 percent target reduction of \$0.1 million.

The Board of Elections did not submit a constrained budget request. The Board's budget is \$1.0 million above the target. *The Governor's budget is \$45,470 above the target.*

FY 2016 Budget	Budget Office	Board of Elections	Difference
FY 2015 Enacted	\$ 4,145,127	\$ 4,145,127	\$ -
Current Service Adjustments	(2,228,549)	(2,188,996)	39,553
New Initiatives	-	796,031	796,031
Change to FY 2015 Enacted	\$ (2,228,549)	\$ (1,392,965)	\$ 835,584
FY 2016 Current Service/Unconstrained Request	\$ 1,916,578	\$ 2,752,162	\$ 835,584
Target Reduction/Initiatives	(143,743)	-	143,743
FY 2016 Constrained Target/Request	\$ 1,772,835	\$ 2,752,162	\$ 979,327
<i>Change to FY 2015 Enacted</i>	\$ (2,372,292)	\$ (1,392,965)	\$ 979,327

Board Member Compensation. The Board of Elections requests \$47,187 for salaries and benefits for its seven members in FY 2016, which is essentially consistent with the enacted budget. Each member of the Board receives an annual salary of \$7,000 and the state pays certain payroll taxes, but members do not receive benefits.

There are no vacancies on the Board, but currently only four members of the Board accept a salary. The Board of Elections' Executive Director indicates that the Board instructed him to request compensation for seven members for FY 2016, but compensation was inadvertently requested for only six members. However, in a scenario where three Board members continue to decline the salary throughout FY 2016, compensation would be needed for only four members. *The Governor recommends \$31,458 for four members, which is \$15,729 less than requested.*

Seasonal Staff. The Board of Elections requests \$35,000 for seasonal staff for the 2016 Presidential Preference Primary, which is \$125,000 less than enacted. The Board spent \$11,952 on seasonal staff for the last Presidential Preference Primary in FY 2012, and it indicates that the anticipated increase for FY 2016 reflects additional technicians and retaining seasonal staff for longer periods of time, consistent with recommendations in the House Oversight Committee's *Review of the 2012 Elections* report that the Board hire and train more technicians to repair machines on Election Day and have a more timely reconciliation of the ballot following the election. The requested increase also reflects additional seasonal staff to process mail ballots, which are expected to increase over the 2012 level. *The Governor does not recommend funding for seasonal staff.*

Other Salaries and Benefits. The Board of Elections requests \$1.3 million, or \$0.1 million more than enacted from general revenues for salaries and benefits to fully fund 11.0 full-time equivalent positions for FY 2016. This increase includes an estimated \$59,088 to fund the cost-of-living adjustment for state employees and additional funding to reflect actual employee benefit selections. It should be noted, the Board has acknowledged inadvertently overstating its request.

The Board subsequently submitted revisions to its request removing \$37,602 it had inadvertently requested for employee benefits.

The Governor recommends \$76,136 less than requested primarily to reflect turnover savings from a currently vacant position and corrections to employee benefit calculations.

New Voting Machines. The Board's request includes \$1.1 million for the first year of a contract for the lease purchase of new voting machines and related equipment, equipment service and maintenance, a project manager, and vendor services. Such a lease requires General Assembly approval pursuant to Rhode Island General Law, Section 35-18-3. The Board indicates that the total cost for this contract is an estimated \$10.2 million over an eight-year period.

The state last purchased voting machines in 1997. The House Oversight Committee's *Review of the 2012 Elections* report included a recommendation that the current voting machines are outdated and no longer adequate and, as such, the General Assembly should support funding for new voting machines. The Board's current contract with Election Systems and Software, which requires a \$271,969 payment to the vendor for service and maintenance of all election machines, a reporting system and a project manager, expires on June 30, 2015.

The Board subsequently submitted revisions to its request removing the \$1.1 million it had requested for voting machines. The Board notes that it intends to request funding for voting machines after submitting a request for proposals and identifying an acceptable bid.

The Governor did not recommend funding for new machines, consistent with the subsequent request. She includes only \$271,969 to support the current vendor payment.

Voting Equipment Delivery. The Board of Elections requests \$35,000 for delivery of voting equipment and supplies to and from the precincts, which is \$90,000 less than enacted. This reflects anticipated delivery costs for the 2016 Presidential Preference Primary. *The Governor recommends funding as requested.*

Legal Services. Consistent with the enacted budget, the Board of Elections requests \$60,000 from general revenues for legal services. The Board spent an average of \$46,961 for legal services over the past three completed fiscal years. The Executive Director, an attorney, indicated the Board has instructed him to use outside counsel more frequently and further notes that he has done much of the legal work himself in the past in an attempt to keep costs down. *The Governor recommends funding as requested.*

Public Financing of Elections. The Board's request does not include funding for the Matching Public Funds campaign finance program since the general election occurred and campaign reports are all due in FY 2015. The enacted budget includes \$2.0 million for the state's Matching Public Funds program. *The Governor concurs.*

New Voting Booths. The Board requests no funding for FY 2016 to purchase new voting booths as the supply is currently sufficient. The FY 2015 enacted budget includes \$61,250 to fund 300 new voting booths purchased in FY 2015. *The Governor concurs.*

All Other Election Expenses. The Board of Elections and the Office of the Secretary of State request FY 2016 expenditures of \$0.4 million from general revenues for all other costs associated with the preparation and execution of general election activities, excluding salaries and benefits. Combined, this is \$0.8 million less than the FY 2015 enacted budget, which was an on-year in the two-year election cycle. The Board requests \$18,872 less than enacted, including \$17,500 less for postage to reflect that FY 2016 is an off-year in the two-year election cycle. *The Governor recommends \$0.5 million from general revenues, \$0.1 million more than requested for the Office of the Secretary of State to pursue efforts to update the state's voter rolls and contact eligible voters who have not yet registered.*

Warehouse Rental Space. The Board of Elections stores voting equipment at its location at 50 Branch Avenue and, because of limited storage capacity there, also occupies 10,350 square feet at the Cranston Street Armory. The Board requests \$75,000 for FY 2016 for alternative storage space for its voting equipment currently stored at the Armory, noting that the State Fire Marshal's Office has expressed concerns about the amount of flammable and combustible materials the Board is storing at the Armory. The enacted budget assumed the Board would find alternative storage space in FY 2015 for its voting

equipment currently stored at the Armory and includes \$60,000 for this purpose, but the Board delays its request for storage space to FY 2016.

The Governor recommends the enacted level of \$60,000, or \$15,000 less than requested to reflect the Budget Office's estimate based on FY 2010, the last year it leased warehouse space, updated for inflation.

All Other Operations. The Board of Elections requests \$69,886 from general revenues for all other operations, which is \$50,492 less than enacted. The reduction primarily reflects that information technology upgrades at the Board's headquarters for which the enacted budget included \$58,690 were completed in FY 2015. The remaining expenditures include, for example, funding for security services, insurance, dues and fees, and repairing and maintaining office equipment. The requested amounts for these expenditures appear to be largely based on the Board's actual spending in FY 2013 and FY 2014. *The Governor recommends \$17,307 more than requested. This primarily reflects \$18,690 more for information technology improvement expenses delayed from FY 2015.*

Rhode Island Ethics Commission

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Requested	FY 2016 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 1,378,075	\$ 1,404,913	\$ 1,438,149	\$ 1,438,149
Contracted Services	31,500	25,000	31,500	25,000
Subtotal	\$ 1,409,575	\$ 1,429,913	\$ 1,469,649	\$ 1,463,149
Other State Operations	165,512	174,852	179,045	175,609
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	6,118	14,118	6,118	6,118
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 1,581,205	\$ 1,618,883	\$ 1,654,812	\$ 1,644,876
Sources of Funds				
General Revenue	\$ 1,581,205	\$ 1,618,883	\$ 1,654,812	\$ 1,644,876
Federal Aid	-	-	-	-
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 1,581,205	\$ 1,618,883	\$ 1,654,812	\$ 1,644,876
FTE Authorization	12.0	12.0	12.0	12.0

Summary. The Ethics Commission requests unconstrained expenditures of \$1.7 million, which is \$73,607 more than enacted from general revenues, and the authorized level of 12.0 full-time equivalent positions. The Commission also submitted a constrained request that totals \$1.7 million and includes \$3,436 less from general revenues. *The Governor recommends \$1.6 million from general revenues, which is \$63,671 more than enacted and \$9,936 less than requested. She recommends staffing consistent with the authorized level.*

Target Issues. The Budget Office provided the Ethics Commission with a general revenue target of \$1,651,798, including current service adjustments of \$70,593. The target provided to the Commission does not include the 7.5 percent reduction assigned to larger agencies.

	Budget Office	Ethics Commission	Difference
FY 2016 Budget			
FY 2015 Enacted	\$ 1,581,205	\$ 1,581,205	\$ -
Current Service Adjustments	70,593	73,607	3,014
Change to FY 2013 Enacted	\$ 70,593	\$ 73,607	\$ 3,014
FY 2016 Current Service/Unconstrained Request	\$ 1,651,798	\$ 1,654,812	\$ 3,014
Target Reduction/Initiatives		(3,436)	(3,436)
FY 2016 Constrained Target/Request	\$ 1,651,798	\$ 1,651,376	\$ (422)
<i>Change to FY 2015 Enacted</i>	<i>\$ 70,593</i>	<i>\$ 70,171</i>	<i>\$ (422)</i>

The constrained budget submitted by the agency is \$422 less than the target. The agency's proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$6,922 less than the target.*

Salaries and Benefits. The Commission requests \$1.4 million, which is \$60,074 more than enacted from general revenues for salary and benefit expenses for the authorized level of 12.0 full-time equivalent positions. Consistent with the revised request, the Commission's FY 2016 request includes turnover savings associated with the filling of a vacant position at a lower salary level in August 2014. The enacted budget assumes no turnover savings.

The Administration reached agreements with its largest unions for a new four-year contract effective July 1, 2013 through June 30, 2017 that includes 2.0 percent salary increases effective April 6, 2014, October 5, 2014, and October 4, 2015. Based on the request, the FY 2016 cost for the increases is \$70,717 from general revenues. *The Governor recommends funding as requested.*

Information Technology Upgrades. The Commission requests \$8,976, which is \$6,476 more than enacted from general revenues for information technology upgrades for FY 2016. The request includes \$2,408 for Microsoft 365 email account licenses and \$4,068 for the monthly lease of a dedicated internet service line to replace its current frame relay. The Commission indicates that in the beginning of FY 2015, it was advised by the Division of Information Technology that the upgrades would be necessary in the current year; associated expenditures are included in the Commission's revised FY 2015 request.

As part of its constrained request, the Commission proposes reductions of \$1,000 from unspecified information technology purchases. *The Governor recommends funding consistent with the constrained request.*

All Other Operations. The Commission requests \$207,687, which is \$7,057 more than enacted from general revenues for all other operations. The request includes a \$5,000 increase for electricity, consistent with FY 2014 expenditures, and \$121 more than enacted for the Commission's property and casualty insurance policy premium to reflect the actual billed cost. Also included is \$1,250 more than enacted for staff training for participation in a governmental ethics conference.

As part of its constrained request, the Commission proposes operations reductions totaling \$2,436 from general revenues, including the exclusion of \$1,750 for conference participation and \$686 from postal expenses.

The Governor recommends \$8,936 less than the unconstrained request. She recommends the constrained request reductions and includes additional reductions of \$6,500 from contracted services, reflective of actual FY 2014 expenditures and consistent with her revised FY 2015 recommendation.

Office of the Governor

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 3,859,412	\$ 3,978,577	\$ 4,119,187	\$ 4,365,317
Contracted Services	130,500	130,500	500	500
Subtotal	\$ 3,989,912	\$ 4,109,077	\$ 4,119,687	\$ 4,365,817
Other State Operations	267,750	276,750	267,750	267,750
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	250,000	250,000	250,000	250,000
Capital	19,900	19,900	19,900	19,900
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 4,527,562	\$ 4,655,727	\$ 4,657,337	\$ 4,903,467
Sources of Funds				
General Revenue	\$ 4,527,562	\$ 4,655,727	\$ 4,657,337	\$ 4,903,467
Federal Aid	-	-	-	-
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 4,527,562	\$ 4,655,727	\$ 4,657,337	\$ 4,903,467
FTE Authorization	45.0	45.0	45.0	45.0

Summary. The Office of the Governor requests FY 2016 expenditures totaling \$4.7 million from general revenues and 45.0 full-time positions. This is \$0.1 million more than enacted and staffing consistent with the authorized level. *The Governor recommends general revenue expenditures of \$4.9 million, which is \$0.2 million more than requested. The recommendation reflects the transfer of 5.0 positions for HealthSource RI to the Department of Administration; however, the recommendation retains the authorized level of 45.0 full-time equivalent positions.*

Target Issues. The Budget Office provided the Office with a general revenue target of \$4.3 million. The amount includes current service adjustments of \$0.1 million, including the removal of \$130,000 budgeted in FY 2015 for transition expenses, and a 7.5 percent target reduction of \$0.3 million. *The recommendation is \$0.6 million above the target.*

	Budget Office	Office of the Governor	Difference
FY 2016 Budget			
FY 2015 Enacted	\$ 4,527,562	\$ 4,527,562	\$ -
Current Service Adjustments	66,985	129,775	62,790
Change to FY 2015 Enacted	\$ 66,985	\$ 129,775	\$ 62,790
FY 2016 Current Service/ Unconstrained Request	\$ 4,594,547	\$ 4,657,337	\$ 62,790
Target Reduction/Initiatives	(325,841)	(225,560)	100,281
FY 2016 Constrained Target/Request	\$ 4,268,706	\$ 4,431,777	\$ 163,071
<i>Change to FY 2015 Enacted</i>	<i>\$ (258,856)</i>	<i>\$ (95,785)</i>	<i>\$ 163,071</i>

The Office submitted a constrained budget that exceeded the target level by \$163,071. The proposals to achieve the reductions are noted among the items described below where appropriate.

Transition Expenses. Consistent with the current service estimate, the request reflects the removal of \$130,000 from general revenues budgeted in FY 2015 for transition expenses within the Office of the Governor. A new Governor took office in January and Rhode Island General Law 36-1-2.1 requires that all newly elected general officers, prior to their engagement of office, shall be entitled to space for transition staff, adequate funds from the outgoing general office from the budget of that department for use to hire transition staff, obtain office supplies and equipment. *The Governor recommends funding as requested.*

Salaries and Benefits. The Office requests expenditures of \$3.9 million from general revenues for all salary and benefit expenses. This is \$0.3 million more than enacted and staffing consistent with the authorized level. The request includes \$0.2 million for the cost-of-living-adjustment and \$16,682 for student interns. It is \$0.1 million more than the current service estimate to reflect less turnover savings than assumed in the enacted budget.

Of the authorized 45.0 full-time positions for the Office of the Governor, 5.0 positions are for HealthSource RI. By definition, all positions in the Office of the Governor are unclassified. These appear to be included to preserve the unclassified status of the positions. All positions are classified unless specified in the law. There is no statutory authority for Healthsource RI positions to be unclassified. The remaining nine positions are budgeted in the Department of Administration. As of the pay period ending November 1, 2014, the Office had 27.5 of the remaining 40.0 positions filled.

The Office's constrained request reduces its staffing cost by \$0.2 million, equivalent to two additional vacancies for the entire fiscal year.

The Governor recommends \$0.2 million more than the unconstrained request to reflect anticipated filled positions. The Governor also includes legislation in Article 22 that adds five positions for HealthSource RI to the unclassified service. The FY 2016 recommended budget includes the positions in the Department of Administration.

Contingency Fund. The request includes the enacted amount of \$250,000 from the contingency fund. The funds may be used for expenditures in any state department or agency where funding is insufficient, or where such requirements are due to unforeseen conditions or are non-recurring items of an unusual nature. The average expenditures for the last five fiscal years totaled \$72,753. *The Governor recommends funding as requested.*

Operations. The Office requests the enacted amount of \$0.3 million from general revenues for all operating costs. The request is \$6,975 more than FY 2014 reported and is \$9,000 less than FY 2015 projected expenditures. The request includes \$0.1 million for various dues including the National Governors Association and the Coalition of Northeastern Governors, \$0.1 million for general office expenses and \$0.1 million for all other expenses, such as fuel and insurance for a vehicle purchased in FY 2011 and interpreter services. *The Governor recommends funding as requested.*

Rhode Island Commission for Human Rights

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 1,252,259	\$ 1,274,060	\$ 1,311,218	\$ 1,310,285
Contracted Services	5,331	20,030	2,760	2,760
Subtotal	\$ 1,257,590	\$ 1,294,090	\$ 1,313,978	\$ 1,313,045
Other State Operations	222,589	238,365	236,650	234,965
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	-	-	-	-
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 1,480,179	\$ 1,532,455	\$ 1,550,628	\$ 1,548,010
Sources of Funds				
General Revenue	\$ 1,193,083	\$ 1,221,763	\$ 1,231,273	\$ 1,252,174
Federal Aid	287,096	310,692	319,355	295,836
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 1,480,179	\$ 1,532,455	\$ 1,550,628	\$ 1,548,010
FTE Authorization	14.5	14.5	14.5	14.5

Summary. The Commission for Human Rights requests FY 2016 expenditures of \$1.6 million, which is \$0.1 million more than the FY 2015 enacted budget. The request includes \$38,190 more from general revenues and \$32,259 more from federal sources. The request includes 14.5 full-time equivalent positions, consistent with the enacted authorization. *The Governor recommends \$1.5 million from all funds, which includes \$59,091 more general revenues than enacted. She includes the requested 14.5 positions.*

Target Issues. The Budget Office provided the Commission with a general revenue target of \$1.2 million. The amount includes current service adjustments of \$47,497.

FY 2016 Budget	Budget Office	Commission for Human Rights	Difference
FY 2015 Enacted	\$ 1,193,083	\$ 1,193,083	\$ -
Current Service Adjustments	47,497	38,190	(9,307)
Change to FY 2015 Enacted	\$ 47,497	\$ 38,190	\$ (9,307)
FY 2016 Current Service/Unconstrained Request	\$ 1,240,580	\$ 1,231,273	\$ (9,307)
Target Reduction/Initiatives	-	-	-
FY 2016 Constrained Target/Request	\$ 1,240,580	\$ 1,231,273	\$ (9,307)
<i>Change to FY 2015 Enacted</i>	<i>\$ 47,497</i>	<i>\$ 38,190</i>	<i>\$ (9,307)</i>

The Commission was not required to meet a target that includes a reduction to current services. The Commission's budget is \$9,307 below the Budget Office's current service estimate. *The Governor's recommendation is \$11,594 above the Budget Office target.*

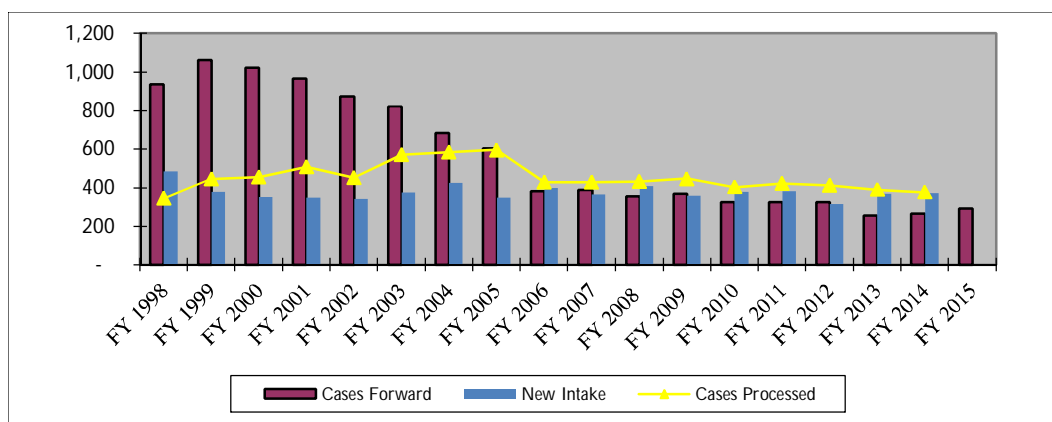
Federal Receipts. The Commission's budget request assumes that federal receipts available to be spent in FY 2016 total \$319,355. The enacted budget includes expenses totaling \$287,096 leaving a surplus of \$32,259 for FY 2017. *The Governor's recommendation includes \$295,836 from federal sources, which is \$23,519 less than requested based on anticipated available receipts.*

Salaries and Benefits. The Commission requests \$1.3 million from all sources to support all salaries and benefits consistent with the Budget Office instructions. This is \$0.1 million more than enacted, including \$29,951 more from general revenues and \$29,008 from federal funds primarily to reflect the cost-of-living adjustment for state employees. *The Governor includes \$58,026 more than enacted from all sources, which is \$933 less than requested, including \$22,436 more from general revenues. The general revenue increase reflects a shift of payroll expenses from federal funds based on anticipated available receipts from federal sources.*

Other Operations. The Commission requests \$0.2 million, nearly all from general revenues, for all other operations. This requested funding is \$11,490 more than enacted, which primarily reflects \$7,850 more for leased photocopiers. During last year's budget process, the Commission requested \$2,850 for this item, but spent \$10,827 in FY 2014. The request also includes funding for rent and utilities, trial related costs, office equipment and supplies, subscriptions, travel, insurance and staff training largely consistent with the Commission's FY 2013 and FY 2014 spending. *The Governor recommends \$1,685 less than requested to reflect minor adjustments based on historical expenditures.*

Caseloads. Over fifteen years ago, the impact of past staff reductions and increased intake was that the Commission was unable to clear its cases, resulting in growing backlogs. The backlog entering into FY 1999 reached a new high of 1,061 cases. However, as the result of two additional federally funded positions, the Commission was able to process an average of 511 cases per year from FY 2000 through FY 2004. In FY 2004, federal funding was exhausted and the 2.0 full-time equivalent positions were eliminated. As the graph shows, the intake and closures has been relatively stable.

For FY 2014, the Commission intake of 371 new cases was offset by 376 closed cases with 290 cases forwarded to FY 2015.



Public Utilities Commission

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 5,736,655	\$ 5,790,261	\$ 6,175,116	\$ 6,015,293
Contracted Services	1,722,963	1,673,525	1,673,525	1,673,525
Subtotal	\$ 7,459,618	\$ 7,463,786	\$ 7,848,641	\$ 7,688,818
Other State Operations	937,931	936,763	936,530	936,530
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	337	337	337	337
Capital	62,000	30,000	59,000	59,000
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 8,459,886	\$ 8,430,886	\$ 8,844,508	\$ 8,684,685
Sources of Funds				
General Revenue	\$ -	\$ -	\$ -	\$ -
Federal Aid	87,733	87,733	90,000	90,000
Restricted Receipts	8,372,153	8,343,153	8,754,508	8,594,685
Other	-	-	-	-
Total	\$ 8,459,886	\$ 8,430,886	\$ 8,844,508	\$ 8,684,685
FTE Authorization	50.0	50.0	50.0	50.0

Summary. The Public Utilities Commission requests FY 2016 expenditures of \$8.8 million, which is \$0.4 million more than enacted from all sources, including \$2,267 more from federal funds and \$0.4 million more from restricted receipts. Restricted receipts are generated from billing the regulated utilities for the expenses of both the Public Utilities Commission and the Division of Public Utilities and Carriers. The request includes the authorized level of 50.0 full-time equivalent positions.

The Public Utilities Commission does not receive general revenue funding and was not required to meet a specific funding target set by the State Budget Office. *The Governor recommends \$8.7 million from all sources, which includes \$0.2 million less than requested from restricted receipts, and the current authorized level of 50.0 full-time equivalent positions.*

Staff Attorney - Former ARRA Position. The Commission requests \$137,439 more than enacted from restricted receipts for the permanent addition of one full-time staff attorney position that had been funded from federal American Recovery and Reinvestment Act grant funds, granted to the Commission in FY 2011. Grant funding expired by December 31, 2013; the Commission utilized unbudgeted turnover savings to fund the position for the remainder of FY 2014 from restricted receipts generated by assessments to regulated utilities. The position is also included in the revised FY 2015 request.

It should be noted that the Assembly did not concur with the Governor's recommendation to make the position permanent in his revised FY 2014 budget. *The Governor recommends funding as requested.*

All Other Salaries and Benefits. The Commission requests \$6.0 million, which is \$0.3 million more than enacted from all sources for all other salary and benefit expenses for the remaining 49.0 positions. The request includes \$3,668 more than enacted from federal Gas Pipeline Safety grant funds. Also included is \$0.3 million more from restricted receipts, reflective of the filling of all vacant positions in FY 2015.

As of November 1, 2014, the Commission reported 45.0 filled full-time equivalent positions, five less than authorized. The FY 2016 request assumes all vacant positions, excluding the special projects coordinator position formerly funded from stimulus funds, will be filled at lower salary levels in FY 2015. The Commission anticipates holding the special projects coordinator position vacant. However, no additional turnover savings are assumed in the request, as the enacted budget does not include funds for this position.

The Administration reached agreements with its largest unions for a new four-year contract effective July 1, 2013 through June 30, 2017, which includes 2.0 percent salary increases effective April 6, 2014, October 5, 2014, and October 4, 2015, offset by increased cost sharing measures for medical benefits. The request includes \$0.3 million from all sources to fund the increases, including \$4,414 from federal funds and \$0.3 million from restricted receipts. *The Governor recommends \$0.2 million less than requested to reflect current vacancies.*

Rate Case Reserve Account. The Commission requests the enacted amount of \$1.1 million from restricted receipts for expenses incurred for hearings and investigations of rate case applications and other filings. Funds are used to purchase materials, contract with external legal counsel, official stenographers, engineers, accountants, economists, other expert witnesses, and for all other necessary expenses. *The Governor recommends funding as requested.*

Expert Testimony. The Commission requests \$0.4 million, which is \$0.1 million less than enacted from restricted receipts for expert and consultant services associated with the state's renewable energy standard. The request is reflective of historical expenditures for contracted professional services and appears to adjust funding to better align with anticipated expenditures for these services. *The Governor recommends funding as requested.*

Fleet. The Commission requests \$44,000, which is \$3,500 less than enacted from restricted receipts for its fleet of vehicles. This includes \$15,000, which is \$3,500 less for fleet maintenance costs, and the enacted amount of \$29,000 for the purchase of a new sport utility vehicle. The request is reflective of historical expenditures and the purchase of new vehicles in FY 2013 and FY 2014. *The Governor recommends funding as requested.*

All Other Operations. The Commission requests \$1.1 million from all sources, which is \$13,771 more than enacted from all sources for all other operations expenditures. This includes \$1,401 less from the federal Gas Pipeline Safety grant to accommodate funds needed to cover personnel costs and \$15,172 more from restricted receipts reflective of historical expenditures for information technology and printing services. *The Governor recommends funding as requested.*

Office of Health and Human Services

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Program				
Central Management	\$ 125,872,625	\$ 135,672,867	\$ 120,531,547	\$ 126,468,973
Medical Assistance	2,265,539,221	2,382,919,281	2,360,301,809	2,301,197,819
Division of Advocacy	-	-	-	2,143,606
Total	\$2,391,411,846	\$2,518,592,148	\$2,480,833,356	\$2,429,810,398
Expenditures by Category				
Salaries and Benefits	\$ 22,674,399	\$ 22,442,461	\$ 24,795,615	\$ 25,647,745
Contracted Services	66,900,931	84,538,620	67,428,297	76,388,218
Subtotal	\$ 89,575,330	\$ 106,981,081	\$ 92,223,912	\$ 102,035,963
Other State Operations	4,648,668	6,120,805	5,309,824	5,408,165
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	2,293,923,158	2,404,075,431	2,381,133,745	2,322,048,153
Capital	3,264,690	1,414,831	2,165,875	318,117
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$2,391,411,846	\$2,518,592,148	\$2,480,833,356	\$2,429,810,398
Sources of Funds				
General Revenue	\$ 904,633,663	\$ 941,780,364	\$ 952,228,223	\$ 889,519,628
Federal Aid	1,470,870,303	1,561,011,456	1,512,868,003	1,524,436,297
Restricted Receipts	15,907,880	15,800,328	15,737,130	15,854,473
Other	-	-	-	-
Total	\$2,391,411,846	\$2,518,592,148	\$2,480,833,356	\$2,429,810,398
FTE Authorization	184.0	184.0	188.0	202.0

Summary. The Office requests \$2,480.8 million from all sources, including \$952.2 million from general revenues, \$1,512.9 million from federal funds and \$15.7 million from restricted receipts and a staffing level of 188.0 positions in its current services request. The request is \$89.4 million more than enacted, including \$47.6 million more from general revenues, \$42.0 million more from federal funds and \$0.2 million less from restricted receipts and 4.0 positions more than the current authorized staffing level that directly relate to the implementation of four separate savings initiatives.

The Office's constrained request lowers medical assistance expenditures by \$130.2 million from all sources, including \$71.2 million from general revenues, \$64.5 million from federal funds and adds \$5.5 million from restricted receipts. It does not make any reductions in central management and continues to include 4.0 additional positions.

The Governor recommends \$2,429.8 million from all funds, including \$889.5 million from general revenues and 202.0 positions. The Governor transfers the Office of the Child Advocate, Office of the Mental Health Advocate, Governor's Commission on Disabilities, and the Commission on the Deaf and Hard of Hearing into a new Division of Advocacy in the Office of Health and Human Services.

Her recommendation is \$51.0 million more than requested including \$62.7 million less from general revenues. She proposes savings of \$175.5 million, including \$88.1 million from general revenues in the medical assistance program; \$86.6 million, including \$43.0 million from general revenues, are tied to the report due by April 30, 2015 by the Working Group to Reinvent Medicaid task force in the Office's budget.

Target Issues. The Budget Office provided the Office with a general revenue target of \$881.1 million. The amount includes current service adjustments of \$47.9 million and a 7.5 percent target reduction of \$71,439,941.

FY 2016 Budget	Office of Health &		
	Budget Office	Human Services	Difference
FY 2015 Enacted	\$ 904,633,663	\$ 904,633,663	\$ -
Current Service Adjustments	47,898,886	47,307,463	(591,423)
New Initiatives	-	287,097	287,097
Change to FY 2015 Enacted	\$ 47,898,886	\$ 47,594,560	\$ (304,326)
FY 2016 Current Service/Unconstrained Request	\$ 952,532,549	\$ 952,228,223	\$ (304,326)
Target Reduction/Initiatives	(71,439,941)	(71,198,853)	241,088
FY 2016 Constrained Target/Request	\$ 881,092,608	\$ 881,029,370	\$ (63,238)
<i>Change to FY 2015 Enacted</i>	<i>\$ (23,541,055)</i>	<i>\$ (23,604,293)</i>	<i>\$ (63,238)</i>

The constrained budget submitted by the agency is \$63,238 below the target. The proposals to achieve the reductions are noted among the items described where appropriate. *The Governor's recommendation is \$8.4 million above the target.*

Federal Poverty Guidelines. The federal poverty guidelines are used for purposes of determining financial eligibility for certain state and federal programs, including several programs in state agencies under the Office of Health and Human Services. The 2015 guidelines are shown in the following table.

Percent of Federal Poverty Level based on Annual Income									
Family Size	100%	125%	150%	175%	180%	185%	200%	225%	250%
1	\$11,770	\$14,713	\$17,655	\$20,598	\$21,186	\$21,775	\$23,540	\$26,483	\$29,425
2	15,930	19,913	23,895	27,878	28,674	29,471	31,860	35,843	39,825
3	20,090	25,113	30,135	35,158	36,162	37,167	40,180	45,203	50,225
4	24,250	30,313	36,375	42,438	43,650	44,863	48,500	54,563	60,625
5	28,410	35,513	42,615	49,718	51,138	52,559	56,820	63,923	71,025
6	32,570	40,713	48,855	56,998	58,626	60,255	65,140	73,283	81,425
7	36,730	45,913	55,095	64,278	66,114	67,951	73,460	82,643	91,825
8	40,890	51,113	61,335	71,558	73,602	75,647	81,780	92,003	102,225

For families with more than 8 members, add \$4,160 for each additional member for the 100 percent calculation.

Medicaid Expenses - State/National Comparison. The following table compares national and state 2012 Medicaid spending using the Centers for Medicare and Medicaid Services 2013 Actuarial Report on the Financial Outlook for Medicaid and information from the state's Office of Health and Human Services. By percentage, Rhode Island's enrollment of children and parents (the state's RItE Care population) is lower than the national average. The percent of total spending for this population is lower than the national average but higher when comparing cost per enrollee. The Medicaid expenses for the populations are in the Office of Health and Human Services' budget.

For disabled individuals, enrollment is higher than the national average as is the percent of expenses compared to total spending and cost per enrollee. Expenses for this population are in the Office of

Health and Human Services, as well as the budgets of the Departments of Human Services, Behavioral Healthcare, Developmental Disabilities, and Hospitals, and Children, Youth and Families.

Enrollment and expenses for the aged population are also higher than the national average when comparing percent of enrollment to total enrollment and cost per enrollee. Expenses supporting this population are in the budgets of the Office of Health and Human Services and the Department of Human Services' Division of Elderly Affairs.

Medicaid Expenses	Enrollees		Percent of Enrollees		Expenses (in millions)		Percent of Expenses		Cost Per Enrollee	
	US*	RI	US	RI	US	RI	US	RI	US	RI
Population	28.3	86,923	49.0%	45.0%	\$ 76,300	\$ 262.8	20.0%	14.7%	\$ 2,700	\$ 3,023
Children	14.6	45,588	25.0%	23.6%	60,000	210.7	16.0%	11.8%	4,101	4,622
Adults	9.7	42,717	17.0%	22.1%	166,800	832.6	44.0%	46.7%	17,255	19,491
Blind/Disabled	5.1	17,802	9.0%	9.2%	79,000	476.4	21.0%	26.7%	15,688	26,761
Aged										
Total	57.7	193,030	100%	100%	\$382,800	\$1,782.5	100%	100%	\$ 6,641	\$ 9,235

*Source: Centers for Medicare and Medicaid Services 2013 Actuarial Report on the Financial Outlook for Medicaid and the Office of Health and Human Services; *in millions*

There are other publications that compare national and state data with potential differences in how certain populations, for example children with special healthcare needs, and data are shown. The Kaiser Family Foundation reports an annual cost per enrollee for FY 2011 of \$6,110 to Rhode Island's annual cost per enrollee of \$9,247; however, the national data contains FY 2010 data for ten states whose FY 2011 data was not available. The Kaiser Family Foundation counts children with special health care needs in its blind/disabled population while the Centers for Medicare and Medicaid Services' report them in the children population.

Medical Assistance

Working Group to Reinvent Medicaid. The FY 2015 enacted budget includes \$2,712.1 million of which \$1,083.8 million is general revenues for Medicaid funded programs through the Office of Health and Human Services and the agencies under its umbrella: the Departments of Behavioral Healthcare, Developmental Disabilities and Hospitals; Children, Youth, and Families; Human Services; and Health. The Medicaid program represents approximately 30 percent of all state spending.

On February 26, 2015, the Governor's signed Executive Order 15-08, Establishing the Working Group to Reinvent Medicaid, comprised of Medicaid stakeholders who will conduct a comprehensive review of the Medicaid program and make recommendations for short and long-term plans to transform the program.

The working group will issue a report on or before April 30, 2015, that will include specific quality improvement and cost savings measures for redesigning Medicaid to meet the specific system transformation goals and reduced Medicaid spending. The Governor reduces Medicaid spending by \$92.6 million, of which \$46.0 million is general revenues, across the health and human services agencies based on the report. She includes \$86.6 million, of which \$43.0 million is general revenues, in the Office of Health and Human Services' budget.

The following table itemizes medical assistance expenditures in FY 2013 and FY 2014, as enacted by the 2014 Assembly, adopted by the caseload estimators and recommended by the Governor. Each category is discussed separately.

The Caseload Estimating Conference met on November 5, 2014 and based on current law, set the FY 2016

medical assistance expenditures at \$2,457.7 million, including \$948.7 million from general revenues, which is \$211.1 million more than enacted from all sources and \$72.1 million more from general revenues.

Medical Assistance	FY 2013 Spent	FY 2014 Spent	FY 2015 Enacted	FY 2015 Gov. Rec.	FY 2016 Nov. CEC	FY 2016 Gov. Rec.
Hospitals						
Regular Payments	\$ 83.6	\$ 78.7	\$ 68.3	\$ 77.8	\$ 80.5	\$ 51.6
DSH Payments	127.7	129.8	138.3	138.3	138.3	138.3
Total	\$ 211.3	\$ 208.5	\$ 206.6	\$ 216.1	\$ 218.8	\$ 189.9
Long Term Care						
Nursing and Hospice Care	\$ 352.9	\$ 281.5	\$ 162.1	\$ 176.0	\$ 191.0	\$ 183.8
Home and Community Care	80.17	90.1	53.8	70.3	75.6	73.2
Total	\$ 433.1	\$ 371.7	\$ 215.9	\$ 246.3	\$ 266.6	\$ 257.0
Managed Care						
Rlte Care	\$ 450.8	\$ 503.4	\$ 516.1	\$ 544.2	\$ 564.7	\$ 457.3
Rlte Share	12.8	14.3	12.0	11.5	11.6	11.6
Fee For Service	85.7	75.4	87.4	80.8	84.1	84.1
Total	\$ 549.3	\$ 593.1	\$ 615.4	\$ 636.5	\$ 660.4	\$ 553.0
Rhody Health Partners	\$ 185.0	\$ 192.2	\$ 252.3	\$ 280.3	\$ 301.0	\$ 292.2
Rhody Health Options	\$ -	\$ 126.1	\$ 297.0	\$ 277.5	\$ 290.1	\$ 274.9
Pharmacy	\$ (0.5)	\$ (0.3)	\$ 1.4	\$ 3.6	\$ 4.0	\$ 4.0
Pharmacy Part D Clawback	\$ 50.1	\$ 50.6	\$ 50.4	\$ 50.5	\$ 52.0	\$ 52.0
Medicaid Expansion	\$ -	\$ 147.5	\$ 492.4	\$ 539.1	\$ 547.1	\$ 547.1
Other Medical Services	\$ 117.0	\$ 112.2	\$ 115.1	\$ 114.0	\$ 117.6	\$ 111.9
Federal Funds	\$ 785.2	\$ 975.8	\$ 1,359.3	\$ 1,440.6	\$ 1,498.4	\$ 1,411.0
General Revenues	749.6	813.0	876.6	912.7	948.7	860.6
Restricted Receipts	10.5	11.7	10.6	10.6	10.6	10.6
Total*	\$ 1,545.3	\$ 1,800.4	\$ 2,246.5	\$ 2,363.9	\$ 2,457.7	\$ 2,282.2

*Expenditures in millions

The Office submits a FY 2016 constrained request of \$2,350.6 million, of which \$881.0 million is from general revenues, that is \$40.8 million less than enacted from all sources and \$23.6 million less from general revenues. The request is also \$246.6 million less than the adopted estimate, including \$96.0 million less from general revenues. The Office's constrained budget proposes savings of \$130.2 million from all sources and \$71.2 million from general revenues.

Program	Constrained Budget Proposals			Governor's Budget Proposals		
	General Revenues	Federal Funds	Total	General Revenues	Federal Funds	Total
Hospitals	\$ (19.4)	\$ (18.4)	\$ (37.8)	\$ (14.9)	\$ (14.0)	\$ (28.9)
Long Term Care	(6.8)	(6.8)	(13.5)	(4.8)	(4.8)	(9.6)
Managed Care	(18.0)	(17.8)	(35.7)	(10.7)	(10.1)	(20.8)
Rhody Health Partners	(15.9)	(0.2)	(16.1)	(4.3)	(4.4)	(8.8)
Rhody Health Options	(9.1)	(9.1)	(18.2)	(7.5)	(7.6)	(15.2)
Other Medical Services	(9.9)	1.1	(8.8)	(2.8)	(2.9)	(5.7)
Medicaid Work Group	-	-	-	(43.0)	(43.6)	(86.6)
Total	\$ (79.1)	\$ (51.2)	\$ (130.2)	\$ (88.1)	\$ (87.4)	\$ (175.5)

Note: There are 24 proposals with 9 that impact multiple programs; each proposal is discussed in the appropriate program

The Office's request includes 24 savings proposals that impact the medical assistance program. Some of the initiatives impact only one program, but \$67.0 million, including \$33.6 million from general

revenues of the savings initiatives impact multiple programs, including hospitals, long term care, Rite Care, Rhody Health Partners and Rhody Health Options. This is shown in the following tables and further explained in the separate program sections.

The first table shows savings in the three managed care programs.

Program Proposals	Managed Care		Rhody Health Partners		Rhody Health Options		Governor's Action
	Gen. Rev.	Total	Gen. Rev.	Total	Gen. Rev.	Total	
Managed Care Capitated Payments	\$ (1.7)	\$ (3.3)	\$ (0.7)	\$ (1.4)	\$ (0.3)	\$ (0.6)	Accept
Hospital Rate Freeze	(8.0)	(16.1)	(3.9)	(7.5)	(0.8)	(1.6)	Accept
Federally Qualified Health Centers	(0.9)	(1.8)	(8.8)	(1.8)	-	-	Pending
Behavioral Healthcare Rate Reduction	(0.3)	(0.6)	-	-	-	-	Pending
Laboratory Services	(0.9)	(1.7)	(0.3)	(0.7)	-	-	Pending
Nursing Home Rate Reduction	-	-	-	-	(5.0)	(10.1)	Accept
Nursing Home Rate Freeze	-	-	-	-	(1.6)	(3.3)	Accept
Electronic Visit Verification	-	-	-	-	(0.8)	(1.5)	Accept

The second shows savings in the fee-for-service program and savings across all programs.

Program Proposals	Hospitals		Long Term Care		Other Medical		Total		Governor's Action
	Gen. Rev.	Total	Gen. Rev.	Total	Gen. Rev.	Total	Gen. Rev.	Total	
Managed Care Capitated Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2.7)	\$ (5.4)	Accept
Hospital Rate Freeze	(0.6)	(1.2)	-	-	-	-	(13.3)	(26.4)	Accept
Federally Qualified Health Centers	-	-	-	-	-	-	(9.6)	(3.5)	Pending
Behavioral Healthcare Rate	(0.3)	(0.5)	-	-	-	-	(0.6)	(1.2)	Pending
Laboratory Services	-	-	-	-	(0.03)	(0.1)	(1.2)	(2.4)	Pending
Nursing Home Rate Reduction	-	-	(3.6)	(7.3)	-	-	(8.7)	(17.4)	Accept
Nursing Home Rate Freeze	-	-	(1.6)	(3.2)	-	-	(3.3)	(6.5)	Accept
Electronic Visit Verification	-	-	(1.3)	(2.6)	-	-	(2.1)	(4.2)	Accept
Total (millions)	\$ (0.9)	\$ (1.8)	(6.6)	(13.1)	\$ (0.03)	\$ (0.1)	\$ (41.5)	\$ (67.0)	

The remaining savings of \$63.2 million, of which \$37.6 million is general revenues, are in the hospitals, long term care, managed care programs and other medical services programs, also discussed separately.

The Governor recommends \$175.5 million in savings, including \$88.1 million from general revenues in the medical assistance program.

Hospitals

Hospitals. The November Caseload Estimating Conference estimate includes FY 2016 expenditures at \$218.8 million, of which \$109.7 million is from general revenues. This includes \$138.3 million for the disproportionate share to hospital payments, including \$69.2 million from general revenues and \$80.5 million, including \$40.5 million from general revenues for direct payments. The estimate is \$12.2 million more than enacted, including \$5.9 million more from general revenues. The estimate reflects lower than anticipated enrollment in the Rhody Health Options program and other program costs.

The estimate also includes the \$22.6 million upper limit reimbursement payment made to the community hospitals and \$1.0 million for graduate medical education support.

The Office's constrained request includes proposals that lower total hospital spending by \$37.8 million from all sources, including \$19.4 million from general revenues, each is shown in the following table and discussed separately.

The Governor recommends \$189.9 million, including \$94.8 million from general revenues; she includes \$51.6 million, of which \$25.6 million is from general revenues for direct hospital expenses. Her recommendation is \$28.9 million, including \$14.9 million from general revenues, less than the conference estimate.

Hospitals - Constrained Budget Savings Proposals			Governor's Action
Proposals	General Revenues	All Funds	
Hospital Rate Freeze	\$ (623,382)	\$ (1,246,764)	Accept
Hospital Rate Reduction	(1,188,075)	(2,376,150)	Accept
Disproportionate Share Payments	(5,000,000)	(10,000,000)	Pending
Upper Payment Limit Reimbursements	(11,308,885)	(22,631,349)	Accept
Graduate Medical Education	(1,000,000)	(1,000,000)	Accept
Inpatient Psychiatric Hospital Rates	(271,528)	(543,056)	Pending
Total	\$ (19,391,870)	\$ (37,797,319)	

Target - Hospital Rate Freeze. The Office proposes savings of \$9.4 million from all sources, including \$4.7 million from general revenues, from eliminating the projected inpatient and outpatient hospital rate increases. These savings affect direct payments to hospitals by the state and payments made through the managed care plans.

The Office includes savings of \$1.2 million from all sources, including \$0.6 million from general revenues in fee-for-service hospital expenses from this action, which requires a statutory change and a category II change under the Medicaid waiver. The FY 2014 and FY 2015 budgets froze the outpatient and inpatient rates for hospitals. Rates were increased in FY 2011 and reduced by legislative action in the FY 2012 and FY 2013 budgets.

It should be noted that there is a potential cost shift to the upper payment limit reimbursement, which pays the difference between Medicare and Medicaid payments if this proposal is accepted, and the proposal to eliminate the reimbursement is not. *The Governor accepts the proposal and includes Article 5 to freeze the payment. She includes updated savings of \$1.4 million, of which \$0.7 million is general revenues based on the November caseload estimate.*

Target - Hospital Rate Reduction. The Office proposes savings of \$19.4 million from all sources, including \$9.7 million from general revenues, from reducing rates paid to hospitals by five percent in

the fee-for-service program. The Office includes savings of \$2.4 million from all sources, including \$1.2 million from general revenues, in fee-for-service hospital expenses from this action, which requires a statutory change and a category II change under the Medicaid waiver.

Similar to the hospital rate freeze, there is a potential cost shift to the upper payment limit reimbursement, which pays the difference between Medicare and Medicaid payments if this proposal is accepted, and the proposal to eliminate the reimbursement is not.

The Governor accepts the proposal and includes Article 5 for the reduction. She includes updated savings of \$3.9 million, of which \$1.9 million is general revenues based on the November caseload estimate.

Disproportionate Share Payments to Hospitals. The Caseload Estimating Conference includes \$138.3 million from all sources for the disproportionate share payments for uncompensated care costs to the hospitals, consistent with the enacted budget. This includes \$69.2 million from general revenues and from federal funds. Funding is provided to Eleanor Slater Hospital and the state's community hospitals through the Office of Health and Human Services.

Rhode Island's calculation for the uncompensated care payments includes the costs incurred treating uninsured individuals and the Medicaid "shortfall" which represents the difference between payments made by the state for its Medicaid recipients (including managed care enrollees and fee-for-service patients) and what the hospital's costs are for that treatment. Each hospital has its own set of costs for each procedure so there may be different charges for the same procedures among hospitals; however, the state pays the same rate for the same services for Medicaid eligible individuals, regardless of which hospital provides the treatment.

The Office's constrained request lowers the funding available to be distributed to the state and community hospitals for the uncompensated care payments by \$10.0 million from all sources, including \$5.0 million from general revenues. The state's federal allotment was not changed; the Office's request reduces the state match which lowers the amount of federal funding used for the payments.

Hospital Payments	FY 2014 Reported	FY 2015 Enacted	FY 2016 Nov. CEC	FY 2016 Gov. Rec.	Gov. Change to Enacted
Community Hospitals					
State	\$ 62,549,661	\$ 68,253,945	68,380,292	\$ 68,380,292	\$ 126,347
Federal	65,747,555	68,519,649	68,393,303	68,393,303	(126,347)
Subtotal	\$ 128,297,216	\$ 136,773,594	\$ 136,773,594	\$ 136,773,594	\$ -
Eleanor Slater Hospital					
State	\$ 755,119	\$ 755,118	\$ 774,421	\$ 774,421	\$ 19,303
Federal	793,722	793,723	774,421	774,421	(19,303)
Subtotal	\$ 1,548,841	\$ 1,548,841	\$ 1,548,841	\$ 1,548,841	\$ -
Upper Payment Limit					
State	\$ 5,482,285	\$ 11,308,885	\$ 11,243,254	\$ -	\$ (11,308,885)
Federal	5,570,152	11,322,464	\$ 11,388,095	-	(11,322,464)
Subtotal	\$ 11,052,437	\$ 22,631,349	\$ 22,631,349	\$ -	\$ (22,631,349)
Graduate Medical Education					
State	\$ -	\$ 1,000,000	\$ 1,000,000	\$ -	\$ (1,000,000)
Federal	-	-	-	-	-
Subtotal	\$ -	\$ 1,000,000	\$ 1,000,000	\$ -	\$ (1,000,000)
Total	\$ 140,898,494	\$ 161,953,784	\$ 161,953,784	\$ 138,322,435	\$ (23,631,349)

The Governor recommends funding consistent with the caseload estimate and includes Article 4 to make an FY 2017 payment that does not exceed \$128.3 million.

Upper Payment Limit Reimbursements. The Office’s request includes the enacted level of \$22.6 million from all sources, \$11.3 million from general revenues for the outpatient and inpatient upper payment limit reimbursement made to the community hospitals.

Hospitals currently receive quarterly inpatient and outpatient supplemental upper payment limit based payments and the FY 2015 enacted budget includes \$11.8 million for the inpatient supplemental payment and \$10.8 million for the outpatient payment.

The Office’s constrained budget includes savings of \$22.6 million from all sources, of which \$11.3 million is general revenues from eliminating both payments. This requires a statutory change. *The Governor accepts the proposal and includes Article 4 to eliminate the payment.*

Graduate Medical Education. The Office includes \$1.0 million from general revenues to support graduate medical education activities at Lifespan; this is consistent with the enacted level.

The Office’s constrained budget includes savings of \$1.0 million from general revenues from eliminating the payment. *The Governor accepts the proposal and includes Article 5 to eliminate the payment.*

Hospital License Fee. The Assembly included Section 1 of Article 16 of 2014-H 7133 Substitute A, as amended which set the FY 2015 license fee at 5.703 percent based on 2013 revenues for all hospitals, including the state-run Eleanor Slater Hospital, except for South County Hospital and Westerly Hospital which will pay a lower 3.6 percent fee, subject to federal approval of a waiver.

The Governor includes Article 3 which extends the hospital licensing fee in FY 2016 consistent with the enacted rate. The licensing fee appears annually in the Appropriations Act.

FY 2016 Hospital License Fee	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Gov. Rec.	Gov. Change to Enacted
<i>Base Year</i>	<i>2012</i>	<i>2013</i>	<i>2013</i>	
<i>Tax Rate</i>	<i>5.246%</i>	<i>5.703%</i>	<i>5.703%</i>	
Community Hospital License Fee	\$ 139,497,359	\$ 153,548,271	\$ 153,548,271	\$ -
Washington County Hospitals Waiver	(3,521,472)	(3,942,912)	(3,942,912)	-
Subtotal Licensing fee	\$ 135,975,887	\$ 149,605,359	\$ 149,605,359	\$ -
Slater License Fee	5,281,695	6,466,243	6,466,243	-
Total	\$ 141,257,582	\$ 156,071,602	\$ 156,071,602	\$ -

Target - Inpatient Psychiatric Hospital Rates. The Office proposes savings of \$1.2 million, including \$0.6 million from general revenues from reducing the fee-for-service payments made to the community hospitals for in-patient hospital stays. This includes \$0.5 million, of which \$0.3 million is from general revenues in the hospital program. This is separate from the hospital rate freeze previously discussed. The Office has the discretion to adjust certain hospital rates and has done so with this proposal.

The Office reports that the proposal will reduce hospital payments by 20 percent and that the adjustment will remain in effect until an alternative arrangement with equivalent savings is developed as part of a broader behavioral health initiative.

It should be noted that the Office requests one additional position to implement the proposal in both the request and constrained budget and has also entered into a contract with Truven Analytics in FY 2015 to address behavioral health needs in the state. It is unclear why the position was included in the request since the proposal was part of the constrained budget. This is not deducted from the savings.

Although the Governor does not explicitly include the savings, she does includes \$96.2 million, including \$46.0 million from general revenues as part of the reinventing Medicaid work group and supporting documents include \$6.0 million, of which \$3.0 million is general revenues from providing better coordinated care for individuals with behavioral healthcare needs.

Long Term Care

Long Term Care. The Caseload Estimating Conference estimate includes long term care expenses at \$266.6 million, of which \$129.4 million is from general revenues. This includes \$191.0 million for nursing facilities and hospice care and \$75.6 million for home and community care. The estimate is \$50.7 million more than enacted, including \$24.6 million more from general revenues; it is \$20.3 million above the revised estimate for FY 2015.

The Office’s request includes proposals that lower long term care spending by \$13.5 million from all sources, including \$6.8 million from general revenues, each discussed separately.

The Governor includes \$257.0 million from all sources for long term care expenses, including \$124.7 million from general revenues. Her recommendation is \$9.6 million less than the conference estimate, including \$4.8 million less from general revenues.

Nursing Facilities and Hospice Care. The Caseload Estimating Conference estimate includes FY 2016 expenditures of \$191.0 million, of which \$94.9 million is from general revenues for the state’s 84 nursing facilities. The estimate is \$28.9 million more than enacted, including \$13.9 million more from general revenues and \$15.0 million more than the revised estimate for FY 2015.

The Office proposes savings of \$10.5 million from all sources, including \$5.2 million from general revenues for nursing facilities in its constrained budget. *The Governor recommends \$183.8 million, including \$91.3 million from general revenues for nursing home expenses. Her recommendation is \$7.2 million less than the caseload estimate.*

Long Term Care - Constrained Budget Savings Proposals			Governor's Action
Proposal	General Revenues	All Funds	
Rate Reduction	\$ (3,641,254)	\$ (7,282,509)	Accept
Rate Freeze	(1,608,149)	(3,216,297)	Accept
Electronic Visit Verification	(1,307,662)	(2,615,324)	Accept
Personal Choice Program Payments	(200,000)	(400,000)	Accept
Total	\$ (6,757,065)	\$ (13,514,130)	

Target - Nursing Facilities Rate Reduction. The Office’s budget includes savings of \$17.4 million, of which \$8.7 million is from general revenues, reducing nursing home rates by five percent. This includes savings of \$7.3 million from all sources, including \$3.6 million from general revenues in the fee-for-service program. The rate reduction would result in lower revenues for nursing homes, which lowers taxes paid by \$0.4 million through the 5.5 percent assessment on a facility’s gross revenues for net savings of \$6.9 million.

This is the third year that the Office has proposed this reduction. There is an impact to revenue of \$1.0 million which is included in the Office's request. There was a five percent rate reduction accepted in the final six months for FY 2012 but it was not implemented by the Office, although savings were included in the enacted budget; it was not a structural adjustment, just a one-time fix for that year.

The Governor includes Article 5 to reduce the rates by three percent and assumes savings of \$4.4 million, including \$2.2 million from general revenues. The rate reduction results in lower revenues for nursing homes, which lowers taxes paid by \$0.2 million through the 5.5 percent assessment on a facility's gross revenues for net savings of \$2.0 million.

Target - Nursing Facilities Rate Freeze. The Office's budget includes savings of \$6.5 million, of which \$3.3 million is from general revenues from eliminating the October 1, 2015 rate increase for the nursing facilities. This includes savings of \$3.2 million from all sources, including \$1.6 million from general revenues in the fee-for-service program. The rate freeze would result in lower revenues for nursing homes, which lowers taxes paid by \$0.2 million through the 5.5 percent assessment on a facility's gross revenues for net savings of \$1.4 million.

This is the third year that the Office has proposed this freeze. For FY 2015, the Assembly delayed the previous adjustment by six months until April 2015. *The Governor includes Article 5 to eliminate the October 1, 2015 rate increase and assumes savings of \$2.8 million, including \$1.4 million from general revenues based on the November caseload estimate. The rate reduction results in lower revenues for nursing homes, which lowers taxes paid by \$0.2 million through the 5.5 percent assessment on a facility's gross revenues for net savings of \$1.2 million.*

Home and Community Care. The November Caseload Estimating Conference estimate includes \$75.6 million for home and community care expenses, including \$34.5 million from general revenues for FY 2016. This is \$21.8 million more than enacted, including \$10.7 million more from general revenues. The estimate increases home and community care funding by \$0.6 million to comply with state law that requires reinvestment of a portion of long term care savings, in this case, from a reduction in hospice days.

The Office testified that it appears a significant number of individuals who opted-out and were receiving home care services are high utilizers; however, it does not track the reason that an individual chooses to not participate in the managed care program. The Office indicated its intent to do further analysis.

The Office proposes savings of \$3.0 million from all sources, including \$1.5 million from general revenues in its constrained budget. Each proposal is discussed separately. *The Governor recommends \$73.2 million, including \$33.3 million from general revenues for home and community based expenses. Her recommendation is \$2.4 million less than the caseload estimate, as noted below.*

Target - Electronic Visit Verification. The enacted budget includes savings of \$1.0 million from all sources, of which \$0.5 million is from general revenues to implement an electronic visit verification process that records arrival and departure times of the home health worker through a software application that uses a home care patient's own telephone or a home care worker's cell phone, tablet or personal computer. The Office's constrained budget assumes \$4.2 million in added savings, including \$2.6 million, of which \$1.3 million is general revenues in the fee-for-service home and community based program.

The electronic visit verification technology will send alerts when visits performed do not match visits authorized and scheduled, including: customizable time limits for real-time missed visit alerts;

automated, customizable determination that a visit is late or missed; broadcast messaging; multiple management reports; documentation of services provided, tasks completed/not completed, supplies consumed, vital signs and narratives.

The Office indicates that the savings are net of the cost of implementation, which it has included and also hired staff for the initiative in FY 2015.

The Governor proposes savings of \$2.0 million, including \$1.0 million from general revenues from the verification process.

Target - Personal Choice Program Payments. The Office's request includes savings of \$0.4 million from all sources, including \$0.2 million from general revenues from reducing the \$125 monthly administrative payment to \$60 paid to Tri-Town for the 512 individuals enrolled in the participant-directed program.

The personal choice program is a participant-directed program designed to provide in-home services and supports to adults with disabilities and elders. The model allows people with disabilities and elders the option and opportunity to manage a flexible budget and determine how that budget will be spent to best meet their needs. The budget can be used exclusively for personal care needs or in combination with other goods and services that will assist an individual in living independently in the community. *The Governor recommends this proposal.*

Community First Choice. The FY 2015 enacted budget includes general revenue savings of \$3.0 million from providing the community first choice program option to individuals who require an institutional level of care. The community first choice option provides states the ability to make available home and community based attendant services and supports to eligible individuals, as needed, to assist with activities of daily living, instrumental activities of daily living and health-related tasks through hands-on assistance, supervision or cueing which is a sensory signal used to identify experiences, facilitate memory, or organize responses.

The community first choice option must be provided on a statewide basis in a manner that provides services and supports in the most integrated setting appropriate to the individual's needs and without regard to the person's age, type or nature or severity of disability, or the form of home and community-based attendant services and supports that the person requires to lead an independent life. States are eligible to receive a six percent permanent increase in the Medicaid rate for the community attendant services.

The November caseload conference adjusted for the delay in implementing the proposal; however, the caseload estimate includes the enacted level of savings in FY 2016. *The Governor recommends funding consistent with the November caseload estimate.*

Managed Care

The Caseload Estimating Conference estimate includes managed care expenses of \$660.4 million of which \$314.3 million is from general revenues. The estimate includes RItE Care expenses at \$564.7 million, RItE Share at \$11.6 million and fee-for-service expenses at \$84.1 million; a discussion of each follows.

The November estimate is \$45.0 million more than enacted, including \$16.6 million from general revenues and \$44.0 million more than the Office's request, including \$16.3 million more from general

revenues. The Office's constrained request is \$43.6 million less than the enacted budget, including \$21.8 million less from general revenues and does not reflect the adopted estimate.

The Office's constrained request includes ten proposals that lower managed care spending by \$35.7 million from all sources, including \$18.0 million from general revenues and also includes unidentified changes totaling \$0.8 million from all sources, including \$0.3 million from general revenues; each is shown in the following table and discussed separately.

Managed Care - Constrained Savings Proposals			Governor's Action
Proposals	General Revenues	All Funds	
Managed Care Capitated Payments	\$ (1,670,734)	\$ (3,341,468)	Accepted
Hospital Rate Freeze	(2,502,492)	(5,004,985)	Accepted
Hospital Rate Reduction	(5,536,700)	(11,073,399)	Accepted
Early Intervention Services	(2,462,053)	(4,924,106)	Not Accepted
Neo-Natal Intensive Care Unit Rate Reduction	(2,810,493)	(5,620,986)	Pending
Federally Qualified Health Centers	(875,000)	(1,750,000)	Accepted
Laboratory Services	(852,450)	(1,704,900)	Pending
Pay for Performance Goal Program	(425,000)	(850,000)	Pending
Behavioral Healthcare Rate Reduction	(323,559)	(647,118)	Pending
Health Centers Enhanced Medicaid Rate	(189,000)	-	Accepted
Unidentified Savings	(307,870)	(792,765)	Not Accepted
Total	\$ (17,955,351)	\$ (35,709,727)	

The Governor recommends \$553.0 million for managed care expenses, including \$260.6 million from general revenues. Her recommendation is \$53.7 million less than the conference estimate and she includes several proposals impacting program expenses, discussed separately. It should also be noted that the \$86.6 million in Medicaid savings assigned to the work group has been taken in this program; however, that may change somewhat when the report is completed and the Governor submits her amendments that identify refined proposals tied to those savings.

Rlte Care. The Caseload Estimating Conference estimates Rlte Care expenditures at \$564.7 million including \$266.7 million from general revenues. This is \$48.6 million more than enacted, including \$23.0 million more from general revenues based on revision to the caseload demographics and costs. The estimate assumes an increase in the number of newborns, older children and adults that influences program costs.

The estimate also includes \$5.1 million from all sources to treat individuals enrolled in Rlte Care who meet the criteria for the new treatment for Hepatitis C. The Office projected that 71 Rlte Care enrollees would receive the treatment at a cost of \$90,000 with an assumed rebate of 23 percent for a net cost of approximately \$70,000 per person.

The Governor includes \$457.3 million from all sources, including \$213.0 million from general revenues. Excluding the savings from the work group, her recommendation is \$20.8 million less than the conference estimate; program changes are discussed separately.

Target - Managed Care Capitated Payments. The state pays a monthly capitated payment to both Neighborhood Health and United Healthcare to provide medical benefits for its Rlte Care and Rhody Health enrollees. The state also negotiates a risk share/gain share agreement within the payment system to offset any losses or gains the state may incur with the managed care plans during the reconciliation process.

The Office proposes savings of \$5.4 million, including \$2.7 million from general revenues from reducing the managed care capitation payments by 0.9 percent. This includes savings of \$3.3 million, of which \$1.7 million is from general revenues in the RIte Care program. This action would result in lower revenues for the managed care plans that reduces taxes paid by \$0.1 million on the 2.0 percent assessment made on the plan premiums for a net general revenue savings of \$2.6 million.

This is the third consecutive year that the Office has proposed this initiative. *The Governor recommends the proposal and includes savings of \$3.3 million, of which \$1.7 million is from general revenues and includes Article 5 for the necessary changes. Adjusting for the assessment, the net savings is \$1.6 million.*

Target - Hospital Rate Freeze. The Office proposes savings of \$9.4 million from all sources, including \$4.7 million from general revenues from eliminating the projected inpatient and outpatient hospital rate increases. These savings affect direct payments to hospitals by the state and payments made through the managed care plans.

The Office includes savings of \$5.3 million from all sources, including \$2.7 million from general revenues, in the RIte Care program from this action which requires a statutory change and a category II change under the Medicaid waiver. The FY 2014 and FY 2015 budgets froze the outpatient and inpatient rates for hospitals. Rates were increased in FY 2011 and reduced by legislative action in the FY 2012 and FY 2013 budgets. This change would result in lower revenues for the managed care plans that reduces taxes paid by \$0.1 million on the 2.0 percent assessment made on the plan premiums for a net general revenue savings of \$2.6 million.

The Governor recommends the proposal and includes savings of \$5.6 million, of which \$2.8 million is from general revenues and includes Article 5 for the necessary changes. Adjusting for the assessment, the net savings is \$2.7 million.

Target – Hospital Rate Reduction. The Office proposes savings of \$19.4 million from all sources, including \$9.7 million from general revenues from reducing rates paid to hospitals by five percent in the fee-for-service and managed care programs. The Office includes savings of \$11.1 million from all sources, including \$5.5 million from general revenues in the RIte Care program from this action, which requires a statutory change and a category II change under the Medicaid waiver. This change would result in lower revenues for the managed care plans that reduces taxes paid by \$0.2 million on the 2.0 percent assessment made on the plan premiums for a net general revenue savings of \$4.6 million.

The Governor recommends the proposal and includes savings of \$11.9 million, of which \$5.9 million is from general revenues and includes Article 5 for the necessary changes. Adjusting for the assessment, the net savings is \$5.7 million.

Target - Early Intervention Services. The Office proposes savings of \$4.9 million from all sources, including \$2.5 million from general revenues from increasing the limit of coverage for early intervention services that must be covered by a commercial insurer from \$5,000 to \$15,000.

Rhode Island General Law 27-18-64 mandates that the first \$5,000 of early intervention services provided to children with comprehensive commercial coverage is the responsibility of the commercial carrier. After the \$5,000 “cap” has been exceeded, providers bill Medicaid fee-for-service for any additional services and expenses provided during the remainder of the calendar year. This reimbursement to early intervention providers is through state and federal funds.

Although the Governor does not explicitly include the proposal, she does include savings of \$96.2 million, of which \$46.0 million is from general revenues, as part of the reinventing Medicaid task force and supporting documents include \$3.0 million, of which \$1.5 million is general revenues, from improved oversight and efficiency, such as increasing the commercial insurance mandate for early intervention services.

Target - Neo-Natal Intensive Care Unit Rate Reduction. The Office's budget proposes savings of \$5.6 million from all sources, including \$2.8 million from general revenues from a reduction to the rates paid for neonatal intensive care. The neonatal intensive care rate is currently an "out-of-plan" service, paid through Medicaid fee-for-service. The November caseload conference estimate includes \$28.5 million from all sources for neo-natal intensive care unit costs; the proposed reduction lowers those costs by 19.7 percent in FY 2016.

Similar to the behavioral health care reduction, the Office reports that the lower rate would remain in effect until an alternative arrangement was developed to pay neo-natal intensive care unit and pre/post-partum services as a bundled payment with equivalent savings.

The Office adds one position in the request and constrained budgets for this initiative and it should also be noted that the Qualdigm contract also includes a cost not to exceed \$0.3 million in FY 2016 related to review of neo-natal intensive care unit admissions. It is unclear why the position was included in the request since the proposal was only included as part of the constrained budget.

Although the Governor does not explicitly include the savings, she does includes \$96.2 million, including \$46.0 million from general revenues as part of the reinventing Medicaid work group and supporting documents include \$30.2 million, of which \$15.0 million is general revenues, for implementing value-based payments to hospitals, such as neo-natal intensive care services rate adjustment and aligning re-admission penalties with Medicare.

Target - Federally Qualified Health Centers. The Office's budget proposes savings of \$3.5 million from all sources, including \$1.8 million from general revenues from lowering payments made to the state's federally qualified health centers through the incentive program. This includes \$1.8 million, of which \$0.9 million is general revenues in the RIte Care program. The November caseload estimate for FY 2016 includes supplemental payments totaling \$15.3 million for the federally qualified health centers.

The Office also includes funding for a new position in both its request and constrained budgets to implement this proposal. It is unclear why the position was included in the request since the proposal was only included as part of the constrained budget. The position totals \$75,000 in FY 2016, discussed in the central management program.

Although the Governor does not explicitly include the savings, she does include \$96.2 million, including \$46.0 million from general revenues as part of the reinventing Medicaid work group exercise and supporting documents include \$16.1 million, of which \$8.0 million is general revenues, from value-based payment approaches in managed care, such as refining the federally qualified health center incentive program.

Target - Laboratory Services. The Office proposes savings of \$2.4 million, including \$1.2 million from general revenues from entering into a selective contract for laboratory services. This includes savings of \$1.7 million from all sources, including \$0.9 million from general revenues in the RIte Care program.

The Office reports that currently over 300,000 lab analyses are conducted annually through community

based and hospital based labs with the work divided equally between the settings. The Office reports that a substantial portion of the work performed by the hospital based labs is generated by clinical visits in community based provider sites. The average cost for the hospital based lab service is approximately 250 percent of the average cost for the community based lab service, or \$134 compared to \$54. This initiative is based on selective contracting for lab services to obtain comparable services in a more cost effective setting.

Although the Governor does not explicitly include the savings, she does include \$96.2 million, including \$46.0 million from general revenues as part of the reinventing Medicaid work group exercise and supporting documents include \$16.1 million, of which \$8.0 million is general revenues, from value-based payment approaches in managed care, such as selective contracting for certain services.

Target - Pay for Performance Goal Program. The Office proposes savings of \$0.9 million, including \$0.4 million from general revenues from eliminating the payment made to the health plans to achieve certain performance measures. The Office has been asked to further define the measures.

The RIte Care pay for performance goal program is the second oldest in the nation and during the last 15 years, it has been updated several times. The RIte Care health plans must achieve performance metrics at high levels to receive incentive payments. The health plans usually achieve incentive payments in the range of \$1.5 million to \$1.7 million on an annual basis. The Office reports that the initiative will modify performance standards to include outcome metrics that lower the total cost of care while maintaining quality. The Office reports that it will substitute current process measures with new outcome measures and for FY 2016, the outcome measures will not be rewarded. Baseline thresholds will be obtained during this timeframe.

Although the Governor does not explicitly include the savings, she does include \$96.2 million, including \$46.0 million from general revenues as part of the reinventing Medicaid work group exercise and supporting documents include \$16.1 million, of which \$8.0 million is general revenues, from value-based payment approaches in managed care.

Target - Behavioral Healthcare Rate Reduction. The Office proposes savings of \$1.2 million, including \$0.6 million from general revenues from reducing the fee-for-service payment made to the community hospitals for in-patient hospital stays. This includes \$0.6 million, of which \$0.3 million is general revenues in the RIte Care program.

The proposal will reduce hospital payments by 20 percent and the Office reports that the adjustment will remain in effect until an alternative arrangement with equivalent savings is developed as part of a broader behavioral health initiative.

It should be noted that the Office requests one additional position to implement the proposal and has also entered into a contract with Truven Analytics to complete a study in FY 2015 that addresses behavioral health needs for individuals in Rhode Island.

Although the Governor does not explicitly include the savings, she does include \$96.2 million, including \$46.0 million from general revenues as part of the reinventing Medicaid work group exercise and supporting documents include \$6.0 million, of which \$3.0 million is general revenues, from better coordinated care for individuals with behavioral health care needs. She does not include the new position.

Target - Health Centers Enhanced Medicaid Rate. The Office proposes general revenue savings of \$0.2 million from leveraging the higher Medicaid rate for certain services at the health centers.

The state has been unable to claim enhanced Medicaid match for eligible individuals because specific, member level information was not readily available. With planned enhancements to the submissions filed by each health center, the state can identify, at the patient level, which services are eligible for the higher Medicaid match beginning with dates of service on or after July 1, 2015. *The Governor recommends savings of \$0.4 million from the proposal.*

RIte Share. The Caseload Estimating Conference estimate includes RIte Share expenditures of \$11.6 million, including \$5.8 million from general revenues. This is \$0.4 million less than enacted, including \$0.2 million less from general revenues, based on decreased enrollment. The Office's request is consistent with the enacted budget and does not reflect the adopted estimate. The RIte Share program allows families who are eligible for medical assistance to remain in their employer based health insurance plan. The state pays the health care premiums and co-payments of RIte Share eligible participants if the coverage is similar to the cost and services offered through RIte Care. *The Governor recommends funding consistent with the November caseload estimate.*

Fee-Based Managed Care. The Caseload Estimating Conference estimate includes FY 2016 fee-based managed care expenditures of \$84.1 million from all sources, of which \$41.8 million is general revenues. The estimate is \$3.2 million less than enacted, including \$1.6 million less from general revenues from shifting some expenses from fee-based managed care to in-plan and increased transportation expenditures. Fee-based managed care provides additional services to those in the contracted managed care system. The Office's request is consistent with the enacted budget and does not reflect the adopted estimate. *The Governor recommends funding consistent with the November caseload estimate.*

Unidentified Reduction. The Office's constrained request inadvertently understates total costs in the managed care program by \$0.5 million, of which \$0.1 million is general revenues. This understatement is not part of a specific proposal. *The Governor's recommendation correct for this.*

Rhody Health Partners

Rhody Health Partners. The Caseload Estimating Conference estimate includes expenditures of \$301.0 million from all sources, including \$150.7 million from general revenues for the managed care program for adults with disabilities in FY 2016. The Office's request is \$16.1 million less than its unconstrained request, of which \$8.1 million is from general revenues and includes several savings proposals, discussed separately.

The Office's constrained budget includes savings of \$15.9 million, \$7.8 million from general revenues, from six proposals and includes unidentified savings of \$0.1 million in the Rhody Health Partners program.

Rhody Health Partners - Constrained Savings Proposals			Governor's Action
Proposals	General Revenues	All Funds	
Hospital Rate Freeze	\$ (1,467,594)	\$ (2,668,046)	Accepted
Hospital Rate Reduction	(2,421,122)	(4,842,244)	Accepted
Behavioral Health Services	(2,237,170)	(4,474,340)	Pending
Federally Qualified Health Centers	(875,000)	(1,750,000)	Pending
Managed Care Capitated Payments	(724,855)	(1,449,710)	Accepted
Laboratory Services	(340,962)	(681,924)	Pending
Unidentified Savings	-	(26,714)	Not Accepted
Total	\$ (8,066,703)	\$ (15,892,978)	

Methadone Maintenance Health Home Program. The November caseload estimate includes \$4.0 million, including \$1.6 million from general revenues to make the monthly payment for individuals enrolled in the methadone maintenance health home program. The state match includes a 90/10 rate in the first quarter of FY 2016 when the state's ability to leverage the higher match rate expires; expenses incurred in the next three quarters of FY 2016 are matched at the lower Medicaid rate of 50.32 percent. *The Governor includes funding consistent with the caseload estimate.*

Target - Hospital Rate Freeze. The Office proposes savings of \$9.4 million from all sources, including \$4.7 million from general revenues, from eliminating the projected inpatient and outpatient hospital rate increases. These savings affect direct payments to hospitals by the state and payments made through the managed care plans. The Office includes savings of \$2.3 million from all sources, including \$1.2 million from general revenues, in Rhody Health Partners program from this action, which requires a statutory change and a category II change under the Medicaid waiver. The FY 2014 and FY 2015 budgets froze the outpatient and inpatient rates for hospitals. Rates were increased in FY 2011 and reduced by legislative action in the FY 2012 and FY 2013 budgets.

It should be noted that there is a potential cost shift to the upper payment limit reimbursement which pays the difference between Medicare and Medicaid payments if this proposal is accepted and the proposal to cap the reimbursement is not.

The Governor recommends the proposal and includes savings of \$0.5 million, of which \$0.3 million from general revenues and includes Article 5 for the necessary changes. The savings will be reduced by \$49,273 in loss assessment revenue.

Target - Hospital Rate Reduction. The Office proposes savings of \$19.4 million from all sources, including \$9.7 million from general revenues from reducing rates paid to hospitals by five percent in the fee-for-service program. The Office includes savings of \$4.8 million from all sources, including \$2.4 million from general revenues, in the Rhody Health Partners program from this action, which requires a statutory change and a category II change under the Medicaid waiver.

This change would result in lower revenues for the managed care plans that reduces taxes paid by \$0.1 million on the 2.0 percent assessment made on the plan premiums for a net general revenue savings of \$2.3 million. *The Governor recommends the proposal and includes savings of \$1.1 million, of which \$0.5 million from general revenues and includes Article 5 for the necessary changes. The savings will be reduced by \$21,350 in loss assessment revenue.*

Target - Behavioral Health Services. The Office includes savings of \$4.5 million, including \$2.2 million from general revenues from mandatorily enrolling the Medicaid/Medicare recipients who have

opted out of Rhody Health Options into Rhody Health Partners to address the recipient's behavioral health care needs.

The authority and funding to manage and pay for certain behavioral health services for the severely and persistently mentally ill population has been transferred from the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals to the Office of Health and Human Services. The Medicaid program is currently working with its two managed care health plans, Neighborhood Health Plan of RI and United Healthcare, to bring these services into its managed care delivery system. The Office will develop a system to oversee and pay claims for these services for Medicaid recipients who are in the fee-for-service delivery system by engaging with a managed behavioral health organization to administer the array of intensive behavioral health services for severely and persistently mentally ill members who are not enrolled in Medicaid managed care. *The Governor does not include the proposal.*

Target - Federally Qualified Health Centers. The Office's budget proposes savings of \$3.5 million, including \$1.8 million from general revenues from lowering payments made to the state's federally qualified health centers. This includes savings of \$1.8 million from all sources, including \$0.9 million from general revenues in the Rhody Health Partners managed care program.

The Office also includes funding for a new position in both its current services request and constrained budgets to implement this proposal. It is unclear why the position was not limited to only the constrained budget. The position totals \$75,041 in FY 2016 and is discussed in the central management program.

The federally qualified provider incentive program is an important mechanism by which a Medicaid managed care organization can partner with the state to achieve the goals of lowering total costs of care, improving quality of care and improving member experience. An incentive payment is based on the provider's performance on a specified measure, a set of measures and/or payment models that include a quality withhold or alternative payment schedule.

Although the Governor does not explicitly include the proposal, she does include savings of \$96.2 million, of which \$46.0 million is from general revenues, as part of the reinventing Medicaid task force and supporting documents include \$16.1 million, of which \$8.0 million is general revenues, from value-based payment approaches in managed care, such as refining the federally qualified health center incentive program.

Target - Managed Care Capitated Payments. The state pays a monthly capitated payment to both Neighborhood Health and United Healthcare to provide medical benefits for its RIte Care and Rhody Health Partners enrollees. The state also negotiates a risk share/gain share agreement within the payment system to offset any losses or gains the state may incur with the managed care plans during the reconciliation process. The Office proposes savings of \$5.4 million, including \$2.7 million from general revenues from reducing the managed care capitation payments by 0.9 percent. This includes savings of \$1.4 million, of which \$0.7 million is from general revenues in the Rhody Health Partners program.

This reduction results in lower revenues for the managed care plans that reduces taxes paid by \$28,997 on the 2.0 percent assessment made on the plan premiums. *The Governor assumes the proposed savings and includes Article 5 for the necessary changes.*

Target - Laboratory Services. The Office proposes savings of \$2.4 million, including \$1.2 million from general revenues from entering into a selective contract for laboratory services. This includes

savings of \$0.7 million from all sources, including \$0.3 million from general revenues in the Rhody Health Partners program.

The Office reports that currently over 300,000 lab analyses are conducted annually through community based and hospital based labs with the work divided 50/50 between the settings. The Office reports that a substantial portion of the work performed by the hospital based labs is generated by clinical visits in community based provider sites. The average cost per service for the hospital based lab service is approximately 250 percent of the average cost for the community based lab service, or \$134 compared to \$54. This initiative is based on selective contracting for lab services in order to obtain comparable services in a more cost effective setting.

Although the Governor does not explicitly include the proposal, she does include savings of \$96.2 million, of which \$46.0 million is from general revenues, as part of the reinventing Medicaid work group exercise and supporting documents include \$16.1 million, of which \$8.0 million is general revenues, from value-based payment approaches in managed care, such as selective contracting for certain services.

Unidentified Reduction. The Office's constrained request inadvertently understates total costs by \$0.6 million in the Rhody Health Partners program, of which \$0.3 million is general revenues. This understatement is not part of a specific proposal. *The Governor's recommendation corrects this.*

Rhody Health Options

Rhody Health Options. As of November 1, 2013, the state entered into a managed care contract with Neighborhood Health Plan of Rhode Island to manage acute care and long term care services for individuals eligible for both Medicare and Medicaid. Consistent with the Office's testimony, the caseload conference estimate includes \$290.1 million from all sources, including \$144.1 million from general revenues for the program.

The Office's constrained budget includes savings of \$18.2 million, \$9.1 million from general revenues, from six proposals and includes unidentified changes of \$117,777 from all sources, including \$58,889 from general revenues.

Target - Nursing Facilities Rate Reduction. The Office's budget includes savings of \$17.4 million, of which \$8.7 million is from general revenues from reducing average nursing home rates by five percent. This includes savings of \$10.1 million from all sources, including \$5.0 million from general revenues in the Rhody Health Options program.

The rate reduction would result in lower revenues for nursing homes, which lowers taxes paid by \$0.6 million through the 5.5 percent assessment on a facility's gross revenues for net savings of \$5.4 million.

The Governor includes Article 5 to reduce the rates by three percent and assumes savings of \$6.5 million, including \$3.2 million from general revenues updated for the November caseload conference. The rate reduction results in lower revenues for nursing homes, which lowers taxes paid by \$0.2 million through the 5.5 percent assessment on a facility's gross revenues for net savings of \$2.0 million.

Rhody Health Options - Constrained Budget Proposals			Governor's Action
Proposals	General Revenues	All Funds	
Nursing Facilities Rate Reduction	\$ (5,035,445)	\$ (10,070,891)	Accepted
Nursing Facilities Rate Freeze	(1,645,615)	(3,291,229)	Accepted
Electronic Visit Verification	(767,992)	(1,535,984)	Accepted
Hospital Rate Freeze	(253,537)	(507,075)	Accepted
Hospital Rate Reduction	(533,762)	(1,067,523)	Accepted
Medicare Coverage Opportunities	(500,000)	(1,000,000)	Accepted
Managed Care Capitated Payments	(319,581)	(639,162)	Accepted
Unidentified Savings	(58,889)	(117,777)	Not Accepted
Total	\$ (9,114,821)	\$ (18,229,641)	

Target - Nursing Facilities Rate Freeze. The Office's budget includes savings of \$6.5 million, of which \$3.3 million is from general revenues from eliminating the October 1, 2015 rate increase for the nursing facilities. This includes savings of \$3.3 from all sources, including \$1.6 million from general revenues in the Rhody Health Options program.

The rate freeze would result in lower revenues for nursing homes, which lowers taxes paid by \$0.2 million through the 5.5 percent assessment on a facility's gross revenues for net savings of \$1.4 million.

This is the third year that the Office has proposed this freeze. For FY 2015, the Assembly delayed the adjustment until April 2015.

The Governor includes Article 5 to freeze the rates and assumes savings of \$4.2 million, including \$2.1 million from general revenues updated for the November caseload conference. The rate reduction results in lower revenues for nursing homes, which lowers taxes paid by \$0.3 million through the 5.5 percent assessment on a facility's gross revenues for net savings of \$2.9 million.

Target - Electronic Visit Verification. The enacted budget includes savings of \$1.0 million from all sources, of which \$0.5 million is from general revenues to implement an electronic visit verification process that records arrival and departure times of the home health worker through a software application that uses a home care patient's own telephone or a home care worker's cell phone or tablet or personal computer. The Office's constrained budget assumes \$4.2 million in added savings, including \$1.5 million from all sources, of which \$0.8 million is general revenues in the Rhody Health Options managed care program.

The Office indicates that the savings are net of the \$0.6 million to pay Sandata to implement the verification system which it has included in its request and it should also be noted that staff has been hired for the initiative in FY 2015.

The electronic visit verification technology sends alerts when visits performed do not match visits authorized and scheduled, including customizable time limits for real-time missed visit alerts; automated, customizable determination that a visit is late or missed; broadcast messaging; multiple management reports; documentation of services provided, tasks completed/not completed, supplies consumed, vital signs and narratives. *The Governor proposes savings of \$1.2 million, \$0.6 million from general revenues for the verification process.*

Target - Hospital Rate Freeze. The Office proposes savings of \$9.4 million from all sources, including \$4.7 million from general revenues from eliminating the projected inpatient and outpatient

hospital rate increases. These savings affect direct payments to hospitals by the state and payments made through the managed care plans.

The Office includes savings of \$0.5 million from all sources, including \$0.3 million from general revenues in the Rhody Health Options program from this action, which requires a statutory change and a category II change under the Medicaid waiver. Rates were increased in FY 2011 and reduced by legislative action in the FY 2012 and FY 2013 budgets. The FY 2014 and FY 2015 budgets froze the outpatient and inpatient rates for hospitals.

It should be noted that there is a potential cost shift to the upper payment limit reimbursement, which pays the difference between Medicare and Medicaid payments, if this proposal is accepted, and the proposal to eliminate the reimbursement is not.

The Governor recommends the proposal and includes savings of \$0.5 million, of which \$0.3 million is from general revenues and includes Article 5 for the necessary changes. The savings are offset by a \$10,675 loss of revenue.

Target - Hospital Rate Reduction. The Office proposes savings of \$19.4 million from all sources, including \$9.7 million from general revenues from reducing rates paid to hospitals by five percent in the fee-for-service program. The Office includes savings of \$1.1 million from all sources, including \$0.5 million from general revenues in the Rhody Health Options program from this action, which requires a statutory change and a category II change under the Medicaid waiver.

Similar to the hospital rate freeze, there is a potential cost shift to the upper payment limit reimbursement, which pays the difference between Medicare and Medicaid payments, if this proposal is accepted and the proposal to eliminate the reimbursement is not. *The Governor recommends the proposal and includes the savings. The savings are offset by a \$21,350 loss of revenue.*

Target - Medicare Coverage Opportunities. The Office's proposed budget includes savings of \$2.0 million, of which \$0.1 million is general revenues from identifying opportunities to shift costs to Medicare. The Office includes \$1.0 million, \$0.5 million from general revenues in the Rhody Health Options program.

This includes identifying crossover payments; Part B Drug and durable medical equipment cost shifts; Medicare identification for those under 65, and 65 and older. The Office indicates that it will need to hire a contractor for this initiative; however, no additional funds have been requested in the central management budget for the initiative. *The Governor recommends the proposal.*

Target - Managed Care Capitated Payments. The state pays a monthly capitated payment to both Neighborhood Health and United Healthcare to provide medical benefits for its RItE Care and Rhody Health Partner enrollees. The state also negotiates a risk share/gain share agreement within the payment system to offset any losses or gains the state may incur with the managed care plans during the reconciliation process. The Office proposes savings of \$5.4 million, including \$2.7 million from general revenues from reducing the managed care capitation payments by 0.9 percent. This includes savings of \$0.6 million, of which \$0.3 million is from general revenues, in the Rhody Health Options program.

This reduction results in lower revenues for the managed care plans that reduces taxes paid by \$12,783 on the 2.0 percent assessment made on the plan premiums. *The Governor assumes the proposed savings and includes Article 5 for the necessary changes.*

Unidentified Reduction. The Office's constrained request inadvertently understates total costs as savings in the Rho Health Options, of which \$0.1 million is general revenues. This understatement is not part of a specific proposal. *The Governor's recommendation corrects this.*

Pharmacy

The Caseload Estimating Conference estimate includes pharmacy expenses of \$56.0 million; this is \$4.2 million more than enacted. This includes direct pharmacy costs and the state's estimated Medicare Part D clawback payment. The Department's request is consistent with the enacted budget and does not reflect the adopted estimate. *The Governor recommends funding consistent with the caseload estimate.*

Pharmacy. The Caseload Estimating Conference estimate includes FY 2016 pharmacy expenditures of \$4.0 million, of which \$2.9 million is from general revenues. This is \$2.7 million more than enacted, including \$1.5 million more from general revenues. Elderly and disabled individuals who are not enrolled in Rho Health receive this fee-for-service pharmacy benefit. The caseload estimate separates the actual pharmacy costs for fee-for-service clients and the state's payment for the Medicare Part D clawback, discussed below. *The Governor recommends funding consistent with the caseload estimate.*

Medicare Drug Benefit - Part D Clawback. The Caseload Estimating Conference estimate includes the state payment for the Medicare Part D clawback provision at \$52.0 million, \$1.6 million more than enacted. The Office's request is consistent with the enacted budget and \$1.6 million less than the conference estimate. The plan provides coverage with a series of deductibles and co-payments based on the recipient's income level. For individuals enrolled in Medicaid as well as Medicare, commonly referred to as dual eligibles, the state paid a portion of their drug costs matched by the federal participation rate. The state no longer directly pays for the drug costs; however, the state does pay a portion of the savings to the federal government, or a clawback, which has been calculated based on a nationwide formula. The dual eligibles do not pay any annual deductible, but pay a \$1 co-payment for generic drugs or \$3 co-payment for brand names. *The Governor recommends funding consistent with the caseload estimate.*

Medicaid Expansion

Medicaid Expansion for Certain Adults. The November conference estimate increases federal fund expenditures for the Medicaid expansion program by \$54.7 million for total funding of \$547.1 million to provide health benefits to certain adults. The estimate includes \$30.2 million to treat individuals who meet the criteria for the new treatment for Hepatitis C. The Office projected that 430 low income adults would receive the treatment at a cost of \$90,000 with an assumed rebate of 23 percent for a net cost of approximately \$70,000 per person. *The Governor recommends funding consistent with the caseload estimate.*

Other Medical Services

The Caseload Estimating Conference estimate includes costs for other medical services, which includes Part B Medicare premium payments for the dually eligible population and additional payments to dentists, physicians and other practitioners.

Other Medical Services. The Caseload Estimating Conference estimate includes expenditures for other medical services at \$117.6 million, which includes \$46.2 million from general revenues. The estimate is \$2.5 million more than the enacted budget, including \$1.5 million more from general

revenues. The Office's FY 2016 request is \$8.8 million less than enacted and \$4.7 million more than the conference estimate and includes several savings initiatives, each discussed separately.

The Office's constrained budget includes savings of \$8.8 million, including \$9.9 million from general revenues from seven proposals

Other Medical Services - Constrained Budget Savings Proposals		
Proposal	General Revenues	All Funds
Children's Health Account	\$ (5,491,413)	\$ -
Children with Special Health Care Needs	(1,046,754)	(2,093,507)
Connect Care Choice Community Partners	(1,000,000)	(2,000,000)
Predictive Modeling and Analytics	(1,000,000)	(2,000,000)
Global Settlements	(1,000,000)	(2,000,000)
Rhode Island Residency Confirmation	(344,400)	(688,800)
Laboratory Services	(30,477)	(60,955)
Total	\$ (9,913,044)	\$ (8,843,262)

Children's Health Account. The enacted budget includes \$10.6 million from restricted receipts, which provide direct general revenue savings for the children's health account. Every insurance provider that delivers certain services to children with special health care needs receives an assessment equivalent to the amount paid by the Office of Health and Human Services for those services, not to exceed \$7,500 per service per child per year. Expenses are paid from this account that would otherwise require general revenues. The payments from insurance providers are assessments that are deposited into the children's health restricted receipt account. The Department currently assesses program expenses in three categories; comprehensive, evaluation, diagnosis, assessment, referral and re-evaluation services; home health services; and child and adolescent intensive treatment services and each category has a number of specific services within it.

The Office proposes to increase the assessment from \$7,500 per service to \$15,000 per service per child for general revenue savings of \$5.5 million in FY 2016. This action requires a statutory change.

Although the Governor does not explicitly accept the proposal, she does include savings of \$96.2 million, of which \$46.0 million is from general revenues as part of the reinventing Medicaid task force and supporting documents include \$3.0 million, including \$1.5 million from general revenues from improved program oversight and efficiency.

Target - Children with Special Health Care Needs. The Office proposes savings of \$2.1 million from all sources, including \$1.0 million from general revenues from conducting a thorough review of the current service system of "out of plan" services for children with special health care needs to provide more evidence-based, clinically appropriate, lower cost services to children and adolescents. This includes home based therapeutic services, personal services and supports, private duty nursing and certified nursing assistants. *The Governor recommends the proposal.*

Target - Connect Care Choice Community Partners Program. The Office proposes savings of \$2.0 million, including \$1.0 million from general revenues from eliminating the statewide care management and wellness program designed to improve management of beneficiaries with multiple chronic disease conditions with the goal of keeping beneficiaries well and living independently in the community.

Although the Governor does not explicitly include the proposal, she does include savings of \$96.2 million, of which \$46.0 million is from general revenues as part of the reinventing Medicaid work group

exercise and supporting documents include \$3.0 million, including \$1.5 million from general revenues from improved program oversight and efficiency.

Target - Predictive Modeling and Analytics. The Office's request includes savings of \$2.0 million, including \$1.0 million from general revenues from a predictive modeling and analytics initiative to address and prevent waste, fraud and abuse, identify Medicaid provider payment reimbursement policies and inconsistencies as well as errors or needed enhancements within the claims processing and related systems. The predictive modeling solution will integrate with the existing Medicaid management information system, analyze Medicaid claims data and provide real time or near real time transaction risk scoring and referral strategy capabilities and will have broad linkage to external data sources to extrapolate claims or consumer application patterns, which may be applicable to claims presented in Rhode Island. *The Governor recommends the proposal.*

Target - Global Settlements. The Office includes savings of \$2.0 million from all sources, including \$1.0 million from general revenues from amending the current agreement with the Office of the Attorney General to permit it to recoup settlements for pharmacy claims made through the managed care organizations. It should be noted if recommended, this would be recognized as a revenue item.

Global settlements occur when a plaintiff's law firm sues a pharmaceutical company for false claims related to a drug. The state's attorney general coordinates filing with the Office of Health and Human Services' Medicaid Office for a claim against the pharmaceutical company based upon point of service pharmacy claims. Traditionally, only fee-for-service claims were considered in Rhode Island. The average pharmaceutical global settlements for FY 2012 and FY 2013 for fee-for-service point of sale claims were \$3.0 million. In FY 2015, managed care organization contracts were amended to permit the State Attorney General's Office on Medicaid Fraud to request and include those pharmacy claims data in global settlement cases potentially increasing settlement recoupments. *The Governor does not include the proposal.*

Target - Medicare Coverage Opportunities. The Office's proposed budget includes savings of \$2.0 million, of which \$0.1 million is general revenues from identifying opportunities to shift costs to Medicare. The Office includes \$1.0 million, \$0.5 million from general revenues in the other medical services program.

This includes identifying crossover payments: Part B Drug and durable medical equipment cost shift, Medicare identification for those under 65, and 65 and older. The Office indicates that it will need to hire a contractor for this initiative; however, no additional funds have been requested in the central management budget for the initiative. *The Governor recommends the proposal.*

Target - Rhode Island Residency Confirmation. The Office proposes savings of \$688,800 from all sources, including \$344,400 from general revenues from verifying that the state is not paying medical benefits for individuals who reside out of state. An individual must be a Rhode Island resident to be eligible for Medicaid benefits. The initiative was proposed and accepted by the Assembly for the FY 2015 enacted budget.

The Office reports that it will coordinate with the Department of Human Services and the Medicaid managed care organizations to regularly confirm whether specific Medicaid members continue to be Rhode Island residents. If the Department of Human Services cannot confirm Rhode Island residency, as required by regulations, the member will be dis-enrolled from the Medicaid program. This is in addition to the \$0.1 million already included in the November caseload conference estimate from

verifying residency. It is unclear why the savings have been increased and how that will be done. *The Governor recommends this proposal.*

Target - Laboratory Services. The Office proposes savings of \$2.4 million, including \$1.2 million from general revenues from entering into a selective contract for laboratory services. This includes savings of \$60,955 from all sources, including \$30,477 from general revenues in the other medical services program.

The Office reports that currently over 300,000 lab analyses are conducted annually through community based and hospital based labs with the work divided evenly between the settings. The Office reports that a substantial portion of the work performed by the hospital based labs is generated by clinical visits in community based provider sites. The average cost per service for the hospital based lab service is approximately 250 percent of the average cost for the community based lab service, or \$134 compared to \$54. This initiative is based on selective contracting for lab services in order to obtain comparable services in a more cost effective setting.

Although the Governor does not explicitly include the proposal, she does include savings of \$96.2 million, of which \$46.0 million is from general revenues as part of the reinventing Medicaid work group exercise and supporting documents include \$16.1 million, of which \$8.0 million is general revenues, from value-based payment approaches in managed care, such as selective contracting for certain services.

Unidentified. The Office's constrained request inadvertently overstates total costs in the other medical services program by \$1.0 million, of which \$0.5 million is from general revenues. This overstatement is not part of a specific proposal. *The Governor's recommendation corrects this.*

Central Management

New Positions. The Office adds 4.0 positions and \$0.6 million, including \$0.3 million from general revenues to hire staff to work on savings initiatives identified in the medical assistance program. These initiatives reduce rates for neo-natal intensive care, federally qualified health centers, behavioral health care services and address services provided to children with special health care needs. It is unclear why the positions were requested in the current services budget and not limited to the constrained budget. This is the first year that positions have been requested to implement savings initiatives. *The Governor did not recommend the positions.*

Unified Health Infrastructure Project. The Office requests \$4.2 million less from all sources for total FY 2016 funding of \$27.5 million, including \$3.6 million, or \$2.1 million less than enacted from general revenues for the Unified Health Infrastructure Project. The request includes \$26.9 million for contracted services with \$20.3 million for Deloitte Consulting, \$4.0 million for HP Enterprises and \$0.7 million for CSG Solutions. It also includes \$0.6 million for staffing and \$0.5 million to support all other project operations.

It should be noted that the request includes \$160,000 for Connexions to operate the call center; this is \$4.7 million less than enacted and \$9.9 million less than the revised request. The Office indicates that the contractually obligated amount of \$24.0 million will be spent by the end of FY 2015 with \$160,000 remaining.

The Governor recommends \$36.8 million for the project in FY 2016. The Governor provides \$34.5 million, including \$5.2 million from general revenues for costs in the Office of Health and Human

Services and the Department of Human Services' budgets. She shifts \$4.4 million in requested general revenue expenses to the Information Technology Investment Fund and includes Section 5 of Article 10 to transfer \$6.4 million in bond premiums from Rhode Island Capital Plan funds into the technology fund in FY 2015 to support the project. She provides \$31.0 million in the Office's budget, including \$3.1 million from general revenues in FY 2016.

State Innovation Model Grant. The Office was recently awarded a four-year \$20.0 million State Innovation Model Grant to address health care delivery; it did not include funding in its request. *The Governor recommends \$4.1 million in the Office's budget and one new position.*

No Wrong Door Planning Grant. The Office was recently awarded a \$225,000 federally funded No Wrong Door System Planning Grant to address the long term care service delivery model. Funding was not included in the Office's budget request. *The Governor recommends \$112,500 in FY 2015 and \$112,500 in FY 2016.*

CurrentCare. The Office's FY 2016 request includes the enacted level of \$0.3 million from general revenues to be matched with \$2.6 million from Medicaid for a total payment of \$2.9 million to support the enrollment of Medicaid recipients in CurrentCare, Rhode Island Statewide Health Information Exchange. The secure electronic system allows doctors and other care givers immediate access to a patient's up-to-date health information and is operated through the Rhode Island Quality Institute.

The Rhode Island Quality Institute has partnered with the state to develop CurrentCare's electronic health information exchange, an electronic network that gives medical professionals access to their patients' health information. *The Governor recommends funding as requested.*

Predictive Modeling Initiative. The enacted budget includes \$2.0 million from all sources, of which \$0.2 million is general revenues for a predictive modeling initiative to make enhancements to the Medicaid management information system to incorporate the use of real-time predictive modeling of Medicaid claims, allowing the Office to disqualify claims before being paid and disqualifying Medicaid providers.

The FY 2016 request includes \$2.1 million from all sources, including \$0.2 million from general revenues, which is \$122,258 more than enacted including \$41,476 more from general revenues. The request includes \$250,000, of which \$25,000 is general revenues to pay HP Enterprises for costs related to the new system. *The Governor recommends funding as requested.*

Electronic Visit Verification. The Office requests \$0.6 million from all sources, including \$0.2 million from general revenues to implement an electronic visit verification system for home health care providers. Funding was not included in the enacted budget for this activity and the Office is in the process of contracting with Sandata to provide software for billing and scheduling attendant services with all Medicaid funded home health care providers using three methods.

The FY 2015 enacted budget includes savings of \$1.0 million from implementing an electronic visit verification system, including \$0.5 million from general revenues to monitor the delivery of home care services, including personal care and homemaker activities, and to record the arrival and departure times of direct care workers providing the services. The Office's FY 2016 request includes net savings of \$5.1 million from all sources, including \$2.5 million from general revenues from fully implementing the new system. *The Governor recommends funding as requested.*

Electronic Health Records. In July 2011, the Department began the Electronic Health Records Incentive program where eligible medical providers and acute care hospitals with at least 30 percent and 10 percent of Medicaid patients in the prior calendar year, respectively, may be eligible for these incentive payments to adopt and upgrade certified health records technology. All incentive payments to providers and hospitals are paid with federal funds. The Office includes \$6.2 million from federal funds to support the electronic health records initiative in FY 2016; this is \$5.6 million less than enacted to reflect projected payments. *The Governor recommends funding as requested.*

Health Care Planning and Accountability Advisory Council. The Office requests the enacted level of \$300,000, including \$150,000 from general revenues to support to the health care planning and accountability advisory council. The support activities include research and reporting related to the council's objective to develop ongoing assessments of the state's health care needs and health care system. The Office indicates that FY 2015 funding will be awarded to Truven Analytics for an evaluation of behavioral health services. The Rhode Island Behavioral Healthcare Analysis and Report Project will provide a comprehensive review of mental health and substance abuse incidence rates, service use rates, capacity and potentially high and rising spending. *The Governor recommends funding as requested.*

Race to the Top Funding. The Office requests \$141,623 less than enacted for totaling funding of \$170,377 from the federal Race to Top grant to be awarded to Meeting Street School in FY 2016. This reflects updated funding from the Rhode Island Department of Elementary and Secondary Education. *The Governor recommends \$64,865 less than requested.*

HIV Treatment Services and Administration. The Office's request includes \$7.1 million from all sources, including \$3.6 million from restricted receipts and \$3.5 million from federal funds for HIV treatment services and administration. The request is \$1.0 million less more than enacted from Medicaid and drug rebate funds and supports six positions.

It should be noted that as of January 1, 2014, the Medicaid program recipients are now eligible to obtain coverage through the expansion program or the Health Benefits Exchange. *The Governor recommends funding as requested.*

Rlte Care/Rlte Share Program Administration. The Office requests \$0.2 million less than enacted, including \$0.1 million less from general revenues for total funding of \$5.7 million for contracted administrative activities in the Rlte Care/Rlte Share program. This is consistent with the revised request; however, it is \$1.9 million more than FY 2014 actual expenses, including \$0.9 million from general revenues. *The Governor recommends funding as requested.*

Hospital Admission Screening and Utilization Review. The enacted budget includes \$1.9 million from all funds, including \$0.5 million from general revenues for a contract with Connecticut Peer Review, or Qualidigm, for hospital admission screening and utilization review for several programs, including Community Care Choice Partners and neonatal intensive care unit services. The FY 2016 request adds \$0.7 million, including \$0.2 million from general revenues for total funding of \$2.6 million. It should be noted that the contract was amended on May 1, 2014, to increase the funding cap in the final two years of the award. *The Governor recommends funding as requested.*

Medicaid Management Information System Expenses. The Office's request adds \$1.8 million, including \$0.3 million from general revenues, for total funding of \$25.4 million for expenses related to the Medicaid Management Information System. This is \$0.9 million more than the revised request. The state's contract with HP Enterprises to manage the system is in effect from January 1, 2013

through December 31, 2017. The contractor processes an estimated 11 million transactions a year at \$0.20 a transaction, manages the data warehouse, and performs prior authorizations, utilization and claims reviews, training and outreach activities, and other core system functions.

The request also includes funding for the multi-state collaborative for the Medical Assistance Provider Incentive Repository Resources (known as MAPIR) and other system enhancements. The application is the state-level information system for the electronic health record incentive program and will track and act as a repository for information related to payments, applications, attestations, oversight functions, and interface with the Centers for Medicare and Medicaid Services' national level repository. *The Governor recommends funding as requested.*

Other Medicaid Administration Expenses. The Office requests \$14.7 million, including \$3.0 million from general revenues for medical administration operations. This is \$1.1 million more than enacted including \$0.7 million more from general revenues in FY 2016.

The Office requests \$13.1 million for salaries and benefits, \$1.2 million more than enacted, including \$0.8 million from general revenues for 96.7 positions, leaving three positions vacant. This includes \$1.0 million from all sources and \$0.4 million from general revenues for cost-of-living adjustments, staffing reclassifications and other adjustments that are \$0.3 million above Budget Office planning values.

The request includes \$6.6 million for the data warehouse and other technology projects, \$4.3 million for Medicaid administration costs, and \$3.0 million for early intervention services.

The Governor recommends funding essentially as requested with the exception \$0.6 million less from early intervention federal funds inadvertently included in the Office's request for the Family Outreach Program; the program is funded through the Department of Health. This is also included in her revised recommendation.

Central Administration Expenses. The Office requests \$10.1 million, including \$7.5 million from general revenues for central administration operations. This is \$0.8 million more from all sources, including \$0.8 million more from general revenues than the enacted budget. The Office does not reduce any funding for central administration expenses in its constrained request.

The Office requests \$9.8 million from all sources for staffing, including \$7.3 million from general revenues, to fund 71.2 positions. This is \$0.9 million more than enacted, primarily from general revenues. The request includes cost-of-living adjustments, step increases and staff reclassifications and other adjustment that are \$0.3 million above Budget Office planning values. The request also includes \$0.3 million from all sources for other operating expenses. *The Governor recommends \$0.6 million less than requested from general revenues; she increases savings from keeping positions vacant in FY 2016.*

Special Education. The Office requests the enacted level of \$27.0 million from federal funds to match Medicaid eligible special education services provided by the local education agencies and includes \$19.0 million for direct services and \$8.0 million for administration costs. *The Governor recommends funding as requested.*

Division of Advocacy

Advocates. The Office of the Child Advocate, Office of the Mental Health Advocate, Governor's Commission on Disabilities, and the Commission on the Deaf and Hard of Hearing submitted separate FY 2016 budgets that totaled \$3.3 million from all sources, including \$2.0 million from general revenues and 16.7 positions.

The Governor includes Article 18 to consolidate the administrative functions of the advocate agencies into one Division of Advocacy in the Office of Health and Human Services. The consolidation would be for administrative purposes only and all agencies would maintain their responsibilities as mandated by current law. She includes \$2.1 million from all sources, of which \$2.0 million is general revenues and 17.0 positions. A more detailed description of the request can be found in the individual agency analyses.

Office of the Child Advocate. The Office of the Child Advocate requests \$709,350 from all sources, which is \$47,533 more than enacted. The request includes \$52,491 more from general revenues and \$4,958 less from federal funds. The request includes the enacted level of 6.0 positions. *The Governor recommends \$0.7 million for the Office and the enacted level of staffing. A more detailed description of the request can be found in the individual agency analyses.*

Office of the Mental Health Advocate. The Office of the Mental Health Advocate requests \$642,450 from general revenues and funds 5.0 positions, which is 1.7 above the current authorization. The office upgrades a current attorney position from 0.7 to 1.0 and adds a new social worker position. This request includes \$0.6 million for the positions and \$14,519 for all other operations. *The Governor recommends \$0.5 million and includes the attorney upgrade for four positions. The Governor assumes savings from keeping an administrator position vacant for the final six months of FY 2016. A more detailed description of the request can be found in the individual agency analyses.*

Governor's Commission on Disabilities. The Governor's Commission on Disabilities requests \$1.9 million, which is \$421,302 more than enacted from all sources for FY 2016. The request includes \$33,349 more from general revenues, \$112,879 less from federal funds, \$832 more from restricted receipts and \$500,000 more from Rhode Island Capital Plan funds and the authorized level of 4.0 positions.

The Governor recommends \$0.4 million primarily from general revenues for the Commission and the enacted level of positions. She also recommends \$1.0 million in FY 2016 and transfers oversight of the accessibility project to the Department of Administration's budget. The Commission retains its role in prioritizing projects. A more detailed description of the request can be found in the individual agency analyses.

Commission on the Deaf and Hard of Hearing. The Commission on the Deaf and Hard of Hearing requests \$575,672 or \$101,393 more than enacted, \$84,960 more than the current service target provided by the Budget Office. The Commission requests 4.0 positions, which is 1.0 more than the enacted level for a new staff interpreter. *The Governor recommends \$0.5 million including \$0.4 million from general revenues for the Commission and the enacted level of staffing. A more detailed description of the request can be found in the individual agency analyses.*

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The Governor recommends legislation that affects implementation and operation for some of the Office's programs. These are included as articles in the Governor's FY 2016 recommended budget and are summarized as follows.

Article 3. Hospital Licensing Fee. This article extends the hospital licensing fee in FY 2016 at a rate of 5.703 percent on net patient services revenue for the hospital fiscal year ending on or after September 30, 2013, for all community hospitals except South County and Westerly which will be assessed a 3.6 percent license fee. It includes the due date for filing returns and making the payment.

Revenue from the two-tiered fee will be \$156.1 million, including \$149.6 million from community hospital payments and \$6.5 million from state payments for Eleanor Slater Hospital. This article appears annually in the Appropriations Act.

Article 4. Hospital Payments. Article 4 extends the uncompensated care payments to the community hospitals, with the state making a payment for FY 2017 that does not exceed \$136.8 million. It also eliminates the two upper payment limit reimbursements made to community hospitals; the Governor includes savings of \$22.6 million, of which \$11.2 million is general revenues from the state not making the payment in FY 2016.

Article 5. Medical Assistance. This article includes the statutory authority for the state to freeze rates it pays to hospitals and lower the rates by five percent in FY 2016 for savings of \$31.6 million, including \$15.7 million from general revenues. It eliminates the October 1, 2015 rate increase for nursing facilities and reduces rates by three percent for savings of \$18.0 million, including \$8.9 million from general revenues. The article also eliminates the \$1.0 million state payment made for graduate medical education in FY 2015 and FY 2016.

It also includes the resolution language for Assembly approval to make program changes requiring legislative approval that are included in the Governor's FY 2016 budget. The proposals are not separately identified in the legislation.

Article 14. State Budget. Sections 4 through 6 of Article 14 make changes to the medical assistance and public assistance caseload estimating conferences that include removing cash assistance from the caseload estimate and eliminating any statutory reference to the Department of Human Services; adds a conference that is to be held within the first ten days of February; allowing for further review between the principals, or their staff, of the material that is presented by the Office in its testimony before the estimate is adopted to propose modifications to the estimates and reach provisional consensus estimate before the estimate is officially adopted; and allowing the Office of Health and Human Services the opportunity to rebut the consensus estimate in the event of a disagreement and the principals will consider the objections before adopting a final estimate. Section 6 eliminates the ability of any principals to call an impact meeting to compare caseload data to the most recent estimate and the meeting following the legislative session to review any changes in legislation that impacts the estimate.

Article 18. Division of Advocacy. Article 18 consolidates the Governor's Commission on Disabilities, the Commission on the Deaf and Hard of Hearing, the Office of the Child Advocate, and the Office of the Mental Health Advocate under a newly created Division of Advocacy within the Executive Office of Health and Human Services. The consolidation would be for administrative purposes only and all agencies would maintain their responsibilities as mandated by current law.

Department of Children, Youth and Families

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Program				
Central Management	\$ 6,878,757	\$ 8,237,814	\$ 7,301,619	\$ 7,864,120
Child Welfare	166,099,724	178,638,998	12,890,701	168,618,193
Juvenile Corrections	24,421,036	26,476,982	26,201,380	25,867,700
Children's Behavioral Health	13,036,874	13,106,164	182,051,425	10,294,149
Higher Education Incentive Grants	200,000	200,000	200,000	200,000
Total	\$ 210,636,391	\$ 226,659,958	\$ 228,645,125	\$ 212,844,162
Expenditures by Category				
Salaries and Benefits	\$ 67,349,824	\$ 70,508,206	\$ 74,190,270	\$ 71,293,937
Contracted Services	5,551,885	5,526,082	5,771,602	5,251,141
Subtotal	\$ 72,901,709	\$ 76,034,288	\$ 79,961,872	\$ 76,545,078
Other State Operations	6,965,544	7,847,666	8,335,970	8,364,834
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	127,792,626	139,535,044	137,405,452	127,934,250
Capital	2,976,512	3,242,960	2,941,831	-
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 210,636,391	\$ 226,659,958	\$ 228,645,125	\$ 212,844,162
Sources of Funds				
General Revenue	\$ 148,707,146	\$ 158,341,580	\$ 164,155,639	\$ 151,837,731
Federal Aid	56,568,664	62,235,275	58,751,415	58,167,464
Restricted Receipts	2,448,750	2,840,143	2,826,240	2,838,967
Other	2,911,831	3,242,960	2,911,831	-
Total	\$ 210,636,391	\$ 226,659,958	\$ 228,645,125	\$ 212,844,162
FTE Authorization	670.5	672.5	694.5	672.5

Summary. The Department of Children, Youth and Families requests \$228.6 million from all funds, including \$164.2 million from general revenues, \$58.8 million from federal funds, \$2.8 million from restricted receipts, \$2.9 million from other funds and 694.5 full-time equivalent positions. This is \$18.0 million more than enacted including \$15.4 million more from general revenues, primarily reflecting additional funding for the System of Care, 24.0 new caseworkers, a foster care rate increase, and a cost-of-living adjustment for Department employees.

The Governor recommends \$2.2 million more than enacted including \$3.1 million more from general revenues, \$1.6 million more from federal funds, \$0.4 million more from restricted receipts and \$2.9 million less from Rhode Island Capital Plan funds. This is \$15.8 million less than requested including

\$12.3 million less from general revenues, \$0.6 million less from federal funds and \$12,727 more from restricted receipts. She also adds 2.0 new federally funded positions.

Target Issues. The Budget Office provided the Department with a general revenue target of \$143.4 million. The amount includes current service adjustments of \$6.2 million and a 7.5 percent target reduction of \$11.4 million.

FY 2016 Budget	Budget Office	Children, Youth and Families	Difference
FY 2015 Enacted	\$ 148,707,146	\$ 148,707,146	\$ -
Current Service Adjustments	6,223,244	10,295,628	4,072,384
New Initiatives	-	5,152,865	5,152,865
<i>Change to FY 2015 Enacted</i>	<i>\$ 6,223,244</i>	<i>\$ 15,448,493</i>	<i>\$ 9,225,249</i>
FY 2016 Current Service/Unconstrained Request	\$ 154,930,390	\$ 164,155,639	\$ 9,225,249
Target Reduction/Initiatives	(11,368,179)	(4,351,496)	7,016,683
FY 2016 Constrained Target/Request	\$ 143,378,763	\$ 159,804,143	\$ 16,425,380
<i>Change to FY 2015 Enacted</i>	<i>\$ (5,328,383)</i>	<i>\$ 11,096,997</i>	<i>\$ 16,425,380</i>

The constrained budget submitted by the agency is \$16.4 million above the target. The proposals to achieve the reductions are noted among the items described where appropriate.

The Governor's recommendation is \$8.5 million above the target.

Staffing. The Department requests \$74.2 million for salaries and benefits, including \$53.0 million from general revenues and \$21.1 million from federal funds. This is \$6.8 million more than enacted, including \$5.3 million more from general revenues and \$1.5 million more from federal funds. This reflects a cost-of-living adjustment of \$2.7 million, funding for new social worker positions and restoration of turnover savings assumed in the enacted budget. Major staffing issues are described separately in this analysis where appropriate.

In April 2014, the Administration reached agreements with its largest unions on new four-year contracts effective from July 1, 2013 through June 30, 2017. This includes a 2.0 percent salary increase offset by increased cost sharing measures for medical benefits. The FY 2015 cost for the Department was estimated to be \$2.1 million including \$1.5 million from general revenues; however, the Assembly did not include additional funds to accommodate the new cost-of-living adjustments in FY 2015 and assumed the Department would achieve the savings through turnover or other cost saving measures. The Department's FY 2016 request reflects a cost-of-living adjustment of \$2.7 million.

The Governor recommends \$3.5 million less than requested including \$1.7 million less from general revenues and \$1.8 million less from federal funds. She excludes funding and authorization for the requested 24.0 new positions, but does include 2.0 new federally funded positions. These changes are noted where appropriate.

Resource Team. In summer of 2014, Governor Chafee established a Resource Team to identify issues and make recommendations to address consistent budget shortfalls and organizational concerns within the Department of Children, Youth and Families and its System of Care Contract. This team included representatives from the Lieutenant Governor's Office, the Executive Office of Health and Human Services, Emergency Management Agency, and the Budget Office.

The Resource Team produced a report in January 2015 describing its findings and options for the Raimondo Administration and the General Assembly to consider. These options include canceling and rebidding the System of Care contract, eliminating portions of the contract, and fully funding the existing contract for FY 2015. The Team also included a list of actions to be considered including the continuous recruitment of case workers, the Department taking over the payment process from network leads, procuring a utilization management contract, upgrading information technology agency-wide, and assigning a dedicated project manager with clear authority over the contracts.

Governor Raimondo's FY 2015 revised recommendation fully funds the System of Care based on updated cost projections included in the Department's second quarter report as recommended by the Resource Team. It also includes funding to support a continued presence of staff from the Executive Office of Health and Human Services.

Her FY 2016 recommendation includes funding for information technology upgrades, renegotiation of the contract, utilization management, and improvements to payment and management practices. She recommends legislation in Article 17 authorizing the Director to move appropriations between line-items to achieve savings and to spend any savings achieved for information technology upgrades, infrastructure, and other related services with the approval of the Director of the Office of Management and Budget. This authority would be limited to FY 2016 and FY 2017.

Working Group to Reinvent Medicaid. The FY 2015 enacted budget includes \$2,712.1 million of which \$1,083.8 million is general revenues for Medicaid funded programs through the Office of Health and Human Services and the agencies under its umbrella: the Departments of Behavioral Healthcare, Developmental Disabilities and Hospitals; Children, Youth and Families; Human Services; and Health. The Medicaid program represents approximately 30 percent of all state spending.

On February 26, 2015, the Governor signed Executive Order 15-08, Establishing the Working Group to Reinvent Medicaid, comprised of Medicaid stakeholders who will conduct a comprehensive review of the Medicaid program and make recommendations for short and long-term plans to transform the program.

The working group will issue a report on or before April 30, 2015, that will include specific quality improvement and cost savings measures for redesigning Medicaid to meet the specific system transformation goals and reduced Medicaid spending. The Governor reduces Medicaid spending by \$92.6 million, of which \$46.0 million is general revenues, across the health and human services agencies based on the report. The total includes \$1.5 million in the Department of Children, Youth and Families' budget for program efficiency and addressing high need populations.

System of Care

System of Care. The Department of Children, Youth and Families requests \$78.0 million including \$56.6 million from general revenues, \$16.6 million from federal funds and \$2.8 million from restricted receipts for the System of Care. This is \$4.6 million more than the enacted level, including \$5.0 million more from general revenues and primarily reflects adjustments to reflect the Department's current caseload and the restoration of savings assumed in the FY 2015 enacted budget. It should be noted that the Department overspent its FY 2014 general revenue appropriation for the System of Care by \$2.4 million and that the contract for the System of Care expires at the end of FY 2015. The Department's request assumes that the contract will continue into FY 2016.

The Governor recommends \$5.3 million less than requested including \$7.0 million less from general revenues for the System of Care. The reductions to the request are in treatment foster care and residential placements offset by \$0.8 million from general revenues to contract for a vendor to conduct a utilization review of the System of Care contract. The Governor's recommendation for FY 2016 is \$9.2 million less than the FY 2015 revised recommendation and appears to assume a reduction in the need for higher cost services based on changes being implemented in the current year and the utilization review efforts.

Education Costs. The enacted budget includes \$1.0 million to fund the added costs to the state for student's residential care that result from changes to the calculation of average special education costs on which district payment requirements are based. This is included in the total provided through the System of Care contract totals noted above. The Department of Elementary and Secondary Education began transitioning from a full-time equivalent funding methodology to one based on a student head count in FY 2013. The original transition plan was for \$2.5 million phased in over a five year period in \$0.5 million increments beginning in FY 2013 to fund the difference between each child's local education agency's average per-pupil special education rate and the cost for education at residential facilities. FY 2015 is the third year of the transition with \$1.5 million, but explicit funding was not included in the FY 2015 budget to increase this from the FY 2014 level, nor did the Department request these adjustments. *The Governor adds \$0.5 million to fully fund the third year of the transition in FY 2015 revised and \$1.0 million in FY 2016 for the fourth year. This is in addition to the funding for the System of Care contracts noted above.*

Medically Fragile Children Unachieved Savings. The Department requests \$0.5 million more than enacted from general revenues for medically fragile youth in its care. Based on a proposal from the Department, the enacted budget includes \$1.0 million from savings achieved by shifting the cost of care for six medically fragile youth to the Executive Office of Health and Human Services. As of December 2014, the Department has only been able to shift three youth to the Office and restores savings for the remaining youth in its care. *The Governor restores the funding as requested.*

In-State Girls Program Unachieved Savings. The Department requests \$0.4 million including \$0.3 million from general revenues for out-of-state services for seriously emotionally disturbed adolescent girls because of a failed savings initiative. Based on a proposal from the Department, the enacted budget includes \$0.3 million from savings achieved by creating an in-state program for these girls. The Department had indicated that it was in the process of developing this program with a provider in the summer of 2014; however the program did not materialize as the providers requested a new or recently refurbished state building. As of January 2015, the Department has not been able to develop this program. *The Governor restores the funding as requested.*

Child Placement Assessment Team. The Department requests \$0.3 million from general revenues for contracted services associated with a placement assessment team. This includes psychiatric and psychological services to provide assessments of youth in care and professional assessments of residential providers. The aim of these services is ultimately to reduce the number of youth in out of home care and place them in the least restrictive available placement. The revised request includes \$148,000 from general revenues for this item. It was originally assumed that these assessments would be performed as part of the System of Care contract. *The Governor does not recommend funding for the assessment team and eliminates the \$4,935 in the enacted budget for psychiatrist services.*

Foster Care Rates and Services. The Department requests \$3.9 million more than enacted, including \$3.1 million from general revenues to fund a rate increase for most foster parents as of January 1, 2015. Total funding provided for payments would increase from \$20.9 million to \$24.8 million. The

foster care rate has not been raised since 2001 and averages between \$13.73 and \$15.79 per day depending on the needs of each child. Currently, the Department sets a rate based on a child's age and increases that rate incrementally based on the health and behavioral needs of the child. The Department's stated goal is for all foster parents to receive at least \$20 per day and more for children with mental health or medical considerations.

This would bring Rhode Island more in line with neighboring states including Massachusetts at \$23 per day and Connecticut at \$26 per day. The calculation includes rate increases for the adoption assistance program and does not take into account foster parents that already receive more than \$20 per day based on each child's therapeutic and medical needs. It should be noted that Rhode Island provides state-funded day care for working foster parents, clothing and food subsidies to foster parents that other states do not, and the value of those supports are not included in the comparison.

The Governor does not explicitly recommend a rate increase for FY 2015 or FY 2016. The budget does include \$3.1 million more than enacted including \$2.2 million from general revenues to enhance funding for the current foster care population and associated services. There are approximately 3,900 children receiving either foster care payments, guardianship support or adoption incentive payments.

Foster Care - Support Contracts. The Department requests the enacted level of \$2.1 million from general revenues for foster care support contracts. The Department contracts with about 12 providers for care coordination to kinship families in which a family member is fostering a youth in Department care. These contracts provide between 60 and 180 days of assistance to work with foster families and children to identify available services and to advise the family on how to access services in the community.

The Department's FY 2016 constrained request eliminates several of the smaller contracts for a savings of \$0.6 million.

The Governor's FY 2016 budget recommends the constrained budget reduction and her FY 2015 revised recommendation includes savings of \$0.3 million in the current year based on the contracts being terminated at the end of December 2014. The recommendation assumes that permanent staff at the Department would be providing some of the services, particularly referrals.

Foster Care - Special Needs. The Department requests \$0.4 million from federal funds for support services associated with the adoption and fostering of youth with disabilities, which is \$0.2 million less than enacted. The federal Children's Bureau awarded the Department two foster care grants totaling \$0.4 million. The Adoption and Well Being and A Family for Every Child grants promote foster care and adoption for children with special needs. These grants provide for several services for families that adopt youth with disabilities, such as adoption incentive payments, foster care support services, post-adoption tracking for trauma victims, adoption resources, and trauma response. Contractors include Family Services of Rhode Island, Adoption Rhode Island and Yale University for the data and tracking. The Department does not anticipate these grants being renewed for FY 2017.

The Governor recommends \$14,412 more than requested to reflect updated federal grant projections.

18 to 21 Year Olds. The Department requests \$2.0 million from general revenues which is \$1.1 million less than enacted for services provided to youth between the ages of 18 and 21 years old. This reflects a reduced caseload of 18 to 21 year olds requiring aftercare services provided by Foster Forward. These services include the Youth Establishing Self Sufficiency (YESS) program and several life skills programs offered by this provider. The Department has experienced a significant reduction in

the population of 18 to 21 year olds that it serves. In FY 2012, the Department provided services to 234 youth, 234 in FY 2013 and 221 in FY 2014. *The Governor recommends \$0.1 million less than requested to reflect the reduced caseload.*

Project Hope and Project Reach. The Department requests \$0.2 million from general revenues which is \$0.7 million less than enacted for Project Hope and Project Reach. Project Hope is an aftercare program that targets youth with emotional disturbances who are returning to their homes and communities from the Rhode Island Training School. Project Reach provides wraparound services through community mental health centers. Funding for Project Hope has been reduced since FY 2010 because many of the services that the program provides have been duplicated in the Family Care and Community Partnership programs. *The Governor further reduces the request by \$0.1 million to reflect the elimination of both programs.*

Hasbro PANDA Contract. The Department's request includes the enacted level of \$0.4 million from general revenues for its contract with the Hasbro Physical Abuse, Neglect, and Assessment Clinic. The Department contracts with the hospital to assess children as soon as they are brought to the hospital with signs of abuse or neglect.

The Department submitted a constrained request that reduces the contract for savings of \$0.1 million. The Department indicates that the hospital should be able to continue to offer this program, but could not identify how this could be done without a reduction to services. The total contract cost for FY 2016 would be reduced to \$0.3 million. *The Governor recommends the reduction as included in the constrained request.*

Other Services Outside the System of Care. The Department requests \$27.3 million including \$17.2 million from general revenues and \$10.1 million from federal funds for services outside the System of Care. This is \$1.9 million more than enacted including \$1.8 million more from general revenues. The general revenue increase is more consistent with FY 2014 spending and revisions requested to the FY 2015 enacted budget. The services include non-residential services to families with children still residing in the home, such as in-home parenting training, individual and family counseling, and emergency services. Providers include North American Family Institute, Child and Family, Bradley Hospital, and Family Services of Rhode Island.

The Governor recommends \$0.1 million less than enacted and \$2.0 million less than requested. General revenues are \$0.4 million less than enacted and \$2.2 million less than requested. This is somewhat lower than her recommendation for FY 2015 revised, which was closer to the enacted. The FY 2016 recommendation appears to assume the Department will continue to manage its expenses to be lower than FY 2014 and FY 2015 experience.

Community Service Grants. The Department requests the enacted level of \$210,256 from general revenues for its six community service grants. *The Governor recommends funding as requested.*

Juvenile Corrections

Education Costs. The Department's request includes \$3.7 million from general revenues for teachers, contracted instructors and assistants, and administrative staff at the training school. This is \$0.5 million more than enacted and primarily reflects a cost-of-living adjustment and medical benefit savings. The Department is required to provide education services to youth serving a sentence at the training school. These costs include teachers, teacher assistants, and administrative staff at the school.

As part of its constrained budget, the Department includes the privatization of the training school education program for savings of \$1.8 million from general revenues. The state's contract with the Howard Teacher's Union that represents training school teachers expired in 2012; however, teachers are working under the terms of the previous contract through a memorandum of settlement that expires in 2017. It appears that this involves eliminating approximately 18 teacher positions.

The Governor recommends \$28,181 less from general revenues than the unconstrained request to reflect additional turnover savings. She does not concur with the privatization proposal.

Other Salaries and Benefits. The Department requests \$17.0 million, including \$16.8 million from general revenues for the remaining salaries and benefits in the Juvenile Corrections program. This is \$0.8 million more than enacted and primarily reflects a cost-of-living adjustment partially offset by additional turnover. The Department projects a census at the training school consistent with previous years. Based on the average cost per position, the Department projects approximately nine fewer filled positions in Juvenile Corrections, offset by the cost-of-living adjustment.

The Governor recommends \$0.6 million more than requested from general revenues to restore turnover savings assumed in the enacted budget based on an average current census of 92 youth. This is consistent with additional funding provided in the revised recommendation based on current and prior year spending.

Training School Medical Unachieved Savings. The Department requests \$1.6 million from general revenues, which is \$0.4 million more than enacted for on-campus medical services for youth at the Rhode Island Training School. The enacted budget includes savings that were to be achieved by renegotiating a contract with Lifespan to provide medical services at the training school. The Department indicated that it was unable to achieve these savings. *The Governor recommends funding as requested.*

Other Services. The Department requests \$1.1 million, primarily from general revenues, which is \$0.1 million less than enacted for staff training and all other services provided to youth currently incarcerated, on probation, or on parole. This primarily reflects fewer youth on probation and parole than were assumed in the enacted budget. Services include contracted nurses, electronic monitoring, chaplains, counseling, wraparound services through community agencies, and vocational training for youth at the training school. *The Governor recommends \$0.1 million more than requested, primarily from general revenues, for chaplains and electronic monitoring that were excluded from the Department's request.*

Operations. The Department requests \$1.8 million including \$1.7 million from general revenues and \$77,986 from federal funds for facility repairs, professional development for teachers and staff, insurance, security systems, utilities, and office supplies for the training school and juvenile probation and parole locations. This is \$0.2 million more than enacted from general revenues and \$8,996 more from federal funds to reflect the Department's estimates for insurance costs, utility costs and office supplies. The request excludes \$21,859 from Race to the Top funding that will no longer be available in FY 2016.

The Governor recommends \$0.3 million less than requested, primarily from general revenues to reflect lower estimates than the Department's for utilities and insurance costs as well as reductions to contracted nursing and custodial services.

Overhead and Other Programs

New Caseworker Class. The Department requests \$4.1 million including \$1.7 million from general revenues for training and hiring 36.0 new caseworkers. This requires authorization for 24.0 new positions and funding for 12.0 existing vacancies for which turnover was assumed in the enacted budget. This is in addition to the new class of 36 social workers that started in November 2014. The Department indicates that having more caseworkers will improve service delivery and reduce caseloads of existing caseworkers. The total includes \$0.5 million, mostly from federal funds for training at Rhode Island College above the current contract for caseworker training.

The Governor does not recommend the new class or added positions.

All Other Staffing. The Department requests \$49.9 million for all other salaries and benefits including \$31.0 million from general revenues and \$18.9 million from federal funds. This is \$2.0 million more than enacted, including \$2.5 million more from general revenues. This reflects \$1.9 million for the cost-of-living adjustment and the shifting of expenses formerly funded from federal funds to general revenues.

The Governor recommends \$0.1 million less from general revenues than requested. She adds \$0.2 million from federal funds for 2.0 new positions funded through the federal A Family for Every Child grant. Unlike the revised recommendation, there is no additional funding for a continued presence of a team from the Executive Office of Health and Human Services.

Social Worker Training. The enacted budget includes \$1.7 million for social worker training including \$1.0 million from general revenues and \$0.7 million from federal funds at the Rhode Island College Child Welfare Institute. The Department pays for pre-service training based on a national model for all incoming social workers once they have been hired. New social workers receive pay during a six-week course that includes refresher courses on safety, current issues, substance abuse disorders, and a field seminar and practicum in which they apply classroom training in real-time situations. The request does not alter this expense.

The Governor recommends \$0.2 million less than enacted including \$0.7 million less from general revenues and \$0.5 million more from federal funds. This is consistent with the recommended revision to FY 2015. The Department indicates that it is currently in the process of reassessing this contract.

New Computers. The Department requests \$142,650 including \$59,420 from general revenues and \$83,230 from federal funds for new computers. This is \$76,365 more than enacted including \$33,128 more from general revenues. The Department indicates that many of its computers are obsolete, do not contain the necessary memory and program capabilities and must be replaced. It should also be noted that as of January 2015, the Department has spent approximately \$20,000 for new computers. A similar request was made in the Department's FY 2015 operating request and current and previous capital budget requests. Further detail on the FY 2016 – FY 2020 capital request is contained in the Capital Budget section of this publication.

The Governor includes \$0.4 million more than requested from general revenues to fund the purchase and those requested in the FY 2015 revised budget but not funded.

Mileage and Child Transportation. The Department requests \$1.3 million including \$55,003 from federal funds for mileage and other transportation costs. This is \$0.4 million more than enacted for costs associated with transporting children in the Department's care. This is \$394,618 more from

general revenues, and is \$49,003 more from federal funds the majority of which is for mileage payments based on an increased number of youth in out of state placements and increased travel expenses for social workers. The Department has been able to claim some mileage and transportation costs to federal sources based on the out-of-state caseload.

The Governor recommends \$0.2 million less than requested from general revenues to reflect updated mileage and transportation costs as reported by the Department.

Rent. The Department requests the enacted level of \$2.9 million including \$2.8 million from general revenues and \$0.1 million from federal funds for rented office space throughout the state, primarily the regional offices and parking lots. Rented facilities include an office building and parking lots in Providence, office space and a parking lot in Bristol, and numerous large containers used to hold unused equipment and furniture, primarily at the training school. The largest expense is for the space on Friendship Street for which the lease expires on December 31, 2015. *The Governor recommends funding as requested.*

Clerical and Security Services. The Department does not include funding for clerical and security services. The enacted budget includes \$0.6 million from all funds including \$0.4 million from general revenues and \$0.2 million less from federal funds for clerical and security services at offices throughout the state. The Department contracts with Adil to provide administrative support in lieu of hiring new clerical staff. The Department also contracts with the City of Providence and private security agencies for security details at its offices. The Department's request appears to erroneously exclude funding for these services. *The Governor includes \$0.4 million from general revenues for clerical and security services. This is \$0.2 million less than enacted to reflect FY 2014 expenditures.*

Data Analysis and Network Maintenance. The Department requests \$2.7 million, including \$0.8 million from general revenues and \$1.9 million from federal funds to maintain the child information system and for a data analysis contract. This is \$39,305 more than enacted from general revenues to reflect updated network administration costs. The Rhode Island Children's Information System is the state central registry for child abuse and neglect complaints and maintains data on all children involved with the Department. The System was launched in 1997 and the Department spends \$1.9 million annually for a contract with NTT Data Incorporated for network maintenance and updates. The Department also spends \$0.7 million for a contract with Yale University to conduct data analysis and technical assistance to produce contract funds status reports for federal grants. *The Governor recommends funding as requested.*

All Other Operations. The Department requests \$3.2 million, including \$2.0 million from general revenues and \$1.2 million from federal funds for all other Department operations. This is \$0.5 million more than enacted, including \$0.3 million more from general revenues and \$0.2 million more from federal funds. Costs include utilities, staff training, office supplies, legal costs, insurance, snow removal, internet access costs, and other operating expenses. *The Governor recommends \$57,283 more than requested from general revenues to reflect adjustments for legal and other office expenses.*

Capital. The Department requests the enacted level of \$2.9 million from Rhode Island Capital Plan funds for capital projects. This is not consistent with the funding requested for FY 2016 as part of the Department's five year capital budget or any update to prior year spending. *The Governor's budget does not include any funding from Rhode Island Capital Plan funds. Specific project information is included in the Capital Budget section of this publication.*

Department of Health

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Program				
Central Management	\$ 13,379,460	\$ 13,049,867	\$ 11,235,423	\$ 11,264,374
State Medical Examiner	2,072,836	2,131,827	3,022,265	2,913,581
Environmental & Health Services Reg.	18,804,370	18,416,800	18,902,785	18,521,711
Health Laboratories	7,855,236	8,514,268	9,352,021	9,352,021
Public Health Information	3,625,459	3,965,192	3,667,557	3,883,319
Community, Family Health, and Equity	70,329,618	73,818,257	68,640,918	68,571,092
Infectious Disease and Epidemiology	6,578,591	6,087,430	6,846,819	6,846,819
Total	\$ 122,645,570	\$ 125,983,641	\$ 121,667,788	\$ 121,352,917
Expenditures by Category				
Salaries and Benefits	\$ 51,166,990	\$ 50,082,473	\$ 53,824,067	\$ 53,535,751
Contracted Services	7,989,390	8,966,595	6,563,092	6,563,092
Subtotal	\$ 59,156,380	\$ 59,049,068	\$ 60,387,159	\$ 60,098,843
Other State Operations	46,061,286	47,445,355	45,479,129	45,452,574
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	17,174,485	19,209,140	15,644,020	15,644,020
Capital	253,419	280,078	157,480	157,480
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 122,645,570	\$ 125,983,641	\$ 121,667,788	\$ 121,352,917
Sources of Funds				
General Revenue	\$ 22,957,920	\$ 22,841,530	\$ 26,399,902	\$ 25,840,318
Federal Aid	65,094,393	66,960,648	63,189,397	63,405,159
Restricted Receipts	34,593,257	36,112,413	32,078,489	32,107,440
Other	-	69,050	-	-
Total	\$ 122,645,570	\$ 125,983,641	\$ 121,667,788	\$ 121,352,917
FTE Authorization	491.3	491.3	591.6	488.6

Summary. The Department requests FY 2016 expenditures totaling \$121.7 million from all sources of funds, including \$26.4 million from general revenues and staffing authorization of 591.6 full-time equivalent positions. This is \$1.0 million less from all funds, including \$3.4 million more from general revenues and decreases of \$1.9 million from federal funds and \$2.5 million from restricted receipts. Staffing reflects an increase of 100.3 full-time equivalent positions.

The Department indirectly submitted another request citing the cost needed to fully fund all of its mandates as well as expanding certain programs. It submitted a list of 21 items totaling \$8.7 million from all funds, including \$7.2 million from general revenues, impacting three programs: Environmental and Health Services Regulation; Community, Family Health, and Equity; and Infectious Disease and Epidemiology. It should be noted that the budget request does not fund these items; however, it does include the staffing authorization of 100.3 positions that would be needed to

implement the items. These initiatives will be noted among the items described below where appropriate.

The Governor recommends expenditures totaling \$121.4 million from all sources, including \$25.8 million from general revenues. This is \$1.3 million less than enacted and is \$0.3 million less than the unconstrained request. The recommendation includes 488.6 positions, 2.7 fewer than enacted. This reflects the elimination of 3.0 positions, two of which support the non-prescribing boards. The Governor also includes legislation in Article 20 of 2015-H 5900 to repeal 26 professional license and permit requirements administered by the Department of Health. It eliminates the licensure requirement for manicurist instructor, music therapist, hairdresser/cosmetologist, manicurist instructors and several others.

Target. The Budget Office provided the Department of Health with a general revenue target of \$23.0 million. The amount includes current service adjustments of \$1.9 million and a 7.5 percent target reduction of \$1.8 million.

The Department's unconstrained budget request is \$1.5 million above the Budget Office current services estimate and the constrained budget request is \$0.1 million above the Budget Office target. Of the \$1.5 million above the current service estimate, \$1.0 million is for the Health Laboratories and \$0.4 million is for the Office of the Medical Examiner. The Department's proposals to achieve the reductions are noted among the items described below where appropriate.

The Governor's recommendation is \$2.8 million above the target.

FY 2016 Budget	Budget Office	Health	Difference
FY 2015 Enacted	\$ 22,957,920	\$ 22,957,920	\$ -
Current Service Adjustments	1,899,242	3,441,982	1,542,740
<i>Change to FY 2015 Enacted</i>	\$ 1,899,242	\$ 3,441,982	\$ 1,542,740
FY 2016 Current Service	\$ 24,857,162	\$ 26,399,902	\$ 1,542,740
Target Reduction/Initiatives	(1,839,427)	(3,286,062)	(1,446,635)
FY 2016 Constrained Target/Request	\$ 23,017,735	\$ 23,113,840	\$ 96,105
<i>Change to FY 2015 Enacted</i>	\$ 59,815	\$ 155,920	\$ 96,105

Indirect Cost Recovery Fund. The Department of Health uses its indirect cost recovery restricted receipts to offset costs associated with administering federally funded programs. Revenues for the indirect cost recovery account are based on the expenditure of certain federal grants and exclude expenditures such as assistance and grants. A portion of the Department's federal grants allow a 19.3 percent indirect cost recovery charge on the actual amount expended. In the past, the Department's revenues and carry-forward cash balance has exceeded expenditures, resulting in significant cash balances. The FY 2016 budget includes revenues of \$4.1 million, \$0.9 million more than assumed in the FY 2015 enacted budget and \$0.3 million more than FY 2015 revised budget. The anticipated revenues of \$4.1 million will be supplemented with a \$0.4 million cash balance from FY 2015. The FY 2016 budget assumes expenditures of \$4.4 million from indirect cost recovery restricted receipts, which would result in a year end surplus of \$0.1 million. *The recommended budget includes \$28,951 more in expenditures than requested.*

Central Management

Community Service Grants. The Department requests the enacted amount of \$331,469 from general revenues for nine community service grants administered through the Department of Health. This is

consistent with the revised request and includes grants to agencies providing services related to AIDS, hepatitis, and cancer. It also includes a \$12,024 grant to the Rhode Island Blood Center, which the center uses for pediatric services including hemophilia and sickle cell anemia. It appears that the grant expenditure was not made in FY 2014. Subsequently, the Center informed the Department of Health that the pilot program, which this grant supported, had ended. *The Governor recommends funding as requested.*

Emergency Response Preparedness Funding. The Department requests \$6.5 million from federal bioterrorism funds for the operations of the Center for Emergency Preparedness and Response. The Department uses these funds to help hospitals and healthcare entities plan for, respond to, and recover from mass casualty events. It also provides grants to cities and towns to enhance emergency response preparedness.

The request includes \$3.5 million to support 25.0 full-time equivalent positions, \$0.6 million for grants to cities and towns and \$2.4 million for all other information technology, training and operating expenses. The request is \$1.3 million less than enacted to reflect a reduction in available federal funds. Federal bioterrorism grants have been reduced significantly over the years, including a 14.0 percent reduction from sequestration. The request includes \$0.2 million more for salaries and benefits to reflect the cost-of-living adjustment and benefit rate changes to reflect FY 2016 planning values.

The request reflects a reduction of \$1.5 million in expenditures for medical supplies, training, and maintenance of equipment, such as radios and other communication devices, based on the availability of federal funds. The request is \$0.1 million more than FY 2015 projected expenditures. *The Governor recommends funding as requested.*

Ebola Response. The request does not include any funding for Ebola response related activities. The Department projected expenses of \$0.8 million, \$0.7 million of which would be used to fund several positions, including stress test staff and nurses. The remaining \$0.1 million would be used for precaution supplies, travel and public outreach expenses. The federal administration submitted an emergency request of \$6.2 billion to Congress for FY 2015 to address the Ebola epidemic. The Centers for Disease Control and Prevention would receive \$1.8 billion to prevent, detect, and respond to the Ebola epidemic as well as other public health emergencies. According to the Federal Funds Information for States, Rhode Island would receive a total of \$2.9 million for public health emergency preparedness and the hospital preparedness program. *The recommended budget does not include any funding. The Department indicates that it submitted a request to the Centers for Disease Control and Prevention for \$1.3 million. The expected date of that award is April 1st.*

Public Awareness Campaign Grant. The Department received \$0.1 million from a non-profit agency in FY 2015 to support a public awareness campaign regarding the risk of addiction and accidental overdose. These one-time funds, which were budgeted as restricted receipts, are excluded for the FY 2016 request. *The Governor recommends funding as requested.*

All Other Salaries and Benefits. The Department requests salary and benefit costs of \$3.9 million from indirect cost recovery restricted receipts to fund the remaining 34.1 full-time equivalent positions in Central Management, which provides the overall leadership for the Department through strategic planning and public health policy development, centralized administrative services, and community affairs. The request is \$0.1 million or 3.9 percent more than enacted. This includes \$0.1 million less from general revenues from shifting costs to indirect cost recovery restricted receipts. The request includes the cost-of-living adjustment as well as benefit rates consistent with FY 2016 planning values. Federal fund expenditures are \$0.2 million less than enacted to reflect the end of a grant award.

The request assumes \$0.5 million in turnover savings, \$0.5 million less than enacted. The requested turnover savings is equivalent to 5.7 vacancies, based on the Department's cost of \$121,925 per position in Central Management. As of the pay period ending November 1, 2014, there were 6.1 positions vacant.

The Governor concurs and includes an additional \$28,951 from indirect cost recovery restricted receipts to reflect partial funding for a position in the Division of Purchasing for work related to the Office of Health and Human Services' agencies. This is pursuant to a cooperative agreement that was signed between the Department of Administration and the Office of Health and Human Services.

All Other Operations. The Department requests \$0.5 million from indirect cost recovery restricted receipts for all other operations. This is \$33,970 less than enacted from all funds, including \$0.1 million less from federal funds to reflect the end of a grant, and savings of \$12,300 from general revenues; this is due to shifting several expenditures to indirect cost recovery restricted receipts. *The Governor recommends funding as requested.*

Office of the Medical Examiner

Staffing. The Department requests staffing costs of \$2.7 million, all but \$48,183 is from general revenues for the Office of the Medical Examiner. This includes \$2.5 million to fund 17 positions and \$0.2 million for contracted services. The request is \$0.5 million more than enacted, including \$1.0 million from general revenues, of which \$0.5 million is from shifting expenditures back to general revenues previously budgeted from indirect cost recovery restricted receipts. The request includes \$0.3 million to fund an additional 2.6 positions, which brings staffing to 17 positions. This is 2.6 positions more than enacted and is consistent with the revised request to reflect staff shifted from elsewhere in the Department. As of the pay period ending November 1, 2014, the Office had 17 positions filled. The request also includes new expenditures of \$21,290 for seasonal staff and \$0.1 million for the cost-of-living adjustment and benefit rates consistent with FY 2016 planning values.

Based on staff calculation, it appears that the request for salaries and benefits is overfunded by \$0.1 million.

Consistent with the revised budget, the request includes \$210,000 or \$60,000 more than enacted for contracted services, such as livery, x-ray and histology services. Though this is \$60,000 more than the current service estimates, reported expenditures were \$195,703 in FY 2013 and \$207,639 in FY 2014. It also includes \$15,000 for contracted medical examiners, \$8,723 more than enacted and is consistent with the FY 2015 revised request. It should be noted that FY 2014 reported expenditures for contracted medical examiners were \$0.1 million. The Department notes that the increase in staffing negates the need to bring this expense to the FY 2014 reported level.

The Governor recommends \$0.1 million less than requested to reflect that salary and benefit costs were overstated.

Operations. The Department requests expenditures of \$0.3 million from all sources, including \$198,132 from general revenues for all other operating costs of the Office of the Medical Examiner. The request includes \$55,000 for medical supplies, \$35,000 for insurance expenses, and \$0.1 million for all other expenses, postage, printing and other supplies. It is \$68,050 less than enacted from all funds, including \$59,638 less from general revenues. Major changes to the enacted budget reflect decreases of \$25,000 for temporary services and \$39,000 for miscellaneous expenditures. It should be

noted that the Department includes these reductions in an attempt to offset the increase in staffing previously noted. *The Governor recommends funding as requested.*

Environmental and Health Services Regulation

Drinking Water Quality Program. The request includes \$3.3 million from all sources to fund the Drinking Water Quality Program, which is responsible for enforcing the provisions of the Safe Drinking Water Act and several state laws relating to safe drinking water, and regulating nearly 500 public water systems. The request is \$0.4 million less than enacted, including \$0.1 million less from federal funds to reflect the end of a grant and \$0.3 million less from the Safe Drinking Water Act Revolving Loan Fund. The Fund was established to provide a mechanism to issue low interest loans to public water systems to improve their infrastructure.

The request includes \$2.1 million for 18.0 full-time equivalent positions. This is \$72,393 or 3.6 percent more than enacted and is \$0.1 million more than the current service estimate to reflect the restoration of budgeted turnover savings. As of the pay period ending November 1, 2014, the division had one vacancy.

The constrained budget reduces the request by \$50,142 including the 50.0 percent match of \$25,071 from general revenues for the elimination of licensure and quality assurance of bottled water program. This would require a statutory change and \$70,950 in revenues would be lost. According to the Department, there are more than 130 bottlers, four of which are in-state, and these bottlers would experience difficulty in obtaining a license to sell bottled water in other states.

The Department indicates that in order to fully fund all of the mandates pertaining to the Drinking Water Quality Program, an additional \$1.3 million of federal funds would be needed to support 17.0 full-time equivalent positions, which would double the current staffing level. The Department notes there is insufficient staffing in the areas of engineering, information technology and legal support.

The Governor recommends funding consistent with the unconstrained request.

Food Protection Program. The request includes \$4.4 million, of which \$3.1 million is from general revenues to fund the Food Protection Program. Of this, \$4.1 million is included to fund 41.0 full-time equivalent positions, which are responsible for licensing and regulating more than 7,300 food establishments from "farm to table" including restaurants, caterers, food markets, bakeries, food processors, dairy producers, bottlers, bottle beverage plants, and health care facilities. The Office also conducts inspections and investigates food related disease outbreaks and complaints. The request is \$0.1 million more than enacted, which includes \$0.2 million for the cost-of-living adjustment and medical benefit rates consistent with FY 2016 planning values. It reflects \$0.1 million in additional turnover savings and is \$7,616 less than the current service estimate. As of the pay period ending November 1, 2014, the Office had two vacancies.

The request includes \$0.3 million for all operating expenses, including \$0.1 million for travel expenses such as mileage reimbursement and \$0.2 million for clerical services, cell phones and other supplies such as ice. The Department notes that various food products are taken from restaurants and must be properly refrigerated before the samples are taken to the laboratory for testing. The general revenue request for operating expenses is consistent with the revised budget, \$11,806 more than enacted and the current service estimate to better align FY 2016 expenditures with historical spending patterns.

The constrained budget reduces the request by \$0.4 million to reflect the elimination of five positions, including four food inspectors and one licensing aide. The Department indicates that with the current staff of 18 inspectors, a total of 6,000 inspections are done annually; therefore, approximately 20 percent of establishments are not inspected at all. Reducing the staff by 22.2 percent would reduce the number of inspections by 1,332. The Department also notes that the reduction in inspections would increase the risk of food borne illness and possibly death.

The Department indicates that in order to fully fund all of the mandates pertaining to the Food Protection Program, an additional \$1.5 million from general revenues would be needed to support 27.0 positions, consisting of 19 food inspectors, 4 food specialists and 4 supervising food specialists. The request appears to include four months of turnover savings. The Department notes that the request for the additional positions is based on an audit conducted by the Bureau of Audits, which recommended an additional 37 food inspectors; however, the 27 positions that the Department requests would inspect food establishments at half of the frequency recommended by the U.S. Food and Drug Administration.

According to the Department, a review of state food program data from 22 states provided by the Association of Food and Drug Officials "shows that 73.0 percent of these states had less food establishments per inspector than Rhode Island. The average number of food establishments per inspector was 260 versus 365 for Rhode Island. Massachusetts listed 208 food establishments per inspector. No data was available for Connecticut where local health departments conduct all restaurant inspections."

The Governor recommends funding consistent with the unconstrained request.

All Other Salaries and Benefits. The Department requests expenditures of \$9.7 million from all sources for salaries and benefits for the remaining 88.0 full-time equivalent positions in the Environmental and Health Services Regulation program. The request includes \$5.8 million from general revenues, \$3.1 million from federal funds, and \$0.8 million from restricted receipts. This is \$0.5 million more than enacted from all sources, including \$455,651 from general revenues. It includes \$0.5 million for the cost-of-living adjustment as well as benefit rate changes consistent with the planning values for FY 2016. The request is \$0.3 million more than the current service estimate, of which \$0.1 million is for temporary and seasonal employees and \$0.2 million in general revenues to support two positions that were previously supported with indirect cost recovery funds.

The Department indicates that an additional \$3.5 million, all but \$0.1 million from general revenues would be needed to fund an additional 46.0 full-time equivalent positions to insure all mandates pertaining to the Environmental and Health Services Regulation program are implemented. Additionally, the Department notes that it is not in compliance with several mandates since it does not have dedicated staffing to perform the work. For example, there is no current staff available to monitor the compliance of nurses placed on the Alternative Disciplinary Program.

The Governor recommends \$0.1 million less general revenues than the unconstrained request. This consists of \$10,086 for partial funding for a health facility surveyor position that the Department deemed not vital after its budget submission. It also includes \$79,018 to reflect the removal of a position that the Department inadvertently funded twice.

Target - Consolidation of Non-Prescribing Health Professional Boards. The Department's constrained request includes a proposal to consolidate all of the non-prescribing health professional boards into one board. This includes 25 professional boards that include a variety of professions, such as dietitians, occupational therapists, optometrists, social workers and funeral home directors. This

would allow for the elimination of 2.0 positions and \$0.2 million from general revenues. This would require statutory changes. The Department currently approves all written and practical examinations and issues licenses and permits for these professions.

The Governor concurs and includes legislation in Article 19 of 2015-H 5900 to effectuate this change. The proposed legislation creates a single board of review for appeals, discipline and advisory functions.

Target - Reduce Office of Facilities Regulation - Assisted Living. The Department of Health monitors assisted living residences and investigates consumer complaints and incidents occurring in these facilities. In an attempt to meet the target set by the Budget Office, the Department requests relief from the requirement to inspect residences prior to renewal of existing licenses as well as relief from the requirement to investigate allegations of abuse, mistreatment and neglect and includes \$90,750 in savings from the elimination of one position that supports licensing of assisted living facilities. According to the Department, there are currently 61 assisted living residences with more than 4,000 beds licensed to operate in the state. *The Governor does not concur.*

All Other Operations. Excluding the items mentioned above, the Department requests \$1.5 million from all sources for all other operations in the Environmental and Health Services Regulation program, including \$0.6 million from general revenues. This is \$22,495 less than enacted, including an increase of \$45,134 from general revenues, of which \$0.1 million is to reflect clerical services costs previously funded with restricted receipts from indirect cost recoveries. It also includes other adjustments for printing and testing services. *The Governor recommends funding as requested.*

Health Laboratories

Salaries and Benefits. The Department requests \$6.8 million from all sources for salaries and benefits for 66.6 full-time equivalent positions for the Health Laboratories, including \$5.4 million from general revenues and \$1.4 million from federal funds. This is \$0.8 million more than enacted, including \$0.6 million more from general revenues, of which \$0.3 million is for the cost-of-living adjustment and benefit rate changes consistent with FY 2016 planning values. The general revenue request is \$0.3 million more than the current service estimate, including new expenditures of \$22,610 for temporary and seasonal employees, and \$0.1 million for the full restoration of turnover savings. It also includes \$0.2 million for positions that were previously allocated to the indirect cost recovery account.

The request includes 6.4 full-time equivalent positions more than enacted and as of the pay period ending November 1, 2014, Health Laboratories had 67.0 full-time equivalent positions filled, 6.8 positions above the authorized level. The Department notes that the staffing level for Health Laboratories is dictated by workload. It further notes depending on the test requests, the requirements for when the test results are needed varies: tests for a pathogen that could cause a public health crisis must be completed within an hour and routine clinical tests, such as HIV or blood lead levels are expected within days. *The Governor recommends funding as requested.*

Lab Software Maintenance. Consistent with the revised budget, the Department includes general revenue expenditures of \$175,511 for which funding was not included in the enacted budget to fund software maintenance cost for Health Laboratories. The current software Millennium is supported by Cerner Corporation, which tracks sample information, such as date of collection, specimen type, test requested, and patient demographic information. The software also allows electronic transmission of files to a billing contractor to file claims with health insurers. The latest contract with Cerner began July 1, 2011, and prior to FY 2014, it was paid with federal funds, which the Department indicates

have been exhausted. It appears that the budget includes \$82,000 from federal funds in Central Management for various information technology services for the system.

The Department indicates that if the software is not properly maintained, there could be a loss in revenues. In FY 2014, reimbursements from insurance companies totaled \$1.8 million, which were deposited into the general fund. *The Governor recommends funding as requested.*

Equipment Maintenance & Medical Supplies. The request includes \$1.6 million from all sources, including \$1.3 million from general revenues for medical supplies, such as test kits, chemicals, reagents, glassware, and laboratory equipment maintenance costs. This is \$0.5 million more than enacted, all but \$9,734 is from general revenues. The request is \$80,490 more than FY 2014 expenditures, for which the Department incurred a deficit of \$0.4 million from general revenues. Of the deficit, it appears that \$0.2 million relates to maintenance of equipment. It should be noted that the Department submitted a capital budget requesting a total of \$0.8 million from Rhode Island Capital Plan funds to replace several pieces of equipment that are used to perform DNA, toxicology and analysis of metals in drinking water and food, including arsenic, lead, mercury and copper. It appears that the equipment has reached its useful life and has experienced significant down time, thereby necessitating additional maintenance. *The Governor recommends funding as requested.*

Medical Billing Services. Consistent with the revised request, the Department requests \$141,600 from general revenues, \$81,600 more than enacted for medical billing services. The Department notes that the increase in costs is due to a projected increase in demand for certain testing from the Affordable Care Act coverage of previously uncovered individuals. Medical billing service expenditures were \$93,493 in FY 2013 and \$125,451 in FY 2014. The request is \$16,149 more than FY 2014 reported expenses. Laboratory billing costs are set as a percentage of revenues collected. Therefore, increased costs of billing are indicative of increased revenues. In FY 2014, reimbursements from insurance companies totaled \$1.8 million, which were deposited into the General Fund and based on expenditures of \$125,451, a 7.15 percent is charged. *The Governor recommends funding as requested.*

Target - Privatize Blood Lead Testing. In an attempt to meet the target set by the Budget Office, the Department requests that the blood lead laboratory operation be privatized and includes a general revenue savings of \$0.2 million from the elimination of two positions and operating supplies. In FY 2014, more than 15,000 children's blood specimens for ages one through five were analyzed for elevated lead levels as part of the universal lead screening program. Testing is mandated by state law to be performed at the State Lab, unless specifically allowed to be done at select hospitals. Though the service is available in the private sector, the Department notes that its privatization could result in lower screening rates. This proposal requires a statutory change and approximately \$0.2 million in revenues would be lost. *The Governor does not recommend the privatization of the blood lead testing.*

Target - Tuberculosis Testing. As part of its constrained request, the Department proposes to eliminate lab testing for tuberculosis, which would also eliminate a clinical lab scientist position for savings of \$100,974 from general revenues. The Department notes that the position is 60.0 percent federally funded; however, the constrained budget does not reflect this reduction. Currently, hospital labs are required to submit specimens to the State Lab for identification. Discontinuing this testing would require a statutory change, allowing the hospitals to submit the specimens to other laboratories. The Department notes that tuberculosis testing is mostly performed by state public health laboratories and the services may not be readily available in the private sector. The Department currently collects approximately \$63,000 annually in revenue through insurance reimbursements of test fees which would not be collected if the program is discontinued. In 2012, the State Lab tested 1,682 specimens and 20

patients were found positive for tuberculosis. *The Governor does not recommend the elimination of lab testing for tuberculosis.*

Target - Testing for Ova and Parasites. As part of its constrained request, the Department proposes the elimination of lab testing, which would eliminate 1.0 senior clinical lab specialist for savings of \$0.1 million from general revenues. The Department indicates that it currently collects approximately \$11,000 annually in revenue through insurance reimbursements of test fees which would not be collected if the program is discontinued. Testing is performed primarily for the community health centers' patients and the lab has conducted approximately 900 tests per year for the last several years.

The Department notes that if this initiative is adopted, it could lose federal funds provided by the Centers for Disease Control and Prevention to upgrade equipment used exclusively for this purpose. It would also have to reduce expenses in other labs because the laboratory scientists perform multiple functions or tests and multiple labs would be impacted by this cut, even though the cut may be for a specific testing area. *The Governor does not concur.*

Target - Biological Sciences Administration. The constrained request reflects the elimination of two positions, including the chief clinical laboratory scientist and the quality assurance officer and operating expenses from the Biological Sciences Administration for a general revenue savings of \$0.3 million. The Biological Sciences Administration program provides microbiological diagnostic and surveillance services to state and municipal agencies and health care providers, including community health centers, private physicians, and hospitals. The Department indicates this elimination is proposed due to the fact that if three of the four programs in Health Laboratories were eliminated, there would be no need for management. The Department notes that employee "bumping," whereby the least senior employee is laid off, would reduce the proposed savings substantially. *The Governor does not concur.*

Target - Testing for State Agencies and Community Health Centers. The Department's constrained request includes a general revenue savings of \$0.5 million for laboratory services provided to the community health centers and various state agencies including the Department of Corrections and the Department of Environmental Management and the training school. The services provided include HIV testing, screening and confirmation and molecular detection of pathogens causing sexually transmitted infections. In 2013, the State Lab performed approximately 50,000 tests for the aforementioned entities. According to the Department approximately 10 percent of all tests that are performed in the laboratories are for state agencies including forensic drug tests for law enforcement agencies including the State Police and DNA for the Office of the State Medical Examiner and Judiciary.

The Department indicates that its surveillance activities for HIV and sexually transmitted diseases incidence in the state would be negatively affected since reporting from private labs is not as complete as from the state. The Department of Corrections would need to pay for HIV and Hepatitis testing services currently performed free of charge at the State Lab. The cost of the tests for the Department of Corrections is \$0.1 million. Additionally, the program provides testing of mosquitos collected by the Department of Environmental Management for rabies, West Nile and EEE viruses. Adoption of this initiative would require a statutory amendment; with the exception of hospital laboratories, all HIV conformation testing must be performed by the State Lab. Additionally, the Department indicates that there is no company, public or private entity that performs West Nile and EEE virus testing. *The Governor does not concur.*

Target - All Other Tests. The constrained request includes a general revenue savings of \$0.3 million from the elimination two positions that perform lab tests, including foodborne disease, such as salmonella or E.coli; H1N1 and testing for pathogens causing infectious diseases. The Department

notes that an effective public health program cannot exist without access to these laboratory services, almost all of which are not available in the private sector. The elimination of the positions supporting the program would severely impact the Department's ability to investigate and contain outbreaks of infectious diseases. *The Governor does not concur.*

All Other Operations. The Department's request includes \$0.7 million from all sources, including \$0.4 million from general revenues for all other lab functions, including toxicology, forensic DNA and food testing. This is \$0.1 million less than enacted, primarily from general revenues to reflect decreased expenditures for office equipment maintenance and staff training. The request is \$0.1 million less than the current service estimate in an attempt to help offset the increase in salaries and benefits requested. *The Governor recommends funds as requested.*

Public Health Information

Vital Records Staffing and Operations. The Department requests \$1.8 million from all sources, including \$1.1 million from general revenues and \$0.6 million from federal funds for expenses related to vital records. This is \$0.2 million more than enacted, including \$0.1 million from general revenues. The request includes \$1.5 million for 16.0 positions. This is \$148,054 more than enacted for the cost-of-living adjustment and benefit rate changes consistent FY 2016 planning values. Consistent with the enacted budget, the request assumes \$0.1 million in turnover savings. As of the pay period ending November 1, 2014, the division had 3 of 16 positions vacant. The request is \$0.1 million more than the current service estimate, which is due to restoration of turnover savings.

The request includes \$0.3 million for operating costs; all but \$41,118 is from federal funds. This is \$45,303 more than enacted to primarily reflect new expenditures of \$49,000 for temporary clerical services to help mitigate the high vacancy rate in the division.

The Department currently records deaths, fetal deaths and induced terminations of pregnancies, which are all classified as vital death records. It records approximately 9,000 deaths, 750 fetal deaths and 3,500 induced terminations of pregnancy per year. These records are manually entered into a paper-based system that is approximately 25 years old. *The Governor recommends funding as requested.*

Center for Health Data Analysis. The request includes total expenditures of \$1.9 million from all funds, including \$0.4 million from general revenues to fund the Center for Health Data and Analysis, which supports and coordinates all efforts within the Department to provide health data quality and the provision of health related data and analysis to inform health policy. The request includes \$1.3 million, to fund 13.3 full-time equivalent positions. The request includes cost-of-living adjustment as well as benefit rates consistent with the FY 2016 planning values. The general revenue request is \$0.1 million less than the current service estimate to reflect the shift of half of a position to federal funds.

The request includes \$0.6 million, including \$0.1 million from general revenues for operating costs. This is \$147,942 less than enacted from all funds, including \$65,112 from general revenues, of which \$19,000 is due to shifting software maintenance expenditures to indirect cost recovery restricted receipts and includes \$35,000 in savings for various services such as clerical. The request includes \$0.2 million to provide technical assistance for the KIDNET system, \$0.1 million in contractual costs with Healthcentric Advisors to produce quarterly and annual measures of quality for hospitals, nursing homes and home health care and \$0.1 million for various research services.

The Governor concurs and provides an additional \$0.2 million from federal funds to reflect two grants that the Department received subsequent to its budget submission. This includes \$0.1 million each for

birth defects surveillance and the State Innovation Models Initiative. The funds will be used to support the development and testing of state-based models for multi-payer medical claim payments.

Community, Family Health, and Equity

Infant and Early Childhood Development. The Department requests \$7.0 million from federal funds for the initiative that focuses on promoting good health habits, primarily for low income pregnant women, infants, and children, children with special health care needs and families. It also includes provisions for providing health services for maternal and child health populations who do not have access to adequate health care. The request is \$2.4 million less than enacted of which \$1.9 million is to reflect the end of the Maternal, Infant, and Early Childhood Home Visiting Development grant. Of the requested amount, \$0.8 million will be used to fund 7.0 positions for the administration of the program. As of the pay period ending November 1, 2014, 6.0 positions were filled. *The Governor recommends funding as requested.*

Immunizations. The Department requests expenditures of \$37.4 million from all sources for immunization expenses, including \$14.8 million from federal funds and \$22.5 million from restricted receipts. This is \$1.2 million less than enacted, including \$0.2 million more federal funds based on the anticipated amount of free vaccines provided by the Centers for Disease Control and Prevention's federal immunization program and \$1.3 million less from restricted receipt expenditures for child and adult immunizations based on vaccine purchasing projections. The request includes \$2.8 million for salaries and benefits for 29.8 positions and several interns. This is \$0.1 million more than enacted to reflect the cost-of-living adjustment and benefit rate changes to reflect FY 2016 planning values. All other operating costs are \$35,223 less than enacted. *The Governor recommends funding as requested.*

Wise Woman Program. The budget includes \$0.8 million from federal funds for the Wise Woman Program. This includes the enacted level of \$60,000 from general revenues for a state pilot program that resembles the federal program, which provides screenings, referrals and follow up services for low-income, uninsured and underinsured women ages 40 through 64 who are at risk for heart disease, diabetes and stroke. The request includes \$47,903 more for salaries and benefits, which includes the cost-of-living increase, funding for a 0.1 full-time equivalent position and benefit rates consistent with the FY 2016 planning values. The request includes staffing of 2.8 full-time equivalent positions, 0.1 more than enacted. It also includes \$0.4 million more for screening and referral services, and \$42,036 for operating expenses.

The constrained request includes \$0.8 million less federal funds from the elimination of the Wise Woman program. The Department indicates that this award is tied to anti-smoking initiatives that the Department undertakes since smoking is a risk factor for heart disease. If the Tobacco Control program is eliminated, it would lose the federal funds to implement this initiative.

The Governor recommends funding consistent with the unconstrained request.

Race to the Top. The Department requests \$0.9 million from federal Race to the Top funds, \$0.3 million less than enacted for implementation of the education plan developed in FY 2013. In December 2011, the state was awarded \$50.0 million from federal Race to the Top funds to be used to improve education for pre-school students. This grant involves multiple human service agencies and the Department of Elementary and Secondary Education with funding allocated over four years and ends December 31, 2015.

The request includes \$0.5 million for salaries and benefits for 4.5 positions, \$4,194 less for salaries and benefits, based on updated cost allocations for FY 2016. It includes \$0.2 million for all operating costs, such as printing, office supplies and communications expenses and \$0.3 million in grants to Healthcentric Advisors. *The Governor recommends funding as requested.*

Health Professional Loan Repayment Program. The Department requests expenditures of \$350,000 from federal funds and restricted receipts for the health professional loan repayment program, which pays a portion of an eligible health care professional's student loan if the participant agrees to work for two years in a health professional shortage area. The request is \$0.1 million more than enacted; \$50,000 each from federal funds and restricted receipts. The Department uses the restricted receipts, which are primarily from donations to provide the 50.0 percent minimum match on the federal grant.

The Department indirectly submitted another request citing the cost needed to fully fund all of its mandates as well as expanding certain programs. It submitted a list of 21 items totaling \$8.7 million from all funds, including \$7.2 million from general revenues. Though not mandated, the Department indicates that it would like to provide scholarships to Rhode Island high school graduates attending medical schools in an attempt to correct the shortfall in projected primary care physicians. The Department indicates that \$0.3 million from general revenues would be needed to provide 12 education scholarships in the amount of \$25,000. The program would require that scholarship recipients practice as primary care physicians in the state upon completion of medical school and residency training for a year. Additionally, the Department indicates that \$0.1 million from general revenues would be needed to provide a state match for the Health Professional Loan Repayment Program.

The Governor recommends the \$350,000, consistent with the unconstrained request. She also includes legislation in Article 13 of 2015-H 5900 to exempt the restricted receipts for the health professional loan repayment program from the state's indirect cost recovery charge. It appears that the receipts have been excluded from the surcharge.

Tobacco Control. The Department requests \$1.6 million, including \$0.4 million from general revenues and \$1.3 million from federal funds for tobacco control programs, including cessation and the telephone quit line. The request is \$16,489 more than enacted, including \$8,527 from general revenues. The request includes \$0.8 million for salary and benefit expenses for 6.6 full-time equivalent positions; \$0.5 million for services such as cessation, counseling and support, and education and information resources, and \$0.3 million for operations including anti-smoking advertising, postage and printing expenses.

The Department indirectly submitted another request citing the cost needed to fully fund all of its mandates as well as expanding certain programs. It indicates that \$30,000 would be needed to implement the Reduced Cigarette Propensity and Firefighter Protection Act, which requires that no cigarettes may be sold in the state without having been tested against the New York Fire Safety Standards for Cigarettes. The Department estimates that \$19,500 in revenues would be generated from a \$250 per brand certificate fee. As of January 1, 2012, there were 78 cigarette brands being sold in the state.

The Department also indicates that \$0.2 million would be needed to fund 1.5 full-time positions for licensing of electronic nicotine delivery system sellers, effective January 2015. Pursuant to Rhode Island General Laws 23-1-56, any distributor or dealer engaged in the business of selling electronic nicotine delivery system products must obtain a license from the Department of Health. The law requires that the Department of Health maintain a website detailing all sellers by class, and the website must be updated six times a year. The law further allows the director to set a fee not to exceed \$25 for

the issuance of the license. According to the Department, there are 1,340 tobacco retail licenses in the state. Assuming that all retailers apply for the electronic nicotine delivery systems, \$33,500 in revenues could be generated.

It should be noted that the Budget Office prepared a fiscal note and stated that the Department would use existing staff to implement the licensing of electronic nicotine delivery systems. Therefore implementation would have no impact on expenditures. The Department of Health notes that to the extent that staff from other program areas are used to implement this, backlogs in other programs will be created or increase.

The Governor recommends funding consistent with the Department's request.

Minority Health Program. Consistent with the current service estimate, the Department requests \$0.4 million from general revenues for the minority health program. The request is \$11,747 more than enacted including \$161,495 from general revenues, of which \$149,748 is for grants provided to community based organizations to reduce disparities and eliminate childhood obesity by providing health promotion, disease prevention, and referral services to the community. The enacted budget funded the grants with indirect cost recovery restricted receipts. The revised request shifts the expenditures to general revenues and the Department suggests that funding the grants with revenues generated from the indirect cost rate may not be an appropriate use of those funds. The request also includes \$0.2 million to support 1.7 full-time equivalent positions to administer the program. *The Governor concurs, with the exception of providing \$1,000 less from general revenues for out-state travel expenditures.*

Blood Lead Poisoning Prevention. The Department requests \$0.6 million from all sources for blood lead poisoning prevention, including the enacted amount of \$15,873 from general revenues and \$0.6 million from federal funds. The request is \$0.1 million more than enacted; \$0.4 million more from federal funds and it reflects the removal of \$250,000 from restricted receipts from a donation from the Providence Water Supply Board since continuation of funding has not been identified.

The program provides state staff to investigate complaints and inquiries about lead poisoning, arrange inspections when elevated blood lead levels are found, make referrals for case management and provide follow up after the inspection to ensure the lead abatement was completed and the individual's blood lead level has returned to a reasonable level. The Department indicates that a total of nine positions are needed for FY 2016 to implement the program; however, if additional funds are not secured, staffing will have to be reduced. *The Governor recommends funding as requested.*

All Other Salaries and Benefits. The Department requests \$9.3 million from all sources including \$1.3 million from general revenues for all other salaries and benefits for the Community, Family Health, and Equity program. This is \$0.6 million or 6.7 percent more than enacted, including increases of \$0.1 million each from general revenues and restricted receipts and \$0.5 million from federal funds for several chronic disease prevention and control grants. The request includes the cost-of-living adjustment as well as benefit rate changes consistent with FY 2016 planning values.

The Department indirectly submitted another request citing the cost needed to fully fund all of its mandates as well as expanding certain programs. It indicates that \$0.2 million would be needed for the Community, Family Health and Equity program to provide staff support for four commissions: Commission for Health Advocacy and Equity, Study Commission on Lupus, Interagency Food and Nutrition Policy Advisory Council, and the Stroke Task Force.

The Governor recommends \$43,215 less from general revenues than the original request for partial funding of an assistant administrator position. The recommendation assumes that the Department will utilize existing federal or restricted sources to fund this position in lieu of general revenues.

Poison Control Center. The Department requests \$200,000 from general revenues to fund the Poison Control Center, which provides assistance and medical diagnosis of poisonings. The Center receives calls from individuals, hospitals and health care centers. Rhode Island used to operate its own Poison Control Center at an annual cost of over \$0.4 million. Over a decade ago, it joined with Massachusetts and the required cost was reduced to \$0.3 million. Over time funding for the Poison Control Center was reduced to \$200,000 where it remains through FY 2014 and was funded with bioterrorism grants. The federal bioterrorism grants have been reduced over the years; including a 14.0 percent cut from sequestration. Based on grant reductions, and depletion of cash carry-forward balances, the Department of Health determined that it would no longer fund the Center with bioterrorism grants, but committed to finding an alternative funding mechanism to operate the Center. It has also requested general revenues for FY 2015.

The constrained budget removes the requested funding for the Poison Control Center. *The Governor recommends funding consistent with the unconstrained request.*

All Other Programs. The Department requests \$10.0 million from all sources for all other Community, Family Health and Equity program operations, including \$0.2 million from general revenues. The request is \$1.0 million more than enacted, including \$6,054 less general revenues of which \$4,906 is to adjust for a private donation for vaccine grants. The funds were private donations that the Department received and were deposited as general revenue. It includes \$1.1 million more federal funds based on anticipated awards and expenditures, and \$0.1 million less restricted receipts.

The request includes \$3.6 million for prenatal and early childhood programs, including newborn screenings and family planning, \$2.0 million for chronic care and disease management, including cancer, asthma and arthritis, \$0.8 million from preventive and maternal and child health block grant funds, \$0.5 million for a program to eliminate health disparities, including rural, minority and disability health programs, \$0.5 million for oral health services and \$2.6 million for all other programs, including rape, violence and suicide prevention. Grants are awarded to numerous agencies that provide services, including the American Lung Association, Blackstone Valley Community Health Care, Family Resources Community Action, Family Service of RI, The Providence Center and others.

The Department indirectly submitted another request citing the cost needed to fully fund all of its mandates as well as expanding certain programs. It indicates that \$0.9 million would be needed for various initiatives impacting the Community, Family Health and Equity program. This includes \$0.2 million for an opioid overdose data collection system, \$0.3 million to maintain traumatic brain injury/spinal cord injury registry, of which \$250,000 would be used for development of a web-based statewide reporting system and \$54,563 would be used to fund half of a position to provide survivors with resources and/or referral information. It also includes \$0.3 million for an integrated primary care and behavioral health pilot program, pursuant to 2014-H 8189.

The Governor recommends \$25,611 less from general revenues than the unconstrained request for insurance, cell phones and program supplies.

Infectious Disease and Epidemiology

HIV/AIDS. The Department's request includes \$2.6 million, \$0.1 million more than enacted from federal funds for prevention and surveillance functions and tasks of the HIV/AIDS program. This includes \$0.8 million to fund 7.0 positions, which is \$0.3 million and 6.0 positions less than enacted. The Department indicates that the program has been restructured in anticipation of potential large reductions in federal funds. As of the pay period ending November 1, 2014, 4.7 full-time equivalent positions were filled.

The request includes \$1.7 million for all other operating expenses, \$0.4 million more than enacted, including \$0.2 million more for grants to various community based agencies providing services to reflect updated grant priorities from the Centers for Disease Control and Prevention, and \$0.2 million more for medical supplies, media and advertising expenses. The request is \$3,345 more than FY 2015 projected expenditures and is \$0.2 million more than FY 2014 reported expenditures.

The Department funds AIDS/HIV awareness and prevention services and treatment services through a number of initiatives ranging from providing medication to non-insured residents to educating teachers who teach sex education classes in the high schools. The awareness and prevention services include community outreach programs which are based on a request for proposals, where the Department will outline what the services are to be provided. *The Governor recommends funding as requested.*

HIV Prevention Grants. The Department includes \$73,667 in FY 2016 for HIV prevention grants, which are awarded to various organizations such as Miriam Hospital, AIDS Care Ocean State, and Family Service of RI for HIV prevention services. It should be noted that some of these entities also receive community service grants. The Department indicates that these grants were previously funded with federal sources, which are now no longer available. It appears that the Department incurred expenses for these grants, though no funding was appropriated. Expenditures were \$123,260 in FY 2013 and \$195,390 in FY 2014. The Department requested general revenue funding for these grants in FY 2015; however, the Governor recommended funding them with restricted receipts from the indirect cost recovery. The request is \$119,764 less than the current service estimate to reflect the Department's anticipated expenditures based on revised contracts with the providers that were restructured. *The Governor recommends funding as requested.*

All Other Salaries and Benefits. The Department requests expenditures of \$2.9 million from all sources for all other salary and benefit expenses for 29.0 full-time equivalent positions for the Infectious Disease and Epidemiology program. This is \$0.2 million more than enacted, including \$0.1 million each from general revenues and federal funds. The request includes the cost-of-living adjustment as well as benefit rate changes consistent with FY 2016 planning values. As of the pay period ending November 1, 2014, the division had 24.3 full-time positions filled. The request is \$0.1 million above the current service estimate to primarily reflect \$55,478 for temporary staff and \$0.1 million less in costs allocated to other programs. *The Governor recommends funding as requested.*

Whitmarsh Sexually Transmitted Disease Clinic. The Department indirectly submitted another request citing the cost to fully fund all of its mandates. It indicates that a total of 21 items totaling \$8.7 million from all funds, including \$7.2 million from general revenues would be needed. This includes \$167,148 from general revenues to fund 2.0 positions including a community health nurse coordinator and a disease intervention specialist. The Department currently dedicates 2.8 positions, which it indicates is insufficient to respond to increases in cases. *The recommendation does not include funding for this.*

National Electronic Disease Surveillance System Maintenance. The Department requests \$0.1 million of new general revenues to be used in conjunction with \$0.1 million of existing federal funds for maintenance of the national electronic disease surveillance system which is a database used to track infectious diseases in the state, as well as comparative trends across the nation. The FY 2009 budget included \$0.2 million from general revenues for the system; however, the Department subsequently received approval from the Centers for Disease Control and Prevention to shift budgeted general revenue expenses to federal funds. The Department indicates that since then the system has been supported by federal sources, which are now no longer available. It appears that \$0.2 million of federal funds is budgeted for FY 2015 for the maintenance cost. The Department indicates that the annual cost of the system fluctuates based upon the addition of new diseases added for reporting. For FY 2016, it estimates the cost to be \$215,000 to \$265,000. *The Governor recommends funding as requested.*

Tuberculosis Specialty Clinic. The request includes the enacted general revenue amount of \$300,000 for the state funded tuberculosis specialty clinic (RISE) at the Miriam Hospital and a \$13,794 contract for Rhode Island Hospital for ambulatory pediatric tuberculosis services. Through the direct therapy services, the Department provides 4,500 home visits each year.

The constrained request eliminates funding for the contracts. The Department notes that not providing the visits may result in individuals not completing their remediation programs completely or correctly, resulting in outbreaks and potentially death. The Department indicates that approximately half of the tuberculosis patients would not be eligible for health insurance, additionally; tuberculosis is not a Medicaid eligible condition.

The Governor recommends funding consistent with the unconstrained request.

All Other Operations. The Department requests expenditures of \$0.9 million from all sources, including \$0.1 million from general revenues and \$0.8 million from federal funds. This is \$0.2 million less than enacted; all but \$1,671 is from federal funds for Epidemiology and Lab Capacity to reflect anticipated awards for FY 2016. This program is responsible for the major areas of reportable infectious and communicable diseases. This program also operates a tuberculosis control program which provides clinical services for uninsured and under-insured patients through contracts with several providers. *The Governor recommends funding as requested.*

Department of Human Services

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Program				
Central Management	\$ 9,266,726	\$ 9,671,141	\$ 9,734,001	\$ 9,734,001
Child Support Enforcement	8,240,435	8,786,012	9,707,051	9,642,411
Individual and Family Support	157,546,872	165,955,830	142,100,195	155,690,867
Veterans' Affairs	28,390,910	29,923,767	29,655,920	29,393,531
Health Care Eligibility	20,000,978	21,137,970	20,569,616	20,509,318
Supplemental Security Income	18,579,280	18,460,200	18,579,280	18,707,407
Rhode Island Works	86,709,580	86,086,439	91,197,039	88,589,490
State Funded Programs	302,308,138	269,713,414	269,671,000	269,740,560
Elderly Affairs	18,743,971	18,148,801	18,296,453	18,387,740
Total	\$ 649,786,890	\$ 627,883,574	\$ 609,510,555	\$ 620,395,325
Expenditures by Category				
Salaries and Benefits	\$ 92,391,947	\$ 90,603,714	\$ 95,727,911	\$ 94,805,139
Contracted Services	22485068	20,549,175	18,294,984	17,557,341
Subtotal	\$ 114,877,015	\$ 111,152,889	\$ 114,022,895	\$ 112,362,480
Other State Operations	18,050,211	19,116,834	18,406,482	18,443,538
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	510,205,878	490,085,356	470,355,743	483,384,341
Capital	466,068	1,868,325	537,717	537,717
Capital Debt Service	-	-	-	-
Operating Transfers	6,187,718	5,660,170	6,187,718	5,665,249
Total	\$ 649,786,890	\$ 627,883,574	\$ 609,510,555	\$ 620,393,325
Sources of Funds				
General Revenue	\$ 96,328,781	\$ 94,808,416	\$ 99,245,129	\$ 96,425,089
Federal Aid	547,332,819	525,722,659	504,098,688	517,564,219
Restricted Receipts	1,797,309	3,024,518	1,738,757	2,076,036
Other	4,327,981	4,327,981	4,427,981	4,327,981
Total	\$ 649,786,890	\$ 627,883,574	\$ 609,510,555	\$ 620,393,325
FTE Authorization	959.1	959.1	995.6	959.1

Summary. The Department of Human Services requests \$609.5 million from all fund sources, including \$99.2 million from general revenues, \$504.1 million from federal funds, \$1.7 million from restricted receipts and \$4.4 million from other funds. This is \$40.3 million less than enacted, including increases of \$2.9 million from general revenues and \$0.1 million from other funds with decreases of \$43.2 million from federal funds and \$0.1 million from restricted receipts. The Department also requests 995.6 full-time-equivalent positions, 36.5 more than enacted and consistent with the revised request.

The Governor recommends expenditures of \$620.4 million, including \$96.4 million from general revenues. This is \$10.9 million more than requested, including reductions of \$2.8 million from general revenues and \$0.1 million from other funds with increases of \$13.5 million from federal funds and \$0.3 million from restricted receipts. She recommends 959.1 full-time equivalent positions, consistent with the enacted level; she funds and provides authorization for the 36.5 additional requested positions, but offsets that with a reduction of 36.5 unspecified positions, requiring the Department to manage vacancies accordingly.

Target. The Budget Office provided the Department with a general revenue target of \$91.6 million. The amount includes current service adjustments of \$2.3 million and a 7.5 percent target reduction of \$7.1 million, adjusted for certain exclusions. The Department’s request is \$0.6 million above the current services target; the constrained budget submitted by the Department meets the target. *The Governor’s recommendation is \$4.8 million above the constrained budget target.*

FY 2016 Budget	Budget Office	Human Services	Difference
FY 2015 Enacted	\$ 96,328,781	\$ 96,328,781	\$ -
Current Service Adjustments	2,343,028	2,916,348	573,320
Change to FY 2015 Enacted	\$ 2,343,028	\$ 2,916,348	\$ 573,320
FY 2016 Current Services	\$ 98,671,809	\$ 99,245,129	\$ 573,320
Target Reduction/Initiatives	(7,069,029)	(7,642,349)	(573,320)
FY 2016 Recommendation/Request	\$ 91,602,780	\$ 91,602,780	\$ -
<i>Change to FY 2015 Enacted</i>	<i>\$ (4,726,001)</i>	<i>\$ (4,726,001)</i>	<i>\$ -</i>

Federal Poverty Guidelines. The federal poverty guidelines are used for purposes of determining financial eligibility for certain state and federal programs, including several programs in state agencies under the Office of Health and Human Services. The 2015 guidelines are as follows.

Percent of Federal Poverty Level Based on Annual Income								
Family Size	100%	133%	150%	180%	185%	200%	225%	250%
1	\$ 11,770	\$15,654	\$17,655	\$21,186	\$21,775	\$23,540	\$26,483	\$29,425
2	15,930	21,187	23,895	28,674	29,471	31,860	35,843	39,825
3	20,090	26,720	30,135	36,162	37,167	40,180	45,203	50,225
4	24,250	32,253	36,375	43,650	44,863	48,500	54,563	60,625
5	28,410	37,785	42,615	51,138	52,559	56,820	63,923	71,025
6	32,570	43,318	48,855	58,626	60,255	65,140	73,283	81,425
7	36,730	48,851	55,095	66,114	67,951	73,460	82,643	91,825
8	40,890	54,384	61,335	73,602	75,647	81,780	92,003	102,225

For families with more than 8 members, add \$4,160 for each additional member for the 100 percent calculation.

Medicaid Expenses - State/National Comparison. The following table compares national and state 2013 Medicaid spending using the Centers for Medicare and Medicaid Services 2012 Actuarial Report on the Financial Outlook for Medicaid and information from the state’s Office of Health and Human Services. Rhode Island’s enrollment of children and parents (the state’s RItE Care population) is a lower percent of total Medicaid enrollment than the national average. The percent of total spending for this population is lower than the national average, but higher when comparing cost per enrollee. The Medicaid expenses for the populations are in the Office of Health and Human Services’ budget.

For disabled individuals, enrollment is higher than the national average as is the percent of expenses compared to total spending and cost per enrollee. Expenses for this population are in the Office of Health and Human Services, as well as the Departments of Human Services, Behavioral Healthcare, Developmental Disabilities and Hospitals, and Children, Youth, and Families.

Medicaid Expenses	Enrollees		Percent of Enrollees		Expenses*		Percent of Expenses		Cost Per Enrollee	
	US*	RI	US	RI	US	RI	US	RI	US	RI
Population	US*	RI	US	RI	US	RI	US	RI	US	RI
Children	27.2	85,155	50.0%	45.0%	\$ 77,400	\$ 256.0	20.0%	14.2%	\$ 2,851	\$ 3,006
Adults	13.2	43,967	24.0%	23.2%	57,800	202.8	15.0%	11.3%	4,362	4,613
Blind/Disabled	9.4	42,442	17.0%	22.4%	169,300	873.3	44.0%	48.5%	17,958	20,576
Aged	4.8	17,567	9.0%	9.3%	77,200	470.1	20.0%	26.1%	15,931	26,760
Total	54.7	189,131	100%	100%	\$381,800	\$1,802.2	100%	100%	\$ 6,982	\$ 9,529

*Source: Centers for Medicare and Medicaid Services 2012 Actuarial Report on the Financial Outlook for Medicaid and the Office of Health and Human Services; *in millions*

Enrollment and expenses for the aged population are slightly lower than the national average when comparing enrollment, but higher than the national average when comparing percent of enrollment to total enrollment and higher than the national average for cost per enrollee. Expenses supporting this population are in the Office of Health and Human Services and the Department of Human Services' Division of Elderly Affairs.

There are other publications that compare this data with potential differences in how certain populations, for example children with special health needs, and data are shown. The Kaiser Family Foundation reports an annual cost per enrollee for FY 2011 of \$6,110 to Rhode Island's annual cost per enrollee of \$9,247; however the national comparison contains FY 2010 data for ten states whose FY 2011 data was not available. The Kaiser Family Foundation counts children with special health care needs in its blind/disabled population while the Centers for Medicare and Medicaid services' report them in the children population.

Working Group to Reinvent Medicaid. The FY 2015 enacted budget includes \$2,712.1 million of which \$1,083.8 million is general revenues, for Medicaid funded programs through the Office of Health and Human Services and the agencies under its umbrella: the departments of Behavioral Healthcare, Developmental Disabilities and Hospitals; Children, Youth and Families; Human Services and Health. The Medicaid program represents approximately 30 percent of all state spending.

On February 26, 2015, the Governor signed Executive Order 15-08, establishing the Working Group to Reinvent Medicaid, comprised of Medicaid stakeholders who will conduct a comprehensive review of the Medicaid program and make recommendations for short and long-term plans to transform the program.

The working group will issue a report on or before April 30, 2015, that will include specific quality improvement and cost savings measures for redesigning Medicaid to meet the specific system transformation goals and reduced Medicaid spending. The Governor reduces Medicaid spending by \$92.6 million, of which \$46.0 million is general revenues, across the health and human services agencies based on the work of the group. She includes \$0.5 million, of which \$250,000 is general revenues, in the Department of Human Services' Division of Elderly Affairs' budget.

Staffing. The Department requests 995.6 full-time equivalent positions in FY 2016, which is 36.5 positions above the enacted authorization. The enacted budget includes a reduction of 35.0 unspecified positions, leaving the Department to manage its vacancies, and the request restores those 35.0 positions and adds another 1.5 positions. Compared to the enacted budget, the request adds 8.0 positions for the Office of Rehabilitation Services, 2.0 positions each for child care, child support enforcement, and central management and shifts eligibility technicians from cash assistance to Medicaid determinations, based on increased activity. The request also eliminates 10.0 Unified Health Infrastructure Project

positions, 1.0 Race to the Top position, and 2.0 positions for the low income home energy assistance program while moving numerous other positions among programs.

The enacted budget includes funding for approximately 872 positions, leaving around 86 positions unfunded. The Department's request includes authorization for an additional 36.5 positions; however, about 9 appear funded. It assumes some will be filled while other funded positions will become or remain vacant, and assumes numerous vacant positions will be filled at lower pay grades. As a result of these changes, the request includes approximately 77 unfunded and 918 funded positions. The Department averaged 840.0 filled positions in FY 2014 and 855.5 positions through December; it has not had nearly 1,000 filled positions since June 2008. The Department has sufficient clearance to fund positions without increasing the authorization; the request includes authorization for 134 positions and funding for 57 positions above the number filled on November 3rd.

The Department requests \$95.7 million from all sources for salary and benefit expenses. This is \$3.3 million more than enacted, including increases of \$2.8 million from general revenues and \$0.6 million from federal funds. The request restores \$0.4 million of the \$8.3 million assumed as turnover savings in the enacted budget, increases overtime expenses by \$0.1 million to \$5.4 million from all sources, and includes \$4.3 million, including \$2.0 million from general revenues for the cost-of-living adjustment. In April 2014, the Administration reached agreements with its largest unions for a new four-year contract effective July 1, 2013 through June 30, 2017. This includes 2.0 percent salary increases effective April 6, 2014, October 5, 2014, and October 4, 2015, offset by increased cost sharing measures for medical benefits. The estimated compounded cost for FY 2016 reflects approximately 5.6 percent growth over personnel expenditures for FY 2014.

The Department's constrained request shifts general revenue staffing expenses for the general public assistance bridge program, which the constrained request eliminates, to the supplemental nutrition assistance program that utilizes 50 percent federal funding. The total staffing costs and number of positions remain the same, but general revenue staffing expenses would be reduced by \$0.5 million.

The following table shows the number of positions by program in the enacted budget, request, and Governor's recommendation, in addition to the number of filled positions as of November 3, 2014. The details of the staffing changes by program are included with the analysis of the Department's FY 2015 revised request.

Program	FY 2015 Enacted	Positions Filled as of 11/3/2014	FY 2016 Request	Change in Authorized Positions	Request vs. Filled Positions	FY 2016 Gov. Rec.
Central Management	60.0	55.0	62.0	2.0	7.0	62.0
Office of Child Support	58.0	54.0	60.0	2.0	6.0	60.0
Individual & Family Support	471.5	389.0	462.0	(9.5)	73.0	462.0
Health Care Eligibility	134.0	127.0	141.0	7.0	14.0	141.0
Elderly Affairs	31.0	27.0	31.0	-	4.0	31.0
Veterans Affairs	239.6	209.6	239.6	-	30.0	239.6
Unidentified	(35.0)	-	-	35.0	-	(36.5)
Total	959.1	861.6	995.6	36.5	134.0	959.1

The Governor recommends \$94.8 million from all sources, including \$42.5 million from general revenues, which is a total of \$0.9 million less than requested and \$2.4 million more than enacted. She includes turnover savings of \$8.7 million from maintaining approximately 94 vacant positions, which is \$0.9 million or approximately 10 positions more than assumed vacant in the enacted budget. Consistent

with her revised budget, she recommends the enacted level of authorized positions; however, she funds and provides authorization for the 36.5 new positions, offset by an unspecified 36.5 position reduction to be at the discretion of the Department.

Unified Health Infrastructure Project. The Department requests \$8.1 million from all sources including \$3.4 million from general revenues and \$4.7 million from federal funds for 37.0 positions and operations related to the Unified Health Infrastructure Project. This is \$0.7 million more than enacted, including \$0.1 million less from general revenues and \$0.8 million from more federal funds and 10.0 fewer positions. The request includes \$4.8 million for information technology expenses through a contract with the main vendor, Deloitte, which is \$0.3 million more than enacted. It also includes \$0.3 million for operating expenses, which is \$0.2 million more than enacted, primarily for postage expenses and computer supplies.

The request includes \$3.0 million for salaries and benefits, which is \$0.1 million more than enacted, though it assumes approximately \$0.2 million in turnover savings from attrition and delays in filling vacancies and eliminates 10.0 unfunded positions, consistent with the revised request. Based on the request, the cost-of-living increase is \$133,442, including \$22,696 from general revenues.

The project is a joint venture between the Department, Office of Health and Human Services, and the new health insurance exchange to create smoother transitions for individuals, who upon entering their personal information are not eligible for the exchange, can seamlessly enroll in Medicaid or other assistance without calling a different office and re-entering their information.

The Governor recommends \$36.8 million for the project in FY 2016. The Governor provides \$34.5 million, including \$5.2 million from general revenues, for costs in the Office of Health and Human Services and the Department of Human Services' budgets. She shifts \$4.4 million in requested general revenue expenses to the Information Technology Investment Fund. Section 5 of Article 10 transfers \$6.4 million of bond premiums from Rhode Island Capital Plan funds into the technology fund in FY 2015 to support the project. She provides \$7.5 million in the Department's budget, including \$2.6 million from general revenues in FY 2016.

InRhodes Eligibility System. The Department requests \$4.1 million from all sources, including \$1.1 million from general revenues and \$3.0 million from federal funds to operate and maintain the InRhodes eligibility system as well as transition to the new eligibility system in FY 2016. The request is \$0.8 million less than enacted, including \$0.4 million less from both general revenues and federal funds. InRhodes, which processes applications for cash assistance and Medicaid eligibility, is over 30 years old and is being replaced with the new system being developed as part of the Unified Health Infrastructure Project, discussed previously. The new eligibility system is expected to be rolled-out on July 6, 2015, but Northrup Grumman will continue support for up to six months and will continue to operate the child support interface since that component is not part of the new eligibility system. The child support division uses InRhodes to verify an individual's eligibility for or participation in one of these programs; InRhodes is not used to determine eligibility for child support services.

Currently the participating programs contribute to the cost of maintaining the InRhodes system; the child support division contributes 15.6 percent of the \$4.8 million in the enacted budget, Medicaid eligibility contributes 21.2 percent and the cash assistance programs contribute 63.3 percent. Because the programs, excluding child support, are being converted to the new program, their funding for InRhodes will transition to the new eligibility system once it is operational, which is currently budgeted with the Unified Health Infrastructure Project expenditures. Although the InRhodes contract will be reduced once child support is the only program requiring support, the cost is no longer spread among

all the programs. The request accounts for this shift and includes \$1.9 million from the child support division, which is \$1.1 million more than enacted and \$2.2 million from the other eligibility programs, which is \$1.9 million less than enacted. *The Governor recommends funding as requested.*

Cash Assistance Programs

The November Caseload Estimating Conference estimate includes \$108.7 million from all sources, including \$29.8 million from general revenues for cash assistance programs, including Rhode Island Works, child care, state supplemental security income program payments and general public assistance bridge program benefits. The caseload estimate is \$2.0 million more than enacted, including \$0.2 million more from general revenues. Consistent with the revised request, the Department's request is essentially consistent with the enacted level for cash assistance and does not reflect the estimate adopted at the November conference since the request was submitted prior to the conference.

The following table itemizes cash assistance expenditures as enacted by the 2014 Assembly, adopted by the caseload estimators, and recommended by the Governor, along with comparable data for FY 2013 and FY 2014. Each category is discussed separately.

Cash Assistance	FY 2013 Spent	FY 2014 Spent	FY 2015 Enacted	FY 2015 Nov. CEC	FY 2015 Gov. Rev.	FY 2016 Nov. CEC	FY 2016 Gov. Rec.
Rhode Island Works							
Persons	15,562	14,559	14,450	13,475	13,475	13,475	13,475
Monthly Cost per Person	\$ 185.76	\$ 182.71	\$ 182.00	\$ 183.00	\$ 183.00	\$ 183.00	\$ 183.00
General Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	38.8	35.7	35.6	33.3	33.3	33.3	33.3
Total Costs*	\$ 38.8	\$ 35.7	\$ 35.6	\$ 33.3	\$ 33.3	\$ 33.3	\$ 33.3
Child Care							
Subsidies	6,909	7,113	7,146	7,590	7,590	7,950	7,950
Annual Cost per Subsidy	\$ 7,048	\$ 6,918	\$ 7,000	\$ 6,950	\$ 6,950	\$ 6,950	\$ 6,950
General Revenue	\$ 9.6	\$ 9.7	\$ 9.7	\$ 9.7	\$ 9.7	\$ 9.7	\$ 9.7
Federal Funds	39.1	39.9	41.5	43.1	43.1	45.6	45.6
Total Costs*	\$ 48.7	\$ 49.6	\$ 51.1	\$ 52.8	\$ 52.8	\$ 55.3	\$ 55.3
SSI							
Persons	33,164	33,600	33,930	33,900	33,900	34,239	34,239
Monthly Cost per Person	\$ 45.59	\$ 45.35	\$ 45.50	\$ 45.25	\$ 45.25	\$ 45.40	\$ 45.40
Total Costs/General Revenue*	\$ 18.2	\$ 18.3	\$ 18.6	\$ 18.5	\$ 18.5	\$ 18.7	\$ 18.7
SSI Transition/Bridge							
Persons	515	487	500	455	455	465	465
Monthly Cost per Person	\$ 90.24	\$ 133.28	\$ 113.50	\$ 130.00	\$ 130.00	\$ 132.00	\$ 132.00
General Revenues	\$ 1.8	\$ 1.7	\$ 1.4	\$ 1.4	\$ 1.4	\$ 1.4	\$ 1.4
Federal Funds	0.5	0.3	-	0.0	0.0	-	-
Total Costs*	\$ 2.3	\$ 2.0	\$ 1.4	\$ 1.4	\$ 1.4	\$ 1.4	\$ 1.4
General Revenue	29.7	29.7	29.7	29.5	29.5	29.8	29.8
Federal Funds	78.4	75.9	77.0	76.4	76.4	78.9	78.9
Total Cash Assistance*	\$ 108.1	\$ 105.6	\$ 106.7	\$ 106.0	\$ 106.0	\$ 108.7	\$ 108.7

*Expenditures in millions

The Governor recommends funding consistent with the caseload estimate. She also includes Sections 4 and 5 of Article 14 to remove cash assistance from the estimating purview of the Caseload Estimating Conference.

Maintenance of Effort Requirement. The Department is required to spend \$60.4 million from general revenues as its maintenance of effort requirement for the \$95.0 million temporary assistance to needy families' block grant, assuming it meets its work participation rates. The state has separate one-parent and two-parent participation rates, but receives the penalty if either rate is not met; for Rhode Island, this penalty increases the requirement by \$4.0 million to \$64.4 million. The state has not met its 90 percent two-parent participation rate, so it must maintain the higher maintenance of effort.

Work participation rates are the percent of qualified parents that are participating in work, work-like activities or the individualized employment plan. Almost all individuals receiving Rhode Island Works are required to immediately enter into individualized employment plans, which can include job search and readiness, vocational or adult education, on-the-job training and subsidized employment. The Department has not met its 90 percent two-parent work participation rate, which requires one parent to engage in work activities for 35 hours a week, because families who are in non-compliance with their work plan remain on the active caseload. The rules and regulations call for individuals and families to be sanctioned and have benefits reduced or eliminated when they are not in compliance with the individual employment plan, miss appointments, or refuse or quit employment.

The state can report any spending for its maintenance of effort requirement as long as it meets one of the four temporary assistance to needy families purposes: assisting needy families so that children can be cared for in their own homes; reducing the dependency of needy parents by promoting job preparation, work and marriage; preventing out-of-wedlock pregnancies; and encouraging the formation and maintenance of two-parent families. The state uses the circuit breaker program, earned income tax credit, administrative expenses through the Department of Human Services, and services provided through the Departments of Children, Youth and Families and Labor and Training. The Department's request assumes that the higher \$64.4 million requirement will be met. *The Governor's budget assumes the state meets its maintenance of effort requirements for the block grant funding.*

Rhode Island Works. The November Caseload Estimating Conference estimate includes program expenditures of \$33.3 million entirely from federal funds. The estimate decreased the monthly caseload by 975 cases to a level of 13,475 and the monthly cost per person increased by \$1.00 to \$183.00; both components are consistent with the FY 2015 estimate. The estimated program expenditures are \$2.2 million less than the enacted budget, primarily from the reduced number of persons with \$0.3 million less for transportation expenses along with minor adjustments for clothing and other supportive services. The Department requests \$3.2 million more than enacted for the program in error; the request does not reflect the estimate adopted at the November caseload conference. *The Governor recommends funding consistent with the caseload estimate.*

Child Care. The November Caseload Estimating Conference estimate includes child care expenditures of \$55.3 million, of which \$9.7 million is from general revenues. This is \$4.1 million more from federal funds than enacted, reflecting 804 additional child care subsidies for a monthly level of 7,950 and decreased the annual cost by \$50 to \$6,950 for FY 2016. The Department's request adds \$1.3 million, primarily from federal funds to reflect increased utilization; the request does not reflect the estimate adopted at the November caseload conference.

A family is eligible for child care assistance either automatically as participants in the Rhode Island Works program or if they have income at or below 180 percent of federal poverty. The 2013 Assembly enacted a pilot program allowing families who initially qualify through income to remain eligible until the family income exceeds 225 percent of poverty, from October 1, 2013 through September 30, 2014. The 2014 Assembly extended the pilot through September 30, 2016. *The Governor recommends funding consistent with the caseload estimate.*

Supplemental Security Income Payments. The November Caseload Estimating Conference estimate includes FY 2016 direct supplemental security income expenditures of \$18.7 million from general revenues, or \$0.1 million more than enacted. The estimate increased the caseload by 309 persons to a monthly level of 34,239 and decreased the monthly cost per person by \$0.10 to \$45.40. The estimate also includes transaction fees of \$52,000, \$1,500 less than enacted. The Department's request is consistent with the enacted level and does not reflect the conference estimate.

As part of its constrained budget, the Department reduces benefit expenditures by \$0.4 million, or 2.4 percent, but does not indicate whether it proposes a benefit reduction or to end the program. The Department plans to reach out to the federal Social Security Administration with a formal request to either reduce or eliminate the payment, but has not yet drafted the request. Changes to this program require at least 90 days advanced notice to the Social Security Administration and must be done on the beginning of a quarter, in addition to statute and administrative rules and regulations changes.

The Governor recommends funding consistent with the caseload estimate and does not include the reductions proposed in the constrained request.

The following table includes the categories and monthly payments for calendar years 2014 and 2015.

Supplemental Security Income Payments Category	Beginning 1-1-2014			Beginning 1-1-2015		
	State	Federal	Total	State	Federal	Total
Individual Living Alone	\$ 39.92	\$ 721.00	\$ 760.92	\$ 39.92	\$ 733.00	\$ 772.92
Couple Living Alone	\$ 79.38	\$ 1,082.00	\$ 1,161.38	\$ 79.38	\$ 1,100.00	\$ 1,179.38
Individual Living with Others	\$ 51.92	\$ 480.44	\$ 532.36	\$ 51.92	\$ 488.67	\$ 540.59
Couple Living with Others	\$ 97.30	\$ 721.33	\$ 818.63	\$ 97.30	\$ 733.34	\$ 830.64
Resident in State Licensed Supportive Residential Care	\$ 300.00	\$ 721.00	\$ 1,021.00	\$ 300.00	\$ 733.00	\$ 1,033.00
Resident in Assisted Living	\$ 332.00	\$ 721.00	\$ 1,053.00	\$ 332.00	\$ 733.00	\$ 1,065.00
Supplement	\$ 20.00	\$ 30.00	\$ 50.00	\$ 20.00	\$ 30.00	\$ 50.00

Assisted Living State Supplemental Payment. The Department requests the enacted level of \$335,284 from general revenues, which is \$64,523 more than FY 2014 expenditures, for additional state supplemental payments of \$206 per month to individuals who receive the state supplemental security income payment and live in a state licensed assisted living facility that is not eligible to receive Medicaid. The 2014 Assembly expanded the payment to individuals living in an assisted living facility that was financed by Rhode Island Housing prior to January 1, 2006, beginning on October 1, 2014. *The Governor recommends funding as requested.*

Supplemental Security Income Transition/Bridge Program. The November Caseload Estimating Conference estimates expenditures for the supplemental security income transition/bridge program at \$1.4 million, entirely from general revenues, which is \$39,560 more than enacted. The estimate includes \$0.7 million for cash payments and \$0.7 million for burials, reduces the projected number of persons by 35 to 465 and increases the monthly cost per person by \$18.50 to \$132.00. The Department request is consistent with the enacted level and does not reflect the conference estimate. This program is designed for individuals who maintain an active supplemental security income application.

As part of its constrained request, the Department eliminates the cash assistance payments from the general public assistance program, maintaining burial expenditures of \$700,000. This is estimated to save \$706,000 from general revenues. Discussed separately, but related, the constrained request also shifts all but two staff members currently working on the general public assistance program to the

supplemental nutrition assistance program. This is estimated to save an additional \$0.5 million from general revenues by shifting the general revenue portion of the salary and benefit expenses for these positions to federal funding at a 50 percent rate. If the positions are eliminated with the program, this would result in savings of \$1.1 million from general revenues.

The Governor recommends funding consistent with the caseload estimate and does not include the reductions proposed in the Department's constrained request.

Hardship Payments. The Department requests \$180,000 from general revenues, or \$30,000 less than enacted, for hardship contingency payments, which provide temporary support to persons who do not qualify for the supplemental security income or Rhode Island Works programs. The Department spent \$112,775 in FY 2014 and \$151,675 in FY 2013; it has indicated that the rules and criteria for the program are strict and applicants often do not want to fill out the paperwork for the \$100 payment, especially since the applicants must reapply each month in which they request the payment.

As part of its constrained request, the Department proposes eliminating this program in conjunction with the other general public assistance reductions; this program could be eliminated independently.

The Governor recommends funding consistent with the enacted budget and does not include the reductions proposed in the Department's request or constrained request.

Cash Assistance Administration

Rhode Island Works Pilot. The Department requests the enacted level of \$1.5 million from federal temporary assistance for needy families block grant funds for on-the-job training programs, job search and placement services, disability assessments and services, and overall service delivery redesign. The Department expects to issue a request for proposals to establish a contract creating and managing a transportation assistance program for Rhode Island Works clients in January 2015. It anticipates spending up to \$0.4 million annually for these services to assist Rhode Island Works clients with transportation issues that are barriers to obtaining and maintaining employment. *The Governor recommends funding as requested.*

Cash Assistance Administration. The Department requests \$28.9 million from all sources for expenses related to administering the Rhode Island Works, subsidized child care, supplemental security income and general public assistance programs, including \$6.4 million from general revenues and \$22.5 million from federal funds. The request is \$0.4 million more than enacted, including \$0.7 million more from general revenues and \$0.3 million less from federal funds, and is \$1.1 million more than the revised request.

The request includes \$13.8 million for salary and benefit expenses. Consistent with the revised request, the request shifts 15.0 eligibility technicians to handle Medicaid determinations, assumes additional turnover savings from the shifting of union employees among positions, and adds 2.0 positions for child care administration. The request includes \$0.6 million to fund the cost-of-living increase, including \$0.2 million from general revenues and \$0.4 million from federal funds.

Requested operating expenditures total \$15.1 million, \$0.4 million more than enacted. The request includes grant expenditures of \$8.6 million for training and work activities for Rhode Island Works recipients and \$1.7 million for child care related programs, including licensing functions, resource and referral services, and training programs. It also includes \$1.8 million for lease and security costs for the field offices, \$0.8 million for postage and printing, \$0.3 million for interpreters and translators, and

\$0.4 million for the monthly fee to charge the electronic benefit cards for the Rhode Island Works recipients. It also includes \$1.5 million for all other operating expenses, including office supplies, utilities, and various maintenance expenses; operating adjustments are consistent with the revised request, except for \$0.1 million increases for both security and information technology services.

As part of its constrained request, the Department shifts general revenue staffing expenses of \$0.5 million for the general public assistance program to federal sources within the supplemental nutrition assistance program. The request assumes that by eliminating the general public assistance program, the general revenue funded positions will be transferred to the supplemental nutrition assistance program where staffing expenses are split with federal funds. It should be noted that the general revenues for these transferred positions remain budgeted in the Rhode Island Works account in the constrained request while the federal funds are included with the nutrition program. Eliminating these positions, instead of shifting them, would result in general revenue savings of \$1.1 million.

The Governor recommends \$28.3 million from all sources, including \$5.8 million from general revenues, which is \$0.6 million less from general revenues than the unconstrained request, entirely from assuming additional vacancies in Rhode Island Works administration. The Governor does not recommend the program reduction included in the constrained request.

Division of Veterans' Affairs

Staffing and Contracted Nurses. The Department requests \$26.1 million from all sources for staffing and contracted nurse expenses in the Division of Veterans Affairs, including \$18.3 million from general revenues and \$7.8 million from federal funds for 239.6 positions. This is \$1.2 million more than enacted, including increases of \$0.8 million from general revenues and \$0.4 million from federal funds for the enacted number of positions. The request includes \$24.5 million for salaries and benefits, which is \$1.3 million more than enacted, including \$0.1 million for additional overtime expenses, \$0.1 million from step increases and updated benefit rates, along with \$0.1 million less for holiday pay. Based on the request, the cost-of-living increase is \$1.1 million, including \$0.8 million from general revenues. The request includes \$1.6 million for the contracted nursing pool, which is \$0.1 million less from general revenues from filling more positions, thus reducing the need for contracted nurses.

The Governor recommends funding contracted nurses as requested and salaries and benefits at \$0.3 million less than requested, including \$0.7 million less from general revenues and \$0.3 million more from federal funds. This includes \$0.8 million in turnover savings from maintaining additional vacancies and adds \$0.1 million from general revenues for the Division Director position; the position has been included in the prior budgets, but not funded. The job description and specifications are being updated in FY 2015, which then requires approval in a public hearing before the position can be filled.

All Other Operations. The Department requests \$3.5 million for all other operating expenses, including \$2.8 million from general revenues, \$0.1 million from federal funds and \$0.6 million from restricted receipts. This is \$0.2 million more than enacted, including \$37,513 more from general revenues. The request includes \$0.8 million for food costs, \$0.8 million for medical supplies, testing and pharmaceuticals, \$0.7 million for janitorial and linen expenses, \$0.5 million for grave liners at the cemetery, \$0.2 million for computer information technology related expenses, which is \$0.1 million more than enacted and \$0.4 million for other operating expenses, which is \$0.1 million more for various maintenance expenses, essentially consistent with the revised request. *The Governor recommends \$47,436 more from general revenues to align insurance costs with prior year expenditures.*

Capital Projects. The Department requests \$61,000 from restricted receipts for the replacement of two vehicles at the Veterans' Cemetery in Exeter. However, the revised request also includes the vehicles, thus the FY 2016 request acts a placeholder in case additional vehicles are needed. The request is \$79,000 less than enacted from restricted receipts for vehicle purchases at the Veterans' Home and the cemetery. The request assumes that renovation projects at the Veterans' Home will be completed in FY 2015 and includes no projects at either the Home or the Cemetery.

Although not reflected in the expenditure totals, the Department requests expenditures of \$38.2 million from general obligation bond proceeds for the design and construction of the new Veterans' Home in FY 2016. *The Governor recommends funding for the vehicles as requested and also recommends a total of \$47.5 million for the new Veterans' Home in FY 2016, including \$34.2 million from federal funds and \$13.4 million from general obligation bond proceeds. This project is discussed in greater detail in the Capital Budget section of this publication.*

Division of Elderly Affairs

Pharmaceutical Assistance to the Elderly. The Department requests \$137,026 from restricted receipts to fully fund the pharmaceutical assistance program, which is \$186,794 less than enacted as participation and utilization of the program continues to decrease each year. The request eliminates the enacted level of \$24,484 from general revenues and includes \$162,310 less from restricted receipts. The request includes \$92,026 for salaries and benefits for 1.0 position, which is \$228 less than enacted and reflects a reduction in medical and vision rates. This does not appear to include updated benefit rates provided by the Budget Office or the estimated value of the cost-of-living adjustment, which is \$4,358; the request appears to underfund the position by up to \$16,035.

The request includes \$45,000 for rebate payments, a reduction of \$129,484 to reflect a lower number and costs of rebate payments over the past several years. It also eliminates \$57,103 for the contract with Hewlett-Packard for processing the point of sale pharmaceutical transactions as they continue to decrease and it appears the contract is paid through the Office of Health and Human Services. *The Governor recommends funding as requested.*

All Other Staffing. The Department requests \$3.1 million from all sources, including \$1.3 million from general revenues and \$1.8 million from federal funds for salaries and benefits for the remaining 30.0 full-time equivalent positions. This is \$31,444 less than enacted, including \$118,936 more from general revenues. Based on the request, the cost-of-living increase is \$141,846, including \$60,318 from general revenues and the request assumes maintaining approximately 1.5 positions vacant for the full year to support the increase. The Division's three vacancies were filled in the middle of FY 2015, and the turnover assumed is based on the average number of vacant positions over the past three years. The request also shifts expenses from federal funds to general revenues because of stricter interpretations of the federal guidelines regarding the amount of grant funds that can be used for administration combined with a continued reduction and end to certain federal grant awards, consistent with the revised request. *The Governor recommends \$802 less from general revenues than requested to correct benefit expenditures that were inadvertently included in the request.*

Home Care Services. The Department requests \$4.1 million from all sources, including \$2.1 million from general revenues for the home care services program. This is \$0.7 million more than enacted, including \$0.4 million from both general revenues and federal funds to reflect a 21.9 percent increase in expected program utilization based on FY 2014 experience and the first quarter of FY 2015. This program serves low-income elders who pay a portion of the hourly cost of home care services,

including bathing, dressing, household chores, and ambulatory needs. It is designed to reduce the occurrence of low-income elderly moving into an assisted living or nursing home setting.

As part of its constrained request, the Department eliminates these services. The implementation of the Affordable Care Act in January 2014 did not affect these services and this population. The proposal does not include an estimate of potential impacts to the state's long term care expenses.

The Governor recommends total funding of \$4.1 million, consistent with the unconstrained request, but shifts \$12.375 from general revenues to federal funds to correct the federal match rate. As previously noted, the Governor includes savings of \$96.2 million, of which \$46.0 million is from general revenues, as part of the reinventing Medicaid task force and supporting documents include \$3.0 million, of which \$1.5 million is general revenues, from improved oversight and efficiency, such as consistent payment rates and strengthening eligibility determination. This includes \$0.5 million, including \$250,000 from general revenues in the Division of Elderly Affairs.

Adult Day Care Services. The Department's request includes \$1.9 million from all sources, including \$0.9 million from both general revenues and federal funds for the adult day care services program. This is \$0.9 million or 32.0 percent less than the enacted level, including \$0.4 million less from general revenues, based on FY 2014 experience and the first quarter of FY 2015. This program serves low-income elders who pay a portion of their day care services.

As part of its constrained request, the Department eliminates these services. The implementation of the Affordable Care Act in January 2014 did not affect these services and this population. The proposal does not include an estimate of potential impacts to the state's long term care expenses.

The Governor recommends total funding of \$1.9 million, consistent with the unconstrained request, but shifts \$5,650 from general revenues to federal funds to correct the federal match rate. As previously noted, the Governor includes savings of \$96.2 million, of which \$46.0 million is from general revenues, as part of the reinventing Medicaid task force and supporting documents include \$3.0 million, of which \$1.5 million is general revenues, from improved oversight and efficiency, such as consistent payment rates and strengthening eligibility determination. This includes \$0.5 million, including \$250,000 from general revenues in the Division of Elderly Affairs.

Case Management Services. The Department's request includes \$0.9 million from all sources, including \$0.5 million from general revenues for elder case management services. This is \$21,153 less than enacted from all sources, including \$10,297 from general revenues, representing a 2.3 percent reduction, based on the FY 2014 expenditures and the first quarter of FY 2015. These services were previously funded only from state funds; however, the Department is now able to leverage Medicaid through the Medicaid waiver. Case management programs assist older Rhode Islanders who wish to remain at home as long as possible. The state leverages federal funds for both individuals eligible for Medicaid and those not Medicaid eligible, but eligible through the provisions in the Medicaid waiver.

As part of its constrained request, the Department requests to eliminate these services for individuals who are not Medicaid eligible. The implementation of the Affordable Care Act in January 2014 did not affect these services and this population. Medicaid eligible individuals will continue to receive these services and the non-Medicaid individuals would have to pay for the services out of pocket.

The Governor recommends total funding of \$0.9 million, consistent with the unconstrained request, but shifts \$1,595 from general revenues to federal funds to correct the federal match rate.

All Other Grant Programs and Operations. The Department requests \$7.2 million from all sources for all other grants and operating expenses for the Division, including \$0.6 million from general revenues and \$6.6 million from federal funds. This is \$63,237 less than enacted, including \$56,729 more from general revenues. The request reduces grants for the Point and respite care because they are ending, and increases grants for nutrition and Medicaid expenses. Consistent with the revised request, it also shifts expenses from federal funds to general revenues because of stricter interpretations of federal guidelines regarding the amount of grant funds that can be used for administration combined with an overall reduction in federal grant awards.

Consistent with the revised recommendation, the Governor recommends \$0.3 million more than requested, including \$61 less from general revenues for updated insurance costs. She includes additional federal funds of \$0.1 million for adjustments to existing grants and \$0.1 million for a new grant for a nutrition program providing monthly food assistance targeted at low-income seniors.

Other Programs

Health Care Determination Administration. The Department requests \$16.5 million from all sources for expenses related to eligibility determinations for Medicaid and long term care services, including \$7.8 million from general revenues and \$8.7 million from federal funds. This is \$0.5 million more than enacted, including \$0.8 million more from general revenues. The request includes \$2.9 million for operating expenses, including \$0.9 million for lease and security costs for the field offices, \$0.7 million for audit expenses, \$0.6 million for printing and postage, \$0.2 million for interpreter services, and \$0.6 million for maintenance, utilities, office supplies and all other operating expenses.

The request includes \$13.6 million for salary and benefit expenses, including \$6.8 million from both general revenues and federal funds; this is \$0.3 million more than enacted, including \$0.8 million more from general revenues. The enacted budget assumed an enhanced Medicaid rate can be leveraged for more positions than will be achievable, and the request includes additional general revenues to fund the difference. In addition, the cost-of-living increase is \$0.6 million, including \$0.3 million from both general revenues and federal funds, based on the request. Consistent with the revised request, the Department shifts 16.0 eligibility technicians from Rhode Island Works administration, though they do not appear to be funded. The request includes \$0.8 million for overtime and assumes turnover savings from approximately 16.0 vacant positions. Staff in this program work in the field offices processing Medicaid eligibility claims or are long term care administrators that determine eligibility for state long term care medical assistance services and determine post-eligibility treatment of income. *The Governor recommends funding as requested except to add \$96 from general revenues for insurance expenditures.*

Child Support Enforcement - IRS Expenditures. The Department requests \$300,000 from general revenues to establish an account for Internal Revenue Service adjustments of tax intercepts after payments are made to custodial parents. Sometimes after the Internal Revenue Service intercepts owed child support and the state forwards the funds onto the custodial parent, it is determined that the tax return included errors or was fraudulent and the Internal Revenue Service recovers the funds from the state. However, the state has already sent the funds to the family and when it cannot collect the funds from the family, the state pays the cost.

There had been sufficient funds in prior years in an account from a series of cases that had not been fully paid or closed out; however, this backlog has cleared up and the account no longer has the capacity to absorb any Internal Revenue Service clawbacks, as they are called. The average total of the payments has been approximately \$0.3 million annually and the request would provide funding when any clawbacks occur. The request is based on years of history and since the state will have this

expense every year, the Department indicated a need to budget and plan for it. *The Governor recommends funding as requested.*

Child Support Enforcement - All Other Staffing and Operations. The Department requests \$8.5 million from all sources for other expenditures related to child support enforcement. This includes \$2.3 million from general revenues and \$5.2 million from federal funds and is \$20,628 more than enacted, including \$48,266 less from general revenues. The request includes \$2.6 million for all operating expenses, including \$0.7 million for processing payments and claims, \$0.5 million for lease and security costs, \$0.5 million for constable services, \$0.4 million for postage and printing, and \$0.5 million for all other operating expenditures.

The request includes \$4.9 million for salaries and benefits for 60.0 positions, which is \$33,235 and 2.0 positions more than enacted, including a high-level finance position to satisfy recommendations from the most recent state audit that certain tasks and reconciliations need to be done that currently are not done and also an assistant for the division director, which are both funded in the request. It also includes \$75,000 for overtime expenditures, which is \$20,000 more than enacted, assumes turnover for approximately 8.5 positions, which is approximately 4 more than assumed in the enacted budget, and includes \$0.2 million for the cost-of-living adjustment, including \$73,589 from general revenues.

The Governor recommends \$64,640 less than requested, including \$21,978 less from general revenues. This includes reductions of \$63,935 for constable services and \$705 for insurance expenditures to align funding with prior year spending.

Women, Infants and Children's Nutrition Program. The Department requests \$26.0 million from federal funds for the benefits and administration of the Women, Infants and Children's nutrition program. This includes \$18.8 million, or \$0.6 million less for direct benefit payments, \$6.6 million or \$0.1 million more from administrative funds, and the enacted level of \$139,700 for the farmer's market program. From administrative funds, the request includes \$4.3 million for the various vendors in the field who issue the benefit vouchers to recipients, \$0.7 million for information technology and claims processing which is \$0.1 million more than enacted to develop a replacement data collection system and prepare the state to be able to utilize electronic benefit cards by 2020, and \$0.3 million for all other operating expenses. The request includes \$1.4 million or \$46,671 less for salaries and benefits for 15.0 full-time equivalent positions. This includes turnover savings of \$111,903 from maintaining vacancies and \$65,232 more for the cost-of-living adjustment. *The Governor adds \$75 to bring insurance expenses up to FY 2014 expenditure levels, consistent with the revised recommendation.*

Supplemental Nutrition Assistance Program - Benefits. The Department requests \$268.0 million from federal funds for direct benefit payments for the Supplemental Nutrition Assistance Program. This is \$32.6 million less than enacted and \$17.9 million less than the amount spent in FY 2014. The enacted level was based on FY 2013 expenditures; however, the recent slight decline in utilization is expected to continue as the economy improves and the temporary increase in benefit levels from the Stimulus Act ended in November 2013, automatically reducing benefit levels compared to FY 2013. *The Governor recommends funding as requested.*

Supplemental Nutrition Assistance Program - Technology Improvement Grant. The enacted budget includes \$405,375 from federal funds from a two-year technology improvement grant to be used in FY 2014 and FY 2015 for document imaging. There had been delays in FY 2014, but the Department anticipates spending the entire award in FY 2015 now that final plans have been developed, thus no funding is included in the FY 2016 request. The original plan overlapped and duplicated scanning programs that are being developed for the Unified Health Infrastructure Project, which was

not an allowable use of the grant funding. The Department developed a new plan to contract with Deloitte for the conversion of certain documents to a new system and other electronic document scanning; the proposed system will compliment and be compatible with the other Deloitte programs. *The Governor concurs.*

Supplemental Nutrition Assistance Program - Staffing. The Department requests \$12.8 million, including \$6.4 million from both general revenues and federal funds, for staffing expenses to administer the supplemental nutrition assistance program. This is \$0.9 million more than enacted, including \$0.5 million from general revenues. The request includes funding for 5.0 positions shifted from elsewhere in the Department, maintains overtime at the enacted level of \$1.0 million, and includes \$0.6 million from the cost-of-living adjustment, including \$0.3 million from general revenues.

As part of its constrained request, the Department increases federal staffing expenses by \$0.5 million. The request assumes that by eliminating the general public assistance program, discussed separately, the general revenue funded positions will be transferred to the supplemental nutrition assistance program where staffing expenses are split with federal funds. It should be noted that the general revenues for these transferred positions remain budgeted in the Rhode Island Works account in the constrained request while the federal funds are included with the nutrition program. *The Governor recommends funding as requested and does not include the changes in the constrained request.*

Supplemental Nutrition Assistance Program - All Other Operations. The Department requests \$7.4 million from all funds, including \$1.6 million from general revenues and \$5.8 million from federal funds, for operating expenses for administration of the supplemental nutrition assistance program. The request is \$1.7 million more than enacted, including \$34,081 more from general revenues, and reflects increased and newly awarded grants for education, employment and training services, and supports while in training programs. The request includes \$1.1 million for administrative grants to participating vendors, \$1.4 million for the electronic benefit cards, \$0.8 million for printing and postage expenses, and \$0.7 million for lease and security costs. It also includes \$1.4 million for nutrition education, \$1.2 million for employment and training services and \$0.2 million for new awards to provide transportation and child care services for individuals in training and education programs that need these services to participate. The request contains \$0.7 million or \$0.1 million more than enacted, for all other operating expenditures, such as interpreters, audit fees, utilities and office supplies. *The Governor recommends \$390 less from federal funds than requested to reflect FY 2014 expenditures for insurance.*

LIHEAP and Weatherization Assistance Programs. The Department requests \$10.3 million from federal sources and other funds for benefits and operating expenses related to the low income home energy assistance and weatherization assistance programs. This is \$15.7 million less than enacted, primarily for benefit and grant awards due to the spending of prior year awards and continued reductions in funding for the low income home energy assistance program; it also eliminates 2.0 positions. The request includes \$9.5 million for benefits and grants for home energy and weatherization projects, \$0.7 million for salary and benefit expenses for 6.0 positions and \$0.1 million for operating expenses. Based on the request, the cost-of-living increase is \$29,708 from federal funds. The low income home energy assistance program provides funds to assist Rhode Island's low income households meet the increasing costs of home energy and reduce the severity of an energy related crisis. The program currently assists approximately 37,000 low income households and grants range from \$300 to \$450 monthly depending on income level. The weatherization assistance program provides cost effective, energy efficient weatherization improvements. It also provides low-income individuals, particularly elderly, persons with disabilities, families with children, high residential energy users, and households with a high energy burden, with weatherization improvements to lower utility costs.

The Governor recommends \$15.6 million more than requested from federal funds carried forward from prior years to more accurately reflect anticipated benefit spending from certain awards based on the experience in recent years. There is also an increase of \$81 for insurance expenditures.

Race to the Top. The Department requests \$6.2 million from federal Race to the Top funds, which is \$4.3 million less than enacted to reflect the end of the program on December 31, 2015. The request includes \$5.5 million, or \$4.4 million less than enacted, for contracts and grants for several programs and initiatives the Department developed. These include expanding the Bright Stars quality rating and improvement system, a new professional development technical assistance center for community-based technical support to improve programs, a contract with the Community College of Rhode Island to award credits for experience for early childhood workers who want to obtain an early childhood degree, quality improvement grants to help providers improve the quality of care and quality awards to providers who have a high rating in order to help them maintain high quality of care.

The request includes \$0.1 million more than enacted for staffing and operating expenses. This includes \$1,832 more for operating expenses such as audit fees, travel expenses and office supplies and \$55,401 more for salaries and benefits. Based on the request, the cost-of-living increase is \$35,271; the remaining \$20,130 increase relates to step increases and updated benefit rates and the request eliminates authorization for 1.0 unfunded position for a total of 7.0 positions. However, the request includes staffing expenses for the full year, even though the program ends in December; these staffing expenses could be shifted to grant awards and spent before the program ends.

The Department received the award in December 2011, made no expenditures in FY 2012 and spent \$168,879 in FY 2013 and \$3.6 million in FY 2014. The grant award is set to expire December 31, 2015 and the Department requests \$15.5 million in FY 2015 and \$6.2 million in FY 2016 to complete activities within the grant award. *The Governor recommends funding as requested.*

Paratransit Services for the Elderly. The Department requests \$6.8 million from all sources for elderly transportation services, including \$2.0 million from general revenues, \$0.5 million from federal funds and \$4.3 million from the Department's one-cent share of the motor fuel tax. The state leverages federal funds under the Medicaid waiver for certain transportation expenses that were previously state only and the requested increase of \$31,705, including \$15,983 from general revenues reflects 7.3 percent growth for these expenses. The request also includes \$0.1 million more from gas tax revenues to reflect use of some of the unspent funds carried forward from FY 2014. The Department carried forward gas tax revenues of \$0.5 million, which can be used to offset general revenues. Requested expenditures are \$0.6 million and \$0.8 million above FY 2014 and FY 2013 expenditures, respectively.

As part of its constrained request, the Department proposes to eliminate transportation services for non-Medicaid individuals and those receiving services through the Medicaid waiver for savings of \$2.5 million, including \$2.0 million from general revenues. It maintains \$4.3 million from the gas tax for transportation services for Medicaid clients who would still be eligible for transportation to Medicaid covered services by RIde Van, taxi or through private, non-emergency transportation companies. Individuals not eligible for Medicaid may apply for a disability status, allowing for paratransit service through RIde with a \$2 one-way co-pay. Individuals determined not to be disabled would have to pay for transportation expenses out of pocket. The proposal did not include an estimate of potential impacts to the state's transportation system or the individuals affected. This has been proposed in the past.

The Governor recommends \$0.6 million less than the unconstrained request, including reductions of \$0.5 million from general revenues and \$0.1 million from gas tax revenues. The recommended funding reflects the second full year of the vendor contract for managing the state's paratransit system in

addition to required transfers to the Rhode Island Public Transit Authority, bringing expenditures more in line with prior years; however, it appears that total funding recommended was inadvertently understated. Gas tax proceeds are available to cover this. The recommendation also shifts \$1,398 from general revenues to federal funds to correct for the federal Medicaid match rate.

Community Services Block Grant. The Department requests \$3.8 million from federal funds for expenses related to the community services block grant, including salaries and benefits. Consistent with the revised request, this is \$0.4 million more than enacted, primarily for grant awards to reflect restoration of additional sequestration that had been proposed by Congress but not implemented. The request includes \$3.7 million for direct grants awarded to the state's nine community action agencies, \$0.1 million for staffing expenses, including \$4,933 for the cost-of-living adjustment and \$4,194 for all other operating expenditures. *The Governor recommends funding as requested.*

Meals on Wheels. The enacted budget and the Department's request include a community service grant for \$200,000 from general revenues to support Meals in Wheels, Rhode Island. Funding for this award is included in the item below. *The Governor recommends additional grant funding of \$330,000 from general revenues in the Division of Elderly Affairs for total funding of \$530,000; this funding is included separately, and not as an increase to the existing community service grant.*

Community Service Grants. The Department requests the enacted level of \$3.3 million from general revenues for community service grants that support over 100 social service agencies and community organizations. *The Governor recommends funding as requested.*

Head Start. The Department requests the enacted level of \$0.8 million from general revenues to support the local Head Start agencies. Head Start is a federally funded program that provides services to 2,471 children, ages three to five years old, at eight locations throughout the state. The federal funds are appropriated directly to the agencies and the state provides additional funding. *The Governor recommends funding as requested.*

Medicaid Rehabilitative Services. The Department requests \$1.0 million for three programs managed by the Office of Rehabilitation Services that provide services eligible for federal matching funds under provisions of the Medicaid waiver. The services include social services for the blind, personal care attendants, and home modifications; these services are aimed to help an individual maintain independence. The request includes \$0.4 million for personal care attendants, \$0.3 million for social services for the blind and \$0.2 million for home modification services. The request is \$34,542 more than enacted from general revenues and includes the enacted level of federal funds; this reflects increases of 3.7 percent for personal care attendants and home modification services and 1.3 percent for social services for the blind. It appears the request uses a Medicaid match rate that is lower than the anticipated rate; correcting the rate would shift \$20,103 from general revenues to federal funds.

As part of its constrained request, the Department includes the elimination of these three programs. These services would still be available through the current providers and the community action agencies, but individuals would have to pay for the services out of pocket if the waiver services were eliminated. It is possible that these individuals cannot afford to pay for these services and may enter into an assisted living or long term care facility if the state's waiver services are eliminated. This reduction has been included in prior budget requests.

The Governor recommends total funding of \$1.0 million, consistent with the unconstrained request, but shifts \$19,908 from general revenues to federal funds to correct the federal match rate.

Office of Rehabilitation Services - Staffing and Operations. The Department requests \$30.9 million from all sources for staffing and operations for the Office of Rehabilitation Services, including \$3.8 million from general revenues, \$26.9 million from federal funds and \$0.2 million from restricted receipts. This is \$3.8 million more than enacted, including increases of \$0.1 million from general revenues and \$3.7 million from federal funds.

The Department requests \$17.4 million to support operations, which is \$2.8 million more than enacted, primarily to reflect the expectation of utilizing federal funds made available from other states that had not spent all of their allocations. The request includes \$9.8 million for rehabilitation services, \$1.8 million for medical services and supplies for individuals applying for disability, \$0.4 million for education and training programs, and \$0.9 million for grant awards within the vocational rehabilitation program. The request also includes \$1.7 million for contracted temporary clerical services to assist with processing applications, \$1.1 million for lease costs for the offices located at 20 Fountain Street in Providence, and \$1.8 million for all other operating costs, which is \$0.5 million less than enacted.

The request includes \$13.5 million for staffing costs, which is \$1.0 million more than enacted and contains benefit rates consistent with Budget Office planning values. The request includes authorization for 8.0 additional positions, including 5.0 positions to comply with the Department of Justice consent decree, 1.0 position for a new fraud investigative unit, and 2.0 other administrative positions, though it only includes funding for the first 6.0 positions. The Office's positions are either fully federally funded or have a federal match of approximately 80 percent. Several retirements are anticipated during FY 2015 and the request assumes these positions will eventually be filled during FY 2016. Based on the request, the cost-of-living increase is \$0.6 million, including \$0.1 million from general revenues. *The Governor recommends \$5,485 less than requested, including \$116 more from general revenues and \$5,601 less from federal funds to reflect FY 2014 expenditures for insurance.*

Capital - Blind Vending Facilities. The Department requests the enacted level of \$165,000 from Rhode Island Capital Plan funds for the ongoing construction and renovation of statewide vending facilities. The request includes \$105,000 for renovations to the location in the Federal Building on Westminster Street in Providence, planning expenditures of \$10,000 each for the Pastore Center consolidated hospital grounds, Labor and Training location in the Pastore Center and the Naval Underwater Command in Newport, and \$30,000 for miscellaneous issues or equipment failures at any of the remaining locations. There are currently 16 facilities that operate under the name COFFEE PLUS. The request is consistent with the Department's capital budget request. *The Governor recommends funding as requested; this project is discussed in greater detail in the Capital Budget section of this publication.*

Work Support Strategies Grant. The Department requests \$462,880 from general revenues from the Work Support Strategies grant provided by the Urban Institute that is being used to streamline access to and delivery of the services of the major programs that support low income families. Requested expenditures include \$169,879 for salaries and benefits, \$200,000 for grants, \$84,438 for information technology expenses and \$8,500 for operating costs. This is \$32,297 less than enacted to reflect reductions for information technology and operating costs partially offset by increased staffing expenditures and grant awards.

The Governor recommends \$342,880 from restricted receipts, which is \$120,000 less than requested. Consistent with the revised recommendation, she shifts the funding source to restricted receipts for both FY 2015 and FY 2016 and also adjusts the revenues in both years, though the anticipated revenues are different from the anticipated expenditures in each year. The reduction in funding from the request reflects the total remaining balance from the grant award.

All Other Staffing. The Department requests \$3.4 million from all sources, including \$1.9 million from general revenues, \$0.9 million from federal funds and \$0.5 million from restricted receipts for all other staffing expenses. This is \$0.1 million less than enacted, including \$0.2 million more from general revenues and \$0.3 million less from federal funds. The request adds authorization and funding for 2.0 new positions in central management, including the addition of 3.0 quality control positions and 1.0 medical-related position, and the elimination of 2.0 positions, and also shifts 6.5 vacant, unfunded positions to other programs. The request includes \$0.3 million less for federal staffing expenses within the Social Services Block Grant because of over-spending in FY 2014 and assumes turnover for approximately four positions. Based on the request, the cost-of-living increase is \$163,189 including \$98,348 from general revenues. *The Governor recommends funding as requested.*

All Other Operations. The Department requests \$3.1 million for all other operating expenses, including \$0.6 million from general revenues and \$2.5 million from federal funds. This is \$85,457 more than enacted, including \$12,631 more from general revenues. The request includes \$1.0 million for shelter and housing services, \$0.8 million for family violence prevention services, \$0.4 million for services for refugees, \$0.4 million for an annual grant award to Crossroads, and \$0.2 million for emergency food assistance. It also includes \$250,000 in unidentified expenditures from the federal Social Services Block Grant that can be used for other services provided through the grant or in lieu of general revenue expenditures that supplement the grant. It also includes \$0.2 million for all other expenses, including lease and security costs, computer and information technology expenses, office supplies, printing and postage, and utilities. *The Governor recommends \$14 less from federal funds than requested to align insurance expenses with prior year expenditures.*

Dept. of Behavioral Healthcare, Developmental Disabilities and Hospitals

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Program				
Central Management	\$ 1,510,085	\$ 1,558,429	\$ 1,615,952	\$ 1,615,952
Services for the Dev. Disabled	227,389,523	226,721,284	230,591,686	230,874,476
Hosp. & Comm. System Support	3,928,659	3,854,586	7,572,188	2,780,863
Hospital & Comm. Rehab. Services	113,666,710	111,594,813	150,887,858	112,302,106
Behavioral Healthcare Services	19,014,849	21,088,729	19,508,291	19,294,242
Total	\$ 365,509,826	\$ 364,817,841	\$ 410,175,975	\$ 366,867,639
Expenditures by Category				
Salaries and Benefits	\$ 132,438,423	\$ 131,153,985	\$ 135,854,389	\$ 134,809,134
Contracted Services	1,259,791	2,990,715	2,075,789	3,380,227
Subtotal	\$ 133,698,214	\$ 134,144,700	\$ 137,930,178	\$ 138,189,361
Other State Operations	13,546,317	13,663,706	14,658,184	14,312,346
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	210,776,683	210,673,424	211,957,117	207,437,436
Capital	7,488,612	6,336,011	45,630,496	6,928,496
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 365,509,826	\$ 364,817,841	\$ 410,175,975	\$ 366,867,639
Sources of Funds				
General Revenue	\$ 167,536,873	\$ 168,796,376	\$ 172,518,794	\$ 170,425,740
Federal Aid	181,157,004	181,151,974	182,997,673	180,590,102
Restricted Receipts	9,608,663	8,790,976	9,301,508	9,180,797
Other	7,207,286	6,078,515	45,358,000	6,671,000
Total	\$ 365,509,826	\$ 364,817,841	\$ 410,175,975	\$ 366,867,639
FTE Authorization	1,422.4	1,420.4	1,421.4	1,421.4

Summary. The Department requests \$410.2 million from all sources, including \$172.5 million from general revenues, \$183.0 million from federal funds, \$45.4 million from Rhode Island Capital Plan funds and \$9.3 million from restricted receipts in its FY 2016 request. The request is \$44.7 million more than the FY 2015 enacted budget and includes \$5.0 million more from general revenues, \$38.2 million more from Rhode Island Capital Plan funds, and \$1.8 million more from federal funds and \$0.3 million less from restricted receipts.

The request also includes a staffing level of 1,421.4 full-time equivalent positions; this is one less than authorized.

The Department's constrained request totals \$346.2 million, of which \$159.6 million is general revenues, which is \$64.0 million from all sources, including \$12.5 million from general revenues, less than the request; this includes \$38.6 million less from Rhode Island Capital Plan funds.

The Department's constrained request lowers the staffing authorization by 124.4 positions to reflect downsizing the Eleanor Slater Hospital footprint.

The Governor recommends \$1.4 million more than enacted and \$43.3 million less than requested from all sources, including \$2.9 million more than enacted and \$2.1 million less than requested from general revenues. She includes 1,421.4 positions, one more than requested.

Target Issues. The Budget Office provided the Department with a general revenue target of \$172,129,714. The amount includes current service adjustments of \$4,592,841 and 7.5 percent target reduction of \$12,881,956 excluding community service grants.

FY 2016 Budget	Budget Office	Dept .of BHDDH	Difference
FY 2015 Enacted	\$ 167,536,873	\$ 167,536,873	\$ -
Current Service Adjustments	4,592,841	4,981,921	389,080
<i>Change to FY 2015 Enacted</i>	<i>\$ 4,592,841</i>	<i>\$ 4,981,921</i>	<i>\$ 389,080</i>
FY 2016 Current Service/Unconstrained Request	\$ 172,129,714	\$ 172,518,794	\$ 389,080
Target Reduction/Initiatives	(12,881,956)	(12,879,926)	2,030
FY 2016 Constrained Target/Request	\$ 159,247,758	\$ 159,638,868	\$ 391,110
<i>Change to FY 2015 Enacted</i>	<i>\$ (8,289,115)</i>	<i>\$ (7,898,005)</i>	<i>\$ 391,110</i>

The constrained budget submitted by the Department is \$0.4 million above the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's budget is \$11.4 million above the target.*

Departmentwide

Working Group to Reinvent Medicaid. The FY 2015 enacted budget includes \$2,712.1 million of which \$1,083.8 million is general revenues, for Medicaid funded programs through the Office of Health and Human Services and the agencies under its umbrella: the departments of Behavioral Healthcare, Developmental Disabilities and Hospitals; Children, Youth and Families; Human Services and Health. The Medicaid program represents approximately 30 percent of all state spending.

On February 26, 2015, the Governor's signed Executive Order 15-08, Establishing the Working Group to Reinvent Medicaid, comprised of Medicaid stakeholders who will conduct a comprehensive review of the Medicaid program and make recommendations for short and long-term plans to transform the program.

The working group will issue a report on or before April 30, 2015, that will include specific quality improvement and cost savings measures for redesigning Medicaid to meet the specific system transformation goals and reduced Medicaid spending. The Governor reduces Medicaid spending by \$92.6 million, of which \$46.0 million is general revenues, across the health and human services agencies based on the report. She includes \$4.0 million, of which \$2.0 million is general revenues, in the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals' budget. The savings are tied to two themes: targeted interventions for high cost individuals and addressing appropriate settings for those in institutions.

Capital Projects. The Department requests \$41.6 million from Rhode Island Capital Plan and Medicaid funds for capital projects which is \$38.1 million more than enacted.

The Department's constrained budget reduces its capital request by \$38.6 million from Rhode Island Capital Plan funds. The request eliminates funding for the new psychiatric hospital and reduces funding for other projects; however, the Department reports that this was requested in error. *The Governor recommends \$0.6 million less than enacted and \$38.7 million less than requested. The Capital Budget section of this publication includes project descriptions.*

Division of Developmental Disabilities

The state provides residential, day programming, family supports or medical services to support adults with developmental disabilities. As of January 2015 there are 3,970 individuals receiving services through either the state run system or through community based providers. This includes approximately 3,658 individuals receiving direct residential/day programming and/or family supports.

The Department performed a review of its individuals receiving case management services and reduces its caseload by 265 for those who were no longer eligible for those services. There are also approximately 312 individuals who do not receive direct services but receive case management services from the division.

The Department requests \$230.6 million from all sources, including \$113.3 million from general revenues for the population. This is \$3.2 million more than enacted, including \$2.2 million more from general revenues.

The Department's constrained request is \$13.1 million less than its current services request including \$6.3 million less from general revenues. The Department proposes bundling certain services for individuals in the privately operated program for savings of \$6.7 million; \$1.9 million from closing one of its special care facilities; \$1.8 million from an electronic visit verification system; \$0.9 million from enhanced collection of the cost of care payment; \$0.5 million from reducing state only supported services; and \$0.4 million from consolidating and closing two state-run group homes. Each proposal is discussed separately.

The Governor recommends \$230.9 million, including \$113.8 million from general revenues which is \$3.5 million more than requested and \$13.4 million more than the constrained budget request.

Medical Benefits/Rhody Health Options. Individuals receiving residential and other community based services receive medical benefits through the Office of Health and Human Services' budget. Those individuals who are not also eligible for Medicare are enrolled in Rhody Health Partners, the state's managed care plan for disabled individuals and those receiving services through Medicaid expansion. Those who are eligible for both Medicare and Medicaid, referred to as "dual eligibles", have the opportunity to enroll in Rhody Health Options, the state's integrated care initiative to provide services through a managed care plan and potentially lowering medical costs for more expensive "dual eligible" population. Those who opt to not enroll in managed care continue to receive direct medical benefits through a fee-for-service reimbursement system. As of September 30, 2014, 1,598 developmentally disabled individuals are enrolled in Rhody Health Options, 223 enrolled and then later opted out, and 18 have not returned the mail.

Department of Justice Consent Decree

On January 14, 2014, Rhode Island entered into an interim settlement with the federal government and on April 8, 2014 signed a consent decree to settle United States v. State of Rhode Island and City of

Providence which addressed the statewide day activity service system for individuals with intellectual and developmental disabilities.

The consent decree has two fiscal components: a monitor and a Trust Fund. The Department signed a six month contract with FedCap (March 11, 2013 to September 30, 2013) that totaled \$472,695 to bring one of the agencies (Training Thru Placement) into full compliance with the consent decree.

Interim Settlement Agreement/Consent Decree. The Department entered into a contract with the Fed Cap's Center for Excellence and Advocacy to provide work readiness training, vocational training and job retention services. The one-year contract totaling \$944,388 started January 1, 2014 and ends December 31, 2014 and there is a one-year extension until December 31, 2015 that totals \$877,400. The Center will work specifically with individuals who attend Training Thru Placement and the Birch school. *The Governor does not include any expenses for the interim settlement in FY 2016.*

Department of Justice Consent Decree - Monitor. The consent decree has two fiscal components: a monitor and a Trust Fund. The Department did not include any funding for the monitor, Charles Moseley from the National Association of State Directors of Developmental Disabilities Services, in FY 2015. The consent decree stipulates the state payment to the monitor is not to exceed \$300,000.

The Governor recommends \$275,000 from general revenues in the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals and does not recommend any funding in either the Department of Human Services or the Department of Elementary and Secondary Education.

Department of Justice Consent Decree - Trust Fund. The consent decree also stipulates that by October 1, 2014 the state will establish and begin distributing from an \$800,000 Workshop Conversion Trust Fund which will be administered by the Paul V. Sherlock Center on Disabilities at Rhode Island College. The fund will support start-up costs for providers who convert services to supported employment and will be administered by the director of the Department of Human Services and the associate director of the Office of Rehabilitation Services.

The Governor includes \$0.2 million in FY 2016 in the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals but does not include any funding in the Department of Human Services which is the trust administrator as identified in the consent decree.

Sherlock Workshop Conversion Institute. The Paul V. Sherlock Center, in addition to administering the Trust Fund, will also provide services. The Department did not include funding in its revised budget for program expenses for the Sherlock Workshop Conversion Institute. It should be noted the consent decree does not stipulate a funding amount for the Conversion Institute. *The Governor includes \$250,000 in the Department's budget for activities at the Sherlock Center.*

Burns and Associates Management Contract. The Department requests \$400,000 from all sources to pay Burns and Associates to implement the administrative and reimbursement program changes under Project Sustainability and other changes related to the consent decree. This is \$47,985 less than enacted including \$7,445 less from general revenues.

The Department signed a \$459,400 contract with Burns and Associates in March of 2014 for consultant and technical services related to Project Sustainability and the consent decree. The one-year contract, April 1, 2014 through March 30, 2015, has four optional renewal years. *The Governor recommends funding as requested.*

Privately Operated System

Privately Operated System. The Department requests \$191.3 million including \$96.0 million from general revenues for privately provided residential, day and family support programs provided through the community based waiver program, the rehabilitation option and the cost not otherwise matchable (CNOM) in its current services request. This is \$2.6 million more than enacted, including \$1.5 million more from general revenues and \$1.1 million more from federal funds for the updated Medicaid rate. Each program is discussed separately.

The Department's constrained request includes savings of \$9.9 million from all sources, including \$5.2 million from general revenues to the current services request. Each proposal is discussed separately.

The Governor recommends \$192.0 million, including \$96.8 million from general revenues which is \$3.7 million more than enacted and \$11.1 million more than the constrained request. This includes \$2.3 million more than enacted from general revenues and \$6.1 million more than the constrained request.

Community Based Waiver Program. The Department requests \$180.8 million including \$90.3 million from general revenues for privately provided residential, day and family support programs provided through the state's Medicaid global waiver in its current services request. This is \$2.4 million more than enacted, including \$1.4 million more from general revenues and \$1.1 million more from federal funds. This includes \$1.4 million from all sources to address the requirements of the consent decree that more developmentally disabled adults be involved in work activities which may require job coaching and other direct supports that was included in the Budget Office's current services adjustment provided to the Department for the consent decree.

It should be noted that 108 of the 188 individuals in the state-run system attend day programming operated by the private community based agencies.

The Department's constrained request includes savings of \$9.5 million from all sources, including \$4.7 million from general revenues to the current services request from several proposals; each is discussed separately.

The Governor adds \$6.5 million to the enacted budget, including \$3.2 million from general revenues. She adds \$4.0 million, including \$2.0 million from to support changes anticipated through the consent decree and increases savings from the electronic visit verification initiative. It should be noted that any changes to payment methodology requires a category II change to the Medicaid waiver. The Governor did not include any specific language to make this change. She also includes the two savings proposals, discussed separately.

Program Eligibility. In Rhode Island there are two pathways for a disabled individual (including those with a developmental disability) to receive Medicaid-funded long term care services; either he or she is categorically eligible for Medicaid by meeting the federal disability criteria and income threshold for the Supplement Security Income program and the Department's criteria for its long term care supports program, or he or she is "medically needy". To be considered "medically needy", an individual meets the Department's criteria for its program and the federal disability definition but has income that is higher than \$721 a month. In this situation, the state allows the individual to pay a portion of the services monthly, referred to as "cost of care", until he or she meets the monthly income limit of \$887 and then the state pays the remainder of the services. The provider collects the recipient's cost of care and adjusts its monthly billing to reflect the state offset.

There are currently 721 individuals with a cost of care payment requirement; 673 in the privately operated program and 48 in the state-run system. The payments total \$0.2 million a month or \$2.4 million annually; the monthly range is a low of \$1.50 to a high of \$3,860 for annual payments between \$18 for an individual with an annual income of \$11,082 to \$46,316 for an individual with an annual income of \$54,513. An individual may collect a deceased parent's Social Security payment, Social Security Disability Income check, or may be employed receiving an income that is above the \$887 monthly limit.

The Department reports that it collects patient liability from those in the state-run system but potentially only about half in the privately operated system. That gap appears to relate to individuals who live with their family and are in a self-directed plan or who live independently. It includes a proposal in its constrained budget to increase collection, discussed separately. *The Governor includes savings from increased collections.*

Target - Cost of Care Collection. The Department includes an initiative in its FY 2016 constrained budget that assumes collection of a program recipient's financial responsibility toward care will increase to 100 percent and includes savings of \$0.9 million from all sources, of which \$0.5 million is from general revenues. *The Governor includes the savings from the increased collections.*

Target - Electronic Visit Verification. The Department proposes savings of \$1.9 million, including \$0.9 million from general revenues from using an electronic visit verification system to monitor the delivery of home care services, including personal care and homemaker activities, to record the arrival and departure times of direct care workers providing the services to individuals receiving home based services. This is the same system that will be used by the Office of Health and Human Services and provides the Department the opportunity to piggyback on that system for its home visits. *The Governor includes the proposals and realizes savings of \$2.7 million, \$1.4 million from general revenues from the verification process.*

Target - Bundle Community and Day Programs. The Department proposes savings of \$6.7 million, including \$3.3 million from general revenues from decreasing the available hours of day and community support that is available for an individual that lives with a family. Currently an individual at home has 30 hours of day program a week and may access 5 to 20 of one to one community supports.

This proposal would provide that individuals who live with family would only have access to a condensed day and community support package rather than a full day program and full community support package. The participant would still have the choice to use the funding for all day, all community, homemaker, respite or any other combination that best fits their individual needs; but they could see a decrease in available hours for supports. *The Governor does not recommend the request.*

Out of State Placements. The Department's request includes \$283,353 to fund three individuals who reside in facilities out-of-state. The 2014 Assembly passed legislation requiring out-of-state facilities that provide services to Medicaid eligible Rhode Island residents to apply to become state Medicaid providers. This allows the state to leverage federal funds for at least 50 percent of the costs of services lowering the state cost for the person's care.

The four agencies included in the Department's budget that support services for three people: one individual lives at Latham Academy and attends Transitions Academy during the day, one person attending Berkshire Hills Music Academy a post-secondary learning academy with classes from September through May with an optional 11-week summer program, and Riverview all located in Massachusetts.

The Latham Academy, Transitions Academy and the Music Academy have been approved as Rhode Island Medicaid providers while Riverbrook has not yet applied.

In December 2014 an individual living at the Latham Academy under the care of the Department of Children, Youth and Families turned 21 and became the responsibility of the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals. The Department did not include funding in its budget for this transfer. *The Governor recommends funding as requested and does not include any funding for the transfer.*

Day Programs - Rehabilitation Option. The Department chooses to provide additional day program services to 170 individuals through the Medicaid rehabilitation option. The individuals are disabled but do not meet the eligibility criteria for day programming services through the Medicaid global waiver. This is the second of four programs available to adults with developmental disabilities who apply for day programming services. Services are provided by the same community based agencies for those individuals who receive day programming services through the Medicaid waiver. A number of individuals also attend Generations Adult Day Services. If an individual does not meet the criteria for services through the Medicaid global waiver, but are disabled according to the federal definition through the Social Security Administration, he or she will be placed in this program based on approval from Department staff.

The Department requests \$1.2 million from all sources, \$50,750 less than enacted including \$25,840 less from general revenues in its current services request. The Department does not adjust spending in its constrained request. *The Governor recommends funding as requested.*

Other Medicaid Funded Day Services. The Department requests \$0.7 million from all sources for day programs through the Medicaid global waiver for services provided to 30 individuals who are not otherwise eligible for Medicaid. This is \$98,059 less than enacted, including \$49,000 less from general revenues. This program is available to individuals who are not eligible for either the first Medicaid waiver or Medicaid funded services through the rehab option. *The Governor recommends funding as requested.*

Vocational Rehabilitation Services. The Department eliminates the enacted level of funding of \$0.8 million from all sources for vocational rehabilitation services, including \$0.1 million from general revenues in its revised budget. The Department had entered into a memorandum of understanding with the Department of Human Services' Office of Rehabilitation Services to provide training to individuals with developmental disabilities. The agreement ended in FY 2013; however, the funding was not adjusted in the FY 2014 budget and continued to be included in the FY 2015 enacted budget. *The Governor recommends funding as requested.*

Developmental Disabilities Other State Services. The Department requests \$8.1 million for other state services for adults with developmental disabilities, including \$4.5 million from general revenues in its FY 2016 request. The request is \$1.2 million more than enacted and \$0.3 million more from general revenues. The request includes \$6.0 million from all sources for staffing and adds \$0.6 million to the enacted budget for cost-of-living and other benefit adjustments as well as providing state funded services to individuals who are not Medicaid eligible or the services being provided are not eligible for Medicaid reimbursement.

Direct services are provided to individuals who are not eligible for Medicaid funded services through any of the three Medicaid waiver programs. This includes parent subsidies and day programming services.

As part of its constrained request, the Department proposes general revenue savings of \$0.5 million from eliminating state funded services to individuals who do not meet the waiver eligibility criteria for Medicaid funded services or for the Department's criteria for the two other programs; the Medicaid rehabilitation option or cost not otherwise matchable program for services. *The Governor recommends funding, consistent with the unconstrained request.*

Rhode Island Community Living and Supports Program

State Operated Program. There are 29 state run group homes which provide overnight care, of which three are special needs facilities that have the capacity to provide residential services to a total of 202 clients. As of November 2014, there were 187 clients in the state-run facility with 15 vacancies. The Department has established a policy that clients would be admitted into the state-run system in emergency situations only.

It should be noted that of the 187 clients, 107 attend a day program run by a community based provider.

Current Services - State Operated Program. The Department requests \$37.3 million from all sources, including \$17.3 million from general revenues, to support operations in the state-run system in FY 2016.

The Department adds \$0.3 million to the enacted budget for staffing costs at the state-run program for adults with developmental disabilities, for a total of \$34.1 million, including \$16.6 million from general revenues, to include the cost-of-living adjustment and benefit changes consistent with Budget Office planning values. The request also includes \$4.2 million for overtime and \$0.5 million for temporary workers, \$0.1 million less than enacted.

The request also includes \$1.4 million from all sources to support operating costs at the group homes, rent for one state-operated day facility and mileage costs for state staff; this is \$0.1 million less than enacted. *The Governor recommends funding as requested.*

Target - Special Needs Facilities. The Department proposes savings of \$1.9 million, including \$0.9 million from general revenues from closing one of the three special care facilities in the state-run system and eliminating 15.0 positions. The savings do not include the potential shift of costs to other state supported institutions such as nursing homes or the state-run Eleanor Slater Hospital. The Department proposed this initiative in its FY 2014 and FY 2015 budgets, but it was not accepted by the Governor. *The Governor does not recommend the proposal.*

Target - RICLAS Group Homes. The Department proposes savings of \$0.4 million, including \$0.2 million from general revenues from consolidating existing vacancies within the state-run system and closing two group homes. There is no impact on staffing, as individuals will be re-assigned to other homes to reduce overtime expenses. *The Governor does not recommend the savings but it should be noted that the Department has been downsizing the state-run program by consolidating homes, where appropriate, when vacancies occur.*

State Operated System Client Revenue. The Department requests \$0.2 million less than enacted for a total of \$1.8 million from restricted receipts to reflect client resources, including the \$749.92 monthly Supplemental Security Income payments made by the federal government to clients or other income payments, such as a deceased parent's Social Security or Social Security Disability Income payment to

support their daily living costs, such as rent, food, and utilities. This reflects the updated collection for the 188 individuals in the state-run system.

The Department's constrained budget downsizes the state-run system and adjusts the client revenue accordingly by reducing the restricted receipts by \$0.1 million for receipts of \$1.7 million for those in the remaining group homes. *The Governor recommends \$0.2 million less than enacted, consistent with the request.*

Division of Behavioral Health

The state provides behavioral health services including Medicaid funded mental health and substance abuse services to individuals through the Office of Health and Human Services. The Department of Behavioral Healthcare, Developmental Disabilities and Hospitals provides additional services through federal resources, primarily the Substance Abuse, Mental Health and Social Services block grants.

The 2014 Assembly transferred Medicaid funded behavioral healthcare services from the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals to the Office of Health and Human Services to align direct medical benefits with mental health and substance abuse services for disabled individuals. The Medicaid expansion opportunity through the Affordable Care Act that the state accepted allowed the Department's behavioral healthcare clients who received a limited benefit to have full access to Medicaid through the Office's budget. With the transfer of the Medicaid funds to the Office, the state now pays for Medicaid funded direct care and behavioral healthcare benefits through the Rhody Health Partners managed care plan.

The November caseload conference estimate included \$67.0 million for fee-for-service behavioral health services and \$547.1 million from federal funds for the Medicaid expansion program, which includes newly enrolled individuals who previously received a limited benefit through the Department's program. It should also be noted that the caseload conference estimate includes \$302.3 million in the Rhody Health Partners program.

Medicaid Expansion for Certain Low Income Adults. The November caseload estimate includes \$547.1 million from federal sources to provide Medicaid coverage to approximately 55,622 low income adults in FY 2016. Included in this population are 2,200 previously uninsured individuals who received a limited substance abuse and/or mental health benefit through the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals, who now have access to Medicaid, including acute care, community supports, and behavioral health services. *The Governor includes funding consistent with the November caseload estimate in the Office of Health and Human Services' budget.*

SYNAR Activities. The Department requests \$48,000 from general revenues to operate SYNAR activities that monitor state tobacco compliance statutes in coordination with the municipal law enforcement agencies. The state paid for the activity with general revenues, and although there is an opportunity to pay for a portion of the activities through its substance abuse block grant, it chose to use state funds. The activities that were allowable include paying the participant, but federal regulations did not allow a state to pay for the administrative aspects (such as the police officer filling out paperwork related to issuing a citation).

Since the Department did not separate the monitoring activity from the law enforcement activity, it used general revenues to reimburse the municipal law enforcement agencies, but can it now use substance abuse block grant funds in lieu of general revenues. It should be noted that the Department adds \$0.9

million in its revised request to increase funding from the substance abuse block grant to use on activities other than SYNAR. *The Governor recommends funding as requested.*

Methadone Maintenance Treatment Services for Medicare Recipients. The Department's request uses \$0.3 million from the substance abuse block grant to provide methadone maintenance treatment services for approximately 100 Medicare recipients to continue treatment previously paid through the Medicaid program. The Department will not report how it will spend the FY 2016 award until the start of that fiscal year.

Methadone is not a covered Medicare benefit and recipients previously received treatment through the cost not otherwise matchable program. That limited benefit is no longer funded since individuals are either now covered through the Medicaid expansion program or can obtain coverage through the health care exchange. Also covered were Medicare recipients and the Department is using its federal resources to continue to provide the benefit. *The Governor recommends funding as requested.*

Substance Abuse Treatment Block Grant. The Department requests \$7.5 million from federal funds for the substance abuse treatment block grant, \$0.9 million more than enacted. Funding is awarded to community agencies to support treatment services and local programs. *The Governor recommends funding as requested.*

Municipal Substance Abuse Task Forces. The Department includes the enacted level of \$0.9 million from federal funds for the municipal substance abuse task forces. The state currently supports 35 municipal substance abuse prevention task forces, three student assistance program providers serving 8,700 students in 25 middle and 21 high schools, and 16 providers providing services to 1,400 families in order to promote drug free communities and assess, in cooperation with school systems and human services organizations, the extent of the substance abuse problem in its community. *The Governor recommends funding as requested.*

Community Service Grants. The Department requests the enacted level of \$135,148 from general revenues for the Department's five community services grants. *The Governor recommends funding as requested.*

Transition to Community Program. The enacted budget does not include any funds to continue the Transition from Prison To Community Program because an individual who was supported through the state funded program now has access to either Medicaid, through the expansion program, or benefits through the exchange. The state funding was eliminated by the Department in its FY 2015 request, which the Governor recommended and the Assembly accepted. The Department did not request federal funding for the program in its FY 2015 revised budget.

The Department's FY 2016 request uses \$0.4 million of its Substance Abuse Block Grant funds and \$0.1 million from Byrne grant funds for total funding of \$0.5 million from federal funds to pay for residential care for Medicaid eligible individuals who have access to Medicaid but have not yet enrolled in a managed care plan. *The Governor recommends funding as requested.*

Mental Health Block Grant. The Department requests \$1.8 million from the federally funded mental health block grant. Funding supports services provided by the community mental health centers and is \$0.4 million above the enacted level to reflect the projected grant award. *The Governor recommends funding as requested.*

Strategic Prevention Framework Grant. The Department requests new federal funding totaling \$2.0 million from a recently awarded strategic prevention framework state incentive grant to support activities that deliver and sustain effective substance abuse and/or mental health services. This includes: preventing the onset and reducing the progression of substance abuse, including childhood and underage drinking; reducing substance abuse-related problems in communities; and building prevention capacity and infrastructure at the state and community levels. *The Governor recommends funding as requested.*

Healthy Transitions Grant. The Department requests new federal funding of \$9.0 million from the healthy transitions grant. Grants will be provided to community agencies that improve access to treatment and support services for an individual age 16 through 25 that either has, or is at risk of developing a serious mental health condition. The employee was supported through the access to recovery grant that expired in FY 2015. *The Governor recommends funding as requested.*

Mental Health Treatment Services for Medicare Recipients. The Department's request includes using \$0.3 million from the social services block grant to provide community based mental health services for approximately 100 Medicare recipients to continue treatment previously paid through the Medicaid program. The Department has not reported how it will spend the FY 2016 award until the start of that fiscal year.

Medicare beneficiaries received mental health treatment services through the cost not otherwise matchable program. That limited benefit is no longer funded since individuals are either now covered through the Medicaid expansion program or can obtain coverage through the health care exchange. This does not include those on Medicare, which does not provide comprehensive behavioral health care benefits, and the Department is using its federal resources to continue to provide the benefits. *The Governor recommends funding as requested.*

Mental Health - Social Services Block Grant. The Department requests \$1.1 million from federal funds, \$0.4 million less than enacted to support mental health services through the social services block grant to reflect the grant award. *The Governor recommends funding as requested.*

State Innovation Model Grant. The state was recently awarded a four-year \$20.0 million State Innovation Model Grant to address health care delivery; the Department did not include funding in its FY 2016 budget. *The Governor recommends \$135,951 and one new position for the grant. Funding is also included in the Office of Health and Human Services and the Department of Health.*

Access to Recovery Grant. The Department eliminated \$3.1 million for the federally funded access to recovery grant to reflect the grant expiration. The program is a voucher based system to expand treatment opportunities for recently released prisoners, juveniles released from the training school, and parents and guardians involved with the Department of Children, Youth, and Families who meet the substance abuse treatment income guideline of at or below 200 percent of the federal poverty level.

This includes \$3.1 million less for vouchers and \$0.3 million less for expenses to manage the grant, including funding for three staff. *The Governor recommends funding as requested.*

Post-Traumatic Stress Grant. The Department requests \$150,000 for the post-traumatic stress services federal grant; this is \$135,311 less than enacted to reflect the anticipated grant award. *The Governor recommends funding as requested.*

Other Grants. The Department requests \$0.7 million less from federal funds for three grants that have expired: the state epidemiological outcome workgroup grant, which supported the coordination, conducting and dissemination of data on substance abuse, mental health and protective factors; the combat underage drinking grant; and the Rhode Island data infrastructure grant. *The Governor recommends funding as requested.*

Rhode Island Housing - Thresholds. The Department requests \$30,000 from general revenues to pay Rhode Island Housing to administer the Thresholds program which provides Rhode Island Capital Plan funds to the organization so that it can leverage other funding sources to build and rehabilitate housing for disabled individuals. The Assembly reduced general revenue support for behavioral health programs in the FY 2015 enacted budget, since many of the treatment programs would not be needed with the expansion of Medicaid and access to insurance through HealthSource RI. Funding for the program was part of the reduction. The Department does not have a contract with Rhode Island Housing to administer the program. *The Governor recommends funding as requested.*

Salaries and Benefits. The Department requests \$3.0 million from all funds, \$0.3 million more than enacted for salaries and benefits to fund 28.0 positions in the Division of Behavioral Health, leaving two vacant. This also includes \$0.2 million for the cost-of-living adjustment and other benefit changes based on Budget Office planning values. *The Governor recommends funding as requested.*

All Other Operations. The Department requests \$0.8 million from all sources, including \$0.1 million from general revenues for all other operations. The request is \$0.1 million less than enacted and includes \$0.6 million for grants, primarily from federal funds and \$0.2 million for all other operating expenses. *The Governor recommends funding as requested.*

Eleanor Slater Hospital

State Hospital. The state hospital is a 495 bed licensed facility comprised of two campuses: 306 licensed beds at the main Pastore campus in Cranston, of which 156 are occupied, and 189 licensed beds, of which 123 are occupied, at the Zambarano unit in Burrillville.

The FY 2016 budget request of \$150.9 million, including \$54.3 million from general revenues is based on a census of 275 patients, which is an annual cost per person of \$548,683 taking into account the capital plan funding.

Excluding its capital request, the Department adds \$3.7 million for hospital costs in FY 2016; this includes \$2.3 million more from general revenues, \$1.3 million more from federal funds and a slight reduction to restricted receipts. The Department adds \$1.9 million for staffing costs and \$1.8 million for operations.

The Governor recommends \$112.3 million, including \$51.5 million from general revenues. She does not fund the new hospital in the FY 2016 through FY 2020 capital plan, pending further study.

Hospital Licensing Fee. The enacted budget includes \$6.5 million from all sources to pay the 5.703 percent fee assessed on state and community hospitals' revenue for the hospital year ending September 30, 2013, including \$3.2 million from general revenues in FY 2015. The Department's request inadvertently adds \$0.3 million for a payment of \$6.8 million in FY 2016. *The Governor includes Article 3, which extends the hospital licensing fee in FY 2016 consistent with the enacted rate. She includes the funding as requested to pay the fee.*

Southwick Group Home Closure. The FY 2015 enacted budget includes savings of \$0.5 million from all sources from closing the Southwick group home in Lincoln and transitioning the four residents to one of the three other homes that have vacancies. The home closed in October 2014. The Department continues to operate three other facilities: Rogler group home, East Wallum Lake group home, and Mowry Avenue group home. *The Governor's budget does not include funding for Southwick in FY 2016.*

Target - Southwick and Rogler Group Homes. The Department proposes savings of \$0.9 million from all sources, including \$0.4 million from general revenues from closing Rogler and Southwick group homes and consolidating the residents into the remaining two group homes. The Department also lowers its staffing authorization by ten to accommodate the closing.

As noted, the Southwick group home closed in October 2014 and the residents were relocated to East Wallum Lake Group Home, which has the capacity for six residents. There are currently three residents (ages 44, 53 and 56) in the Rogler group home located at 1 Roger Farm Road, Smithfield. The other group home on Mowry Avenue in North Smithfield has the capability for five residents. *The Governor includes the requested savings from the closure of the Rogler group home.*

Salaries and Benefits. The Department requests \$88.5 million from all sources for staffing at the state hospital in FY 2016. This is \$1.9 million more than enacted, including \$2.5 million from all sources for the cost-of-living adjustment and other benefit changes consistent with Budget Office planning values.

The request also increases savings by \$1.5 million from keeping an additional 17 positions vacant in FY 2016. It also includes \$7.2 million from all sources for overtime, which is \$0.3 million less than enacted; it is also \$0.4 million more than revised and \$0.2 million less than FY 2014 actual expenses. *The Governor recommends \$28,381 less than requested.*

Contracted Medical and Other Services. In addition to the funding requested for the employees at the state hospital, the Department also requests \$6.2 million for various contracted services in FY 2016. This is \$31,727 less than enacted from all sources to fund additional medical services, including nurses. *The Governor recommends funding as requested.*

Food Services. The Department requests \$1.6 million, including \$1.3 million from general revenues, for services at the Cranston campus. This is \$287,685 more than enacted, including \$163,377 more from general revenues. *The Governor includes \$300,000 less than requested, including \$150,000 from general revenues from consolidating purchasing and warehousing of food services with the Department of Corrections.*

Other Operations. The Department requests \$10.2 million for all other operations which is \$1.2 million more than enacted and includes \$0.2 million more from general revenues and \$1.1 million more for Medicaid reimbursements. Increases include \$0.4 million for medical supplies, \$0.3 million for food, and \$0.4 million for other hospital supplies. *The Governor recommends \$8,998 million less than requested.*

Target - Downsize Hospital Operations. The Department proposes savings of \$12.2 million from all sources, including \$6.1 million from general revenues from downsizing operations at the state-run hospital. The proposal will reduce the hospital census and staffing by closing two psychiatric patient care units and one medical unit, discharging patients to other settings, and reducing staff through layoffs. It should be noted this proposal does not factor in the cost of transferring a patient to another

facility that may impact another Department's budget, such as the Office of Health and Human Services. The proposal reduces staffing by 109.4 positions.

The hospital currently operates seventeen patient care units (nine psychiatric, eight medical) with a plan to reduce the number of units to fourteen, with a change in census by FY 2015. The potential units for closure would be two units in Adolf Meyer and a medical unit at the Zambarano Campus. Personnel expenses account for approximately seventy-five percent of the hospital's operating budget. *The Governor does not include this proposal.*

Hospital and Community System Support

Salaries and Benefits. The Department requests \$2.4 million from all sources, including \$1.6 million from general revenues for salaries and benefits to support 21.0 positions in the hospital and community support program. This includes adjustments based on Budget Office planning values and \$0.2 million for the cost-of-living increases and keeps two positions vacant in FY 2016.

The Governor recommends funding as requested, with the exception of shifting \$0.3 million, including \$0.2 million from general revenues to the Department of Administration for two positions assigned to the proposal to consolidate the administration of capital projects.

Operations. The Department requests \$82,268 from general revenues for home and community system support program operations. This is \$12,050 less from all sources and \$7,717 less from general revenues and includes \$75,862 for operating expenses and \$5,506 for contracted services. *The Governor recommends funding as requested.*

Central Management

Salaries and Benefits. The Department requests \$1.5 million from all sources, including \$0.9 million from general revenues for staffing costs in central management. This is \$108,765 more than enacted to fully fund 11 positions and includes a cost-of-living adjustment and other benefits changes consistent with Budget Office planning values. *The Governor recommends funding as requested.*

Operations. The Department requests \$129,796 from general revenues for all other operations in the central management program. This is \$2,898 less than enacted and eliminates \$5,337 from federal funds from the information technology grant. *The Governor recommends funding as requested.*

Office of the Child Advocate

	FY 2015		FY 2015		FY 2016	
	Enacted		Revised		Request	FY 2016 Recommended*
Expenditures by Category						
Salaries and Benefits	\$ 641,886	\$	655,337	\$	679,461	\$ -
Contracted Services	500		500		500	-
Subtotal	\$ 642,386	\$	655,837	\$	679,961	\$ -
Other State Operations	18,431		26,317		28,389	-
Aid to Local Units of Government	-		-		-	-
Assistance, Grants, and Benefits	-		-		-	-
Capital	1,000		1,000		1,000	-
Capital Debt Service	-		-		-	-
Operating Transfers	-		-		-	-
Total	\$ 661,817	\$	683,154	\$	709,350	\$ -
Sources of Funds						
General Revenue	\$ 611,817	\$	633,154	\$	664,308	\$ -
Federal Aid	50,000		50,000		45,042	-
Restricted Receipts	-		-		-	-
Other	-		-		-	-
Total	\$ 661,817	\$	683,154	\$	709,350	\$ -
FTE Authorization	6.0		6.0		6.0	-

**Transferred to the newly created Division of Advocacy in the Office of Health and Human Services*

Summary. The Office of the Child Advocate requests \$709,350 from all sources which is \$47,533 more than enacted. The request includes \$52,491 more from general revenues and \$4,958 less from federal funds. The request includes the enacted level of 6.0 positions.

The Governor includes Article 18 to create a Division of Advocacy in the Office of Health and Human Services for budgetary and administrative purposes. The agencies transferred into the new division, the Office of the Child Advocate, Office of the Mental Health Advocate, Governor's Commission on Disabilities, and Commission on the Deaf and Hard of Hearing will retain their statutory authority. The Governor includes \$2.1 million for the Division, of which \$2.0 million is general revenues. Of that recommendation, \$0.7 million is for the Office of the Child Advocate. She includes 17.0 positions, 6.0 for the Office of the Child Advocate.

Target Issues. The Budget Office provided the Office with a general revenue target of \$641,524. The amount includes current service adjustments of \$29,707.

The Office was not required to meet a target that contained a reduction to current services. The request is \$22,784 above the target. *The Governor's recommendation is \$30,174 above the target.*

FY 2016 Budget	Budget Office	Child Advocate	Difference
FY 2015 Enacted	\$ 611,817	\$ 611,817	\$ -
Current Service Adjustments	29,707	52,491	22,784
<i>Change to FY 2015 Enacted</i>	\$ 29,707	\$ 52,491	\$ 22,784
FY 2016 Current Service / Unconstrained Request	\$ 641,524	\$ 664,308	\$ 22,784
Target Reduction/Initiatives	-	-	-
FY 2016 Constrained Target/Request	\$ 641,524	\$ 664,308	\$ 22,784
<i>Change to FY 2015 Enacted</i>	\$ 29,707	\$ 52,491	\$ 22,784

Salaries and Benefits. The Office requests \$679,461, including \$634,460 from general revenues and \$45,001 from federal funds for salaries and benefits. This is \$37,575 more than enacted, including \$42,533 more from general revenues and \$4,958 less from federal funds. This primarily reflects statewide cost-of-living adjustments for all state employees. *The Governor recommends \$37 more than requested from general revenues to offset a reduction to available federal funds.*

Other Operations. The Office requests \$29,889 including \$29,848 from general revenues and \$41 from federal funds for all other operations. This is \$9,958 more than enacted from general revenues and includes increases of \$3,308 for subscriptions to legal journals and services, \$2,928 for mileage and travel expenses, \$800 for a cell phone for the assistant child advocate, \$500 for a parking space at the Family Court in Providence, and \$2,422 for other adjustments. This is consistent with the Office's updated projections included in its FY 2015 revised request. *The Governor concurs with the request and adds \$7,353 in the Division of Advocacy for new furniture.*

Commission on the Deaf and Hard of Hearing

		FY 2015 Enacted		FY 2015 Revised		FY 2016 Request		FY 2016 Recommended*
Expenditures by Category								
Salaries and Benefits	\$	333,438	\$	337,900	\$	444,831	\$	-
Contracted Services		108,646		111,146		101,146		-
Subtotal	\$	442,084	\$	449,046	\$	545,977	\$	-
Other State Operations		28,695		26,195		26,195		-
Aid to Local Units of Government		-		-		-		-
Assistance, Grants, and Benefits		-		-		-		-
Capital		3,500		3,500		3,500		-
Capital Debt Service		-		-		-		-
Operating Transfers		-		-		-		-
Total	\$	474,279	\$	478,741	\$	575,672	\$	-
Sources of Funds								
General Revenue	\$	394,279	\$	398,741	\$	495,672	\$	-
Federal Aid		-		-		-		-
Restricted Receipts		80,000		80,000		80,000		-
Other		-		-		-		-
Total	\$	474,279	\$	478,741	\$	575,672	\$	-
FTE Authorization		3.0		3.0		4.0		-

**Transferred to the newly created Division of Advocacy in the Office of Health and Human Services*

Summary. The Commission on the Deaf and Hard of Hearing requests \$575,672 or \$101,393 more than enacted, \$84,960 more than the current service target provided by the Budget Office. The Commission requests 4.0 positions which is 1.0 more than the enacted level.

The Governor includes Article 18 to create a Division of Advocacy in the Office of Health and Human Services for budgetary and administrative purposes. The agencies transferred into the new division, the Office of the Child Advocate, Office of the Mental Health Advocate, Governor's Commission on Disabilities, and Commission on the Deaf and Hard of Hearing will retain their statutory authority. The Governor includes \$2.1 million for the division, of which \$2.0 million is general revenues. Of that total, \$0.5 million is for the Commission on the Deaf and Hard of Hearing. She includes 17.0 positions, 3.0 for the Commission.

Target Issues. The Budget Office provided the Commission with a general revenue target of \$410,712 including current service adjustments of \$18,340.

The Commission was not required to meet a target that contained a reduction to current services. *The Governor's recommendation is \$1,051 above the target.*

FY 2016 Budget	Budget Office	Deaf and Hard of Hearing	Difference
FY 2015 Enacted	\$ 394,279	\$ 394,279	\$ -
Current Service Adjustments	18,340	18,941	601
New Initiatives	-	82,452	82,452
<i>Change to FY 2015 Enacted</i>	<i>\$ 18,340</i>	<i>\$ 101,393</i>	<i>\$ 83,053</i>
FY 2016 Current Service/ Unconstrained Request	\$ 412,619	\$ 495,672	\$ 83,053
Target Reduction/Initiatives	-	-	-
FY 2016 Constrained Target/Request	\$ 410,712	\$ 495,672	\$ 84,960
<i>Change to FY 2015 Enacted</i>	<i>\$ 16,433</i>	<i>\$ 101,393</i>	<i>\$ 84,960</i>

Interpreters. The Commission requests \$132,688 from general revenues for a new staff interpreter position and contracted translation and interpreter services. This is \$82,452 more than enacted and includes the full year cost for the new position and a reduction to contracted interpreter services. The Commission indicates that having a full-time interpreter would improve interoffice communication and reduce its reliance on contracted interpreter services.

[Staff Note: The cost of the new interpreter appears to use a salary base that excludes the cost-of-living increase.]

The Governor does not include funding for a staff interpreter.

All Other Salaries and Benefits. The Commission requests \$349,379 for salaries and benefits to fully fund its current level of 3.0 positions. This is \$18,941 more than enacted from general revenues and includes adjustments consistent with the Budget Office planning values including the cost-of-living increase. *The Governor includes \$348,042, which is \$1,337 less than requested to reflect statewide medical benefit savings.*

Emergency and Public Communication Access. The 2013 Assembly created the Emergency and Public Communication Access program to be administered by the Commission. This is funded with \$80,000 annually including \$20,500 for interpreters and translators, \$40,000 for a new contracted employee to manage the program and \$500 for a conference on emergency readiness. This also includes \$19,000 for electronic communications equipment to be installed at state facilities, printing costs associated with advertising, travel, training, and additional computer equipment to accommodate the new contracted employee. The Commission requests the enacted level of \$80,000. *The Governor recommends funding as requested.*

Other Operations. The Commission requests the enacted level of \$10,695 from general revenues for all other operating costs, including costs associated with attending conferences, a Blackberry for an interpreter referral specialist, printing, postage, and other operating costs associated with client services and education. *The Governor recommends \$120 less than requested for office supplies.*

Governor's Commission on Disabilities

		FY 2015 Enacted		FY 2015 Revised		FY 2016 Request		FY 2016 Recommended*
Expenditures by Category								
Salaries and Benefits	\$	346,020	\$	366,978	\$	376,525	\$	-
Contracted Services		16,718		9,215		9,251		-
Subtotal	\$	362,738	\$	376,193	\$	385,776	\$	-
Other State Operations		66,320		53,753		27,604		-
Aid to Local Units of Government		-		-		-		-
Assistance, Grants, and Benefits		76,116		242,022		18,398		-
Capital		1,000,628		900,628		1,484,671		-
Capital Debt Service		-		-		-		-
Operating Transfers		3,000		-		13,655		-
Total	\$	1,508,802	\$	1,572,596	\$	1,930,104	\$	-
Sources of Funds								
General Revenue	\$	358,275	\$	357,141	\$	391,624	\$	-
Federal Aid		141,350		305,524		28,471		-
Restricted Receipts		9,177		9,931		10,009		-
Other		1,000,000		900,000		1,500,000		-
Total	\$	1,508,802	\$	1,572,596	\$	1,930,104	\$	-
FTE Authorization		4.0		4.0		4.0		-

**Transferred to the newly created Division of Advocacy in the Office of Health and Human Services*

Summary. The Governor's Commission on Disabilities requests \$1.9 million which is \$421,302 more than enacted from all sources for FY 2016. The request includes \$33,349 more from general revenues, \$112,879 less from federal funds, \$832 more from restricted receipts and \$500,000 more from Rhode Island Capital Plan funds and the authorized level of 4.0 positions.

The Governor includes Article 18 to create a Division of Advocacy in the Office of Health and Human Services for budgetary and administrative purposes. The agencies transferred into the new division, the Office of the Child Advocate, Office of the Mental Health Advocate, Governor's Commission on Disabilities, and Commission on the Deaf and Hard of Hearing will retain their statutory authority. The Governor includes \$2.1 million for the division, of which \$2.0 million is general revenues. Of that total recommendation, \$0.4 million is for the Commission on Disabilities. She includes 17.0 positions, 4.0 for the Commission.

Target Issues. The Budget Office provided the Commission with a general revenue target of \$375,109. The amount includes current service adjustments of \$17,214. The Commission was not required to meet a target that includes a reduction to current services. *The Governor's recommendation is \$6,317 above the target.*

FY 2016 Budget	Commission on		
	Budget Office	Disabilities	Difference
FY 2015 Enacted	\$ 358,275	\$ 358,275	\$ -
Current Service Adjustments	17,214	30,505	13,291
<i>Change to FY 2015 Enacted</i>	<i>\$ 17,214</i>	<i>\$ 30,505</i>	<i>\$ 13,291</i>
FY 2016 Current Service/Unconstrained Request	\$ 375,109	\$ 391,624	\$ 13,291
Target Reduction/Initiatives	-	(25,175)	(25,175)
FY 2016 Constrained Target/Request	\$ 375,109	\$ 375,109	\$ -
<i>Change to FY 2015 Enacted</i>	<i>\$ 16,834</i>	<i>\$ 16,834</i>	<i>\$ -</i>

The constrained budget submitted by the agency is consistent with the Budget Office target. The proposals to achieve the reductions are noted among the items described below where appropriate.

Salaries and Benefits. The Commission's unconstrained request includes \$376,525 from all sources for salaries and benefits for its 4.0 full-time equivalent positions, including \$34,521 more from general revenues and \$4,016 less from federal funds. This reflects funding for current staffing levels and the end of federal Help America Vote Act funding partially offset by additional federal Americans with Disabilities Act funds. This includes statewide adjustments consistent with Budget Office planning values including a cost-of-living adjustment. The Commission does not assume turnover savings, consistent with the enacted budget.

The Commission's constrained request includes \$16,076 less from general revenues to reflect 11.0 unpaid furlough days.

The Governor recommends \$6,990 less from general revenues than the unconstrained request, \$9,656 more from federal funds and \$16,644 more from restricted receipts to fully fund all positions. This does not include furlough days.

Help America Vote Act Grants. The Commission indicates that FY 2015 is the last year that it will be able to spend federal Help America Vote Act funds. The Commission does not request funding for FY 2016. The funds are only authorized to be spent until September 2016, at which point all unspent funds will be refunded to the federal government. The federal funding had supported polling place renovations and inspections since 2003. *The Governor recommends funding as requested.*

Fellowships. The Commission requests \$18,398 which is \$7,359 less than enacted from federal funds and the enacted level of \$14,718 from general revenues for fellowships. This reflects full funding for three Mary Brennan Fellowships and one federally funded Americans with Disabilities Act Fellowship. These fellows aid in producing a weekly newsletter on state legislation, updating the Commission's websites and social media accounts, and compiling information in order to advocate for the disabled. *The Governor recommends funding as requested.*

Other Operations. The Commission requests \$35,181 from all sources, including \$18,023 from general revenues, \$7,149 from federal funds and \$10,009 from restricted receipts for all other Commission operations. This includes \$1,172 less from general revenues, \$51,145 less from federal funds and \$832 more from restricted receipts. The federal fund reduction primarily reflects the end of Help America Vote Act funding and associated election activities.

The Commission's constrained request eliminates some printing costs for some program information brochures for savings of \$439 from general revenues. *The Governor recommends \$3,208 less than*

requested for office expenses and translator services. This is 4.4 percent more from general revenues and 14.7 percent more from all funds than the Department spent in FY 2014.

Accessibility Capital Projects. The Commission requests \$1.5 million from Rhode Island Capital Plan funds for accessibility renovations to state-owned facilities. This is \$0.5 million more than enacted which increases the overall scope of the project for FY 2016. The Commission plans to continue renovations of state facilities identified by a comprehensive engineering and accessibility survey completed in FY 2012. *The Governor recommends \$1.0 million in FY 2016 and transfers the oversight accessibility project to the Department of Administration's budget. The Commission would continue to prioritize projects. Specific project information is included in the Capital Budget section of this publication.*

Office of the Mental Health Advocate

	FY 2015		FY 2015		FY 2016	
	Enacted		Revised		Request	FY 2016 Recommended*
Expenditures by Category						
Salaries and Benefits	\$ 480,514	\$	489,359	\$	627,931	\$ -
Contracted Services	1,800		3,300		3,300	-
Subtotal	\$ 482,314	\$	492,659	\$	631,231	\$ -
Other State Operations	12,696		13,419		11,219	-
Aid to Local Units of Government	-		-		-	-
Assistance, Grants, and Benefits	-		-		-	-
Capital	-		-		-	-
Capital Debt Service	-		-		-	-
Operating Transfers	-		-		-	-
Total	\$ 495,010	\$	506,078	\$	642,450	\$ -
Sources of Funds						
General Revenue	\$ 495,010	\$	506,078	\$	642,450	\$ -
Federal Aid	-		-		-	-
Restricted Receipts	-		-		-	-
Other	-		-		-	-
Total	\$ 495,010	\$	506,078	\$	642,450	\$ -
FTE Authorization	3.7		3.7		5.0	

**Transferred to the newly created Division of Advocacy in the Office of Health and Human Services*

Summary. The Office of the Mental Health Advocate requests \$642,450 from general revenues, \$147,440 more than enacted. The request funds 5.0 positions, which is 1.7 above the current authorization.

The Governor includes Article 18 to create a Division of Advocacy in the Office of Health and Human Services for budgetary and administrative purposes. The agencies transferred into the new division, the Office of the Child Advocate, Office of the Mental Health Advocate, Governor's Commission on Disabilities, and Commission on the Deaf and Hard of Hearing will retain statutory authority. The Governor includes \$2.1 million for the division, of which \$2.0 million is general revenues. Of that total, \$0.5 million is for the Office of the Mental Health Advocate. She includes 17.0 positions, 4.0 for the Office of the Mental Health Advocate.

Target Issues. The Budget Office provided the Office with a general revenue target of \$518,888. The amount includes current service adjustments of \$23,878. The Office was not required to meet a target that contained a reduction to current services. *The Governor's recommendation is \$10,637 less than the target.*

FY 2016 Budget	Mental Health		
	Budget Office	Advocate	Difference
FY 2015 Enacted	\$ 495,010	\$ 495,010	\$ -
Current Service Adjustments	23,878	27,178	3,300
New Initiatives	-	120,262	120,262
Change to FY 2015 Enacted	\$ 23,878	\$ 147,440	\$ 123,562
FY 2016 Current Service/Unconstrained Request	\$ 518,888	\$ 642,450	\$ 123,562
Target Reduction/Initiatives	-	-	-
FY 2016 Constrained Target/Request	\$ 518,888	\$ 642,450	\$ 123,562
<i>Change to FY 2015 Enacted</i>	\$ 23,878	\$ 147,440	\$ 123,562

Positions. The Office requests \$120,262 from general revenues for 1.3 more positions than authorized, including a new social worker position to assist with non-legal issues that the Office addresses with its clientele, such as housing and health care, and to convert a part-time attorney to full-time to address current caseloads. This is consistent with its revised request. *The Governor includes the attorney upgrade in the Division of Advocacy.*

Other Salary and Benefit Adjustments. The Office requests \$507,669 for all other salary and benefit adjustments to fully fund 3.7 positions. The request is \$27,155 more than enacted including \$16,746 for the statewide cost-of-living adjustments and \$10,409 for updated benefit rates. *The Governor includes \$0.4 million for all other staffing in the Division of Advocacy.*

Other Operations. The Office requests \$14,519 for other operations. This is \$23 more than enacted and includes \$3,000 for psychiatric evaluations, which is \$1,500 more than enacted and consistent with the revised request. Since the evaluations are as-needed, the Office indicates it based the cost on past spending. However, the Office spent \$3,900 in FY 2012, \$1,500 in FY 2013 and had no expenses in FY 2014. The Office also reduced all other operating expenses by \$1,477. *The Governor adds \$10,000 in the Division of Advocacy for new furniture. She also recommends \$1,600 less than requested for other expenses, primarily from excluding the additional funds for evaluations.*

Department of Elementary and Secondary Education

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Program				
State Aid	\$ 776,696,153	\$ 777,160,523	\$ 831,731,933	\$ 824,689,996
School Housing Aid	67,949,504	68,100,072	70,907,110	90,907,110
Teachers' Retirement	89,529,396	89,005,049	92,870,550	92,805,836
RI School for the Deaf	6,823,642	6,941,770	7,297,455	7,384,095
Central Falls School District	39,010,583	39,010,583	39,557,421	39,369,337
Davies Career & Technical School	19,084,650	20,111,787	18,433,051	18,433,051
Met. Career & Tech. School	11,762,017	12,491,931	3,235,993	100,000
Administration	235,240,412	238,982,674	228,843,194	229,186,671
Total	\$1,246,096,357	\$1,251,804,389	\$1,292,876,707	\$1,302,876,096
Expenditures by Category				
Salaries and Benefits	\$ 40,294,601	\$ 40,407,428	\$ 40,247,202	\$ 40,299,588
Contracted Services	39,777,947	42,719,229	38,787,581	38,180,655
Subtotal	\$ 80,072,548	\$ 83,126,657	\$ 79,034,783	\$ 78,480,243
Other State Operations	12,793,383	12,916,511	14,668,934	13,300,934
Aid to Local Units of Government	1,126,947,588	1,119,475,792	1,163,422,336	1,157,185,568
Assistance, Grants, and Benefits	20,060,664	18,100,607	18,758,579	20,016,579
Capital	6,222,174	7,129,338	6,553,238	3,379,157
Capital Debt Service	-	-	-	-
Operating Transfers	-	11,055,484	10,438,837	30,513,615
Total	\$1,246,096,357	\$1,251,804,389	\$1,292,876,707	\$1,302,876,096
Sources of Funds				
General Revenue	\$1,004,400,123	\$1,003,585,213	\$1,054,667,353	\$1,067,340,856
Federal Aid	208,495,934	213,815,072	201,656,025	202,962,314
Restricted Receipts	26,953,972	27,384,533	28,985,248	28,948,926
Other	6,246,328	7,019,571	7,568,081	3,624,000
Total	\$1,246,096,357	\$1,251,804,389	\$1,292,876,707	\$1,302,876,096
FTE Authorization				
Administration	154.9	158.4	152.4	153.4
Davies	126.0	126.0	126.0	126.0
School for the Deaf	60.0	60.0	59.0	60.0
Total Authorized Positions	340.9	344.4	337.4	339.4

Summary. The Board requests \$1,292.9 million from all sources of funds, including \$1,054.7 million from general revenues, \$201.7 million from federal funds, \$29.0 million from restricted receipts and \$7.6 million from other funds. The request is \$46.8 million more than enacted, including increases of \$50.3 million from general revenues, \$2.0 million from restricted receipts and \$1.3 million from other funds with \$6.8 million less from federal funds. The staffing request includes 337.4 full-time equivalent positions, 3.5 positions less than enacted. The Department also submitted a constrained

request that totals \$1,289.4 million, including \$1,051.2 million from general revenues which is \$3.5 million and 2.0 full-time equivalent positions less than the unconstrained request.

The Governor recommends \$1,302.9 million, which is \$56.8 million more than enacted and \$10.0 million more than requested. She recommends \$1,067.3 million from general revenues, which is \$62.9 million more than enacted and \$12.7 million more than requested. She fully funds the fifth year of the funding formula adopted by the 2010 Assembly and recommends an additional \$20.0 million for school construction aid.

Federal funds are \$1.3 million more than requested from an additional Race to the Top grant and Rhode Island Capital Plan funds are \$3.9 million less to reflect the Governor's capital budget proposal. She includes 339.4 full-time equivalent positions which is 2.0 more than requested to restore a position at the School for the Deaf and 1.0 new position to oversee the School Building Authority Capital Fund. This is 5.0 positions less than the revised recommendation to reflect the elimination of Race to the Top positions that were not shifted to general revenue funding.

Target Issues. The Budget Office provided the Department with a general revenue target of \$1,051.2 million. The amount includes current service adjustments of \$46.9 million and a 7.5 percent target reduction, adjusted for certain exclusions, of \$2.0 million. The constrained budget submitted by the agency is \$1.9 million above the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's general revenue recommendation is \$18.1 million above the constrained target.*

FY 2016 Budget	Budget Office	Elementary and Secondary Ed.	Difference
FY 2015 Enacted	\$ 1,004,400,123	\$ 1,004,400,123	\$ -
Current Service Adjustments	46,921,575	47,767,230	845,655
New Initiatives	-	2,500,000	2,500,000
<i>Change to FY 2015 Enacted</i>	<i>\$ 46,921,575</i>	<i>\$ 50,267,230</i>	<i>\$ 3,345,655</i>
FY 2016 Current Service/ Unconstrained Request	\$ 1,051,245,923	\$ 1,054,667,353	\$ 3,345,655
Target Reduction/Initiatives	(1,974,201)	(3,486,458)	(1,512,257)
FY 2016 Constrained Target/Request	\$ 1,049,271,722	\$ 1,051,180,895	\$ 1,909,173
<i>Change to FY 2015 Enacted</i>	<i>\$ 44,871,599</i>	<i>\$ 46,780,772</i>	<i>\$ 1,909,173</i>

Education Aid. The Board requests \$776.5 million for state aid to local school districts, not including Central Falls School District and the Met School. This represents the fifth year of the education funding formula adopted by the 2010 Assembly. The request is \$37.2 million more than the enacted level based on updated data including enrollment and poverty. This is consistent with the Budget Office current service calculation. *The Governor recommends \$0.3 million more than requested to reflect updated data based on the funding formula calculation.*

Central Falls School District. The budget includes \$39.6 million from general revenues to support the Central Falls School district for FY 2016, which is \$0.5 million more than enacted. The increase reflects year five of the funding formula as well as an allocation from the stabilization fund. The formula includes a stabilization fund to stabilize the Central Falls school district until the city can begin paying its local share. This is the second year the Department has requested stabilization funding and it includes \$3.7 million in its request, \$1.9 million more than enacted. The request also includes a \$1.3 million reduction representing year five of the funding formula. This reduction reflects a declining Central Falls enrollment primarily due to the proliferation of charter schools. *The Governor recommends \$188,084 less than requested to correctly show the amount requested based on the funding formula calculation.*

Metropolitan Career and Technical School. The Board requests \$9.9 million for the Metropolitan Career and Technical School, which is \$0.6 million less than enacted. The Met School is funded pursuant to the funding formula with the state paying a state share for each student and the sending districts contributing a local share. The decline is related to the transition from total state support to the formula which includes local support and a lower cost per student.

Using projected FY 2016 enrollments of 838 free and 618 reduced price lunch students, total formula aid is projected to be \$10.5 million, or approximately \$3.5 million less than FY 2015 enacted aid. This decrease will be transitioned over five years, the remainder of the ten-year transition plan. The projected FY 2016 share of the decrease, \$588,717, will be offset by projected increases in local share of \$1.1 million, which yields a net increase of \$0.5 million. The local revenue estimate uses FY 2015 tuition rates and will change when the FY 2016 tuition rates become available. However, it appears the request may have been developed on the prior year's data, since the request was submitted prior to certain reporting dates and the request is less than the estimated education aid for FY 2016, using the updated data.

The Department requests that the funding for the Met School be included in the Education Aid formula and not separate, as it is currently shown. The Met is now financially responsible for the costs of transporting students to and from school from respective sending districts within the applicable transportation regions; however, the state's other regional career and technical centers do not bear the cost of student transportation since sending districts remain responsible for transporting their students to their respective centers. Therefore, while the school's budget is being reduced as a result of funding formula calculations, the school must also absorb within its operating budget the cost of transportation of its students.

The Governor recommends \$74,778 more than requested to correctly reflect the amount based on the funding formula calculation using the updated data. The recommendation includes the funding in the Education Aid appropriation line and not as a separate line, as has been the case historically.

Career and Technical Education Categorical Funding. The Board requests \$4.5 million for career and technical education categorical funding for FY 2016, which is \$1.0 million more than enacted. The request reflects year five of the ten-year phase in period. The funding formula allows for additional resources from the state to districts for high-cost special education students, high-cost career and technical programs, early childhood education programs, transportation costs and a limited two-year bonus for regionalized districts. Funding is used to help transform existing programs or create new programs and to help offset costs associated with facilities, equipment maintenance and repairs and supplies. The Department developed criteria for the purpose of allocating funds provided by the Assembly each year and prorates the funds available for distribution among those eligible school districts if the total approved costs for which districts are seeking reimbursement exceed the amount of funding appropriated in any fiscal year. There was an expectation that funding for these expenditures would grow annually as the funding formula was phased-in. *The Governor recommends the enacted level, which is \$1.0 million less than requested.*

Early Childhood Categorical Funding. The Board requests \$4.0 million for early childhood categorical funding as part of the education funding formula, which is \$1.0 million more than enacted. The request reflects year five of the ten-year phase in period. The funding formula allows for additional resources from the state to districts for high-cost special education students, high-cost career and technical programs, early childhood education programs, transportation costs and a limited two-year bonus for regionalized districts. Funding is used to increase access to voluntary, free, high-quality pre-kindergarten programs. In FY 2015, nine organizations are receiving funds through a request for proposal process. This pilot program began in FY 2010 with \$700,000. *The Governor recommends funding as requested.*

High Cost Special Education. The Board requests \$2.5 million for high cost special education students as part of the education funding formula, which is \$1.0 million more than enacted. The request reflects year five of the ten year phase-in period. The education formula allows for additional resources from the state to districts for high-cost special education students, high-cost career and technical programs, early childhood education programs, transportation costs and a limited two-year bonus for regionalized districts. The state assumes the costs related to high cost special education students when those costs exceed five times the district's combined per pupil core instruction amount and student success factor amount. The Department prorates the funds available for distribution among those eligible school districts if the total approved costs for which districts are seeking reimbursement exceed the amount of funding appropriated in any fiscal year. The Department has indicated that the total cost of full implementation for FY 2015 would be \$10.4 million; the FY 2016 estimate is still being developed as of December 22, 2014. *The Governor recommends funding as requested.*

Transportation Categorical Funding. The Board requests \$5.4 million for transportation categorical funding, which is \$1.1 million more than enacted. The request reflects year five of the ten-year phase in period. The funding formula allows for additional resources from the state to districts for high-cost special education students, high-cost career and technical programs, early childhood education programs, transportation costs and a limited two-year bonus for regionalized districts. The state provides funding to mitigate the excess costs associated with transporting students to out-of-district non-public schools and within regional school districts for those districts participating in the statewide transportation system. The state and regional school district share equally the student transportation costs net any federal sources of revenue for these expenditures. The Department prorates the funds available for distribution among those eligible school districts if the total approved costs for which districts are seeking reimbursement exceed the amount of funding appropriated in any fiscal year. There was an expectation that funding for these expenditures would grow annually as the funding formula was phased-in.

The Governor recommends \$2.4 million for FY 2016 for the fifth year of funding, a \$2.0 million decrease from the enacted level and \$3.1 million less than requested to reflect her proposal to repeal the requirement that local education agencies provide transportation for students attending private schools. The recommended funding is for the regionalized districts only and the Governor includes the legislation for this change in Article 6.

School Breakfast. The Board requests the enacted level of \$270,000 for the administrative cost reimbursement to districts for the school breakfast program. Food is paid from federal sources. The 2005 Assembly passed legislation to provide a per breakfast subsidy, subject to appropriation, to school districts based on each district's proportion of the number of breakfasts served in the prior school year relative to the statewide total in the same year. *The Governor recommends funding as requested.*

Textbook Reimbursement. The Board requests the enacted level of \$240,000 from general revenues for textbook reimbursement. The state reimburses districts for the cost of providing textbooks to non-public school students in the areas of English/language arts and history/social studies in kindergarten through 12th grade. *The Governor recommends legislation contained in Article 6 to eliminate the requirement that municipalities provide textbooks for non-public school students and eliminates funding for the reimbursements allowed under the program for savings of \$240,000. The law currently requires districts provide these books to all grades for all pupils living in the district, regardless of location of the school they are attending.*

All Day Kindergarten Pilot Program. The Board requests the enacted level of \$250,000 from general revenues for the full-day kindergarten incentive grant program which provides one-time, startup funding for school districts that move from offering a part-time kindergarten to a full-day kindergarten. The

Commissioner shall approve up to four eligible districts per year to voluntarily implement a full-day kindergarten program and appropriate funds based upon criteria established by the Commissioner. Funding was historically provided through the full-day kindergarten investment fund that was established by the 2000 Assembly and funded until FY 2012 with the implementation of the education funding formula. Funding was appropriated based on the number of students enrolled in full-day kindergarten programs and the tax equity index of each district. This program is intended to support startup costs associated with moving from a part-time to a full-time kindergarten. *The Governor recommends funding as requested.*

Teacher Diversity. The Department does not currently have a policy on the selection of diverse teachers, since hiring of teachers is at the discretion of the districts, with the exception of the state-operated schools. The Governor recommends \$250,000 from general revenues for a new program to focus the Department's efforts on recruiting a more diverse pool of educators to reflect the demographics of students in high need communities around the state. Financing will be available to approved teacher preparation programs. *The Budget did not include legislation or additional information regarding the duration or scope of the program.*

Progressive Support and Intervention. The Department requests \$2.5 million in general revenue funding to restore the Progressive Support and Intervention program. The 2011 General Assembly eliminated the general revenue support for these activities in the FY 2012 budget as they were being funded through federal Race to the Top funds. The Department requests reinstatement of these general revenue funds for direct grant support for the state's lowest performing schools to cover a portion of the costs of school improvement and turnaround for the eligible districts of Providence, Central Falls, Pawtucket, East Providence, Newport, and Cranston, direct financial support to cover a portion of the costs necessary to fund the teacher induction program which provides various supports to new teachers, and support for the continued development and implementation of the school improvement monitoring process which is a system used to track various indicators of progress for the lowest performing schools on a monthly basis.

The Department excludes this request from its constrained budget. *The Governor excludes this funding, consistent with the constrained request.*

Education Telecommunication Access Fund. The Department requests \$2.8 million, including \$1.0 million from general revenues and \$1.8 million from restricted receipts, to fully fund the education telecommunications access fund and related salaries and benefits for FY 2016. This is \$1.4 million more than enacted, including \$0.6 million more from general revenues; of the increase, \$1.3 million is from higher requests from local education agencies and expected increases in internet costs. The recent upgrades to the technology infrastructure in classrooms throughout the state and programs built from Race to the Top funds have increased the availability and usage of internet services by both teachers and students, which is the largest contributor to the requested increase in expenditures. The request includes \$0.2 million from restricted receipts for 1.0 position, which is \$0.1 million and 0.4 additional positions than included in the enacted budget to reflect more staff time spent on this program than in the past and \$7,018 for the cost-of-living adjustment.

The education telecommunications access fund is designed to provide financial assistance to qualified libraries and schools to acquire, install, and use telecommunications technologies to access the Internet. This fund is supported by a \$0.26 monthly surcharge levied upon each residence and business telephone access line, supported by general revenues when surcharge revenues are insufficient. The federal allocation varies based on the result of the local education agencies' technology surveys and applications and the number of students eligible for free and reduced price lunches.

Based on the first five months of FY 2015, the Department will collect \$0.8 million from the monthly surcharge levied upon each residence and business telephone access line, which is \$0.9 million less than requested and \$0.5 million less than the Department's revenue estimate for both FY 2015 and FY 2016. The \$1.0 million from general revenues will allow the Department to fully fund the districts based on this year's grant requests if surcharge revenues are close to the Department's estimate; however, revenues normally decrease each year as fewer landlines are utilized while the Department's estimate assumes an increase in revenues.

As part of its constrained request, the Board reduces the general revenue request by \$0.6 million, to \$0.4 million, consistent with the FY 2015 enacted level from general revenues. The Department has not determined how a reduction would be allocated to all of the districts.

The Governor recommends \$2.2 million from all sources, including \$0.4 million from general revenues. She excludes the additional general revenues, consistent with the constrained request, and adds \$21 to adjust staffing costs.

Group Home Aid. The Board requests \$5.1 million to fund beds for communities hosting group homes, which is \$1.0 million less than enacted as a result of 17 fewer beds and consistent with funding changes adopted in the enacted budget. The request deducts the impact of group home beds from the education funding data which results in a decrease in funding that is phased-in over the remaining years of the transition period. The reduction is shown in the group home aid total rather than the formula aid total. This is consistent with the enacted budget, which is a departure from prior practice in which the required fixed payment is made for each bed open as of December 31 outside the other formula distributions.

The 2007 Assembly made statutory changes to align the payment of communities' group home aid to reflect more closely the actual number of group home beds open at the time of the budget. The legislation uses the count of beds that are open as of December 31 for the budget year's aid.

The Governor recommends \$5.1 million for group home aid, based on 431 beds. This is \$2,798 more than requested to reflect the additional impact of two added beds in Burrillville in FY 2015 on the education funding data that is phased-in over the remaining years of the transition period.

School Housing Aid. The Board requests \$70.9 million from general revenues for school housing aid. This is \$3.0 million more than the enacted amount for projects expected to be completed in FY 2014 but delayed until FY 2015 and new projects expected to be completed in FY 2015. The state reimburses cities and towns for capital school projects; reimbursement is on the cost of the project, including interest on bonded projects, and does not begin until the projects have been completed. *The Governor recommends funding as requested, but also includes legislation and funding for a new program, discussed separately.*

School Building Authority Capital Fund. On May 1, 2015, the moratorium on approvals of new school housing projects that do not yet have Board approval, with exception for projects necessitated by health and safety reasons, will expire. The Department estimates a need of approximately \$70 million per year to support approved and anticipated new projects.

The Governor includes legislation in Article 9 to establish a new School Building Authority Capital Fund and recommends \$20.0 million from general revenues available from debt restructuring to start the Fund. The funding would be transferred to the Rhode Island Health and Educational Building Corporation and be used for financial assistance and loans for school construction projects.

The Governor also creates a School Building Authority office within the Department of Elementary and Secondary Education to oversee the Fund and includes authorization for 1.0 new position to administer the program; however, the recommendation does not include any funding for the position.

Teacher Retirement. The Board requests \$92.9 million to fund the state's share of the employer contribution for teacher retirement costs, an increase of \$3.3 million to the FY 2015 enacted level based on FY 2016 rates and a 2.0 percent growth in teacher payroll. Prior to changes enacted in a special legislative session during the fall of 2011, teachers had contributed 9.5 percent of their salaries; beginning July 1, 2012, teachers contribute 8.75 percent. That rate is set in the General Laws. Employers pay the difference between the teachers' share and the amount needed to support the system, as determined annually by the State Employees' Retirement System. The state pays 40.0 percent of the employer's share. *The Governor recommends \$92.8 million, \$0.1 million less than requested to reflect revisions to payroll growth assumptions based on FY 2014 experience.*

Statewide Student Transportation System. The Board's request for \$17.5 million is \$1.0 million more than enacted from restricted receipts for the statewide transportation system. This adjustment is essentially consistent with the revised request; it includes increased rates from a new contract and the addition of buses and routes. The revised request includes a 5.5 percent increase and the FY 2016 request is 2.0 percent above the revised estimate for an increase of 5.9 percent to the enacted level.

The 2009 Assembly adopted legislation mandating the use of a statewide transportation system for special needs students and the eventual implementation of the transportation system for all students; this has been implemented for special needs students and for out-of-district transportation. Districts reimburse the state for its share of the cost, offsetting this expenditure. All fees paid for transportation services under the statewide system are paid into a restricted receipt account. The legislation allows the Commissioner of Elementary and Secondary Education to grant a variance to the requirement for the purchase of transportation services through the statewide transportation system for non-public and non-shared routes if an alternative system is more cost effective. The Department has indicated that some districts are able to transport their non-public students at a cheaper cost than through the statewide system. *The Governor recommends funding as requested.*

Race to the Top - Early Childhood. The Department requests \$4.6 million from Race to the Top – Early Childhood grant funds, which is \$0.9 million more than enacted as a result of the utilization of larger than anticipated carryover funds and the remainder of the grant award. In December 2011, the state was awarded \$50.0 million to be used to improve education for pre-school students. The Department also requests \$1.3 million from this grant for salaries and benefits that are not included in this total. This grant involves multiple human service agencies and the Department of Elementary and Secondary Education with funding allocated over four years beginning in FY 2012 and ending December 31, 2015.

The Governor includes an additional \$1.3 million from federal funds to reflect receipt of a Preschool Development Expansion grant which will be used to expand access to pre-kindergarten programs for all children, especially those in the seven communities that have more than 50 percent of children enrolled in free and reduced price lunch, and also expand upon the state's processes and supports to ensure implementation of the program. FY 2016 is the first year of the four-year grant award.

Nutrition Grants. The Board requests authorization to spend \$53.5 million from federal nutrition program funds. This is \$0.7 million more than the enacted level to reflect an increase in school lunch program participation as well as the number of free meals being served. *The Governor recommends funding as requested.*

Special Education Grants. The Board requests authorization to spend \$44.7 million, \$0.3 million less than enacted from federal special education funds to reflect fewer than anticipated carryover funds and updated awards. The funds are distributed to school districts and provide administrative support. Most of the funds must be distributed to local education agencies serving children directly. Federal funds are combined with state and local funds to provide children with disabilities free and appropriate public education, including special education and related services. *The Governor recommends funding as requested.*

Title I Grants. The Board requests \$54.1 million in federal fund expenditures from Title I funds. This is \$1.6 million more than enacted from the restoration of most of the latest sequestration reduction related to the disadvantaged youth program. Title I funds go directly to local schools, where they are used to provide extra help to low-achieving students. Title I fund distributions to states are calculated through four distinct formulas based upon different levels of poverty; however, funds are allocated to districts as one amount. *The Governor recommends funding as requested.*

Vocational Education Grants. The Board requests \$5.5 million from federal vocational education grants. This is \$0.3 million more than the enacted level to reflect the actual grant awards. Vocational Education funds are used to improve vocational educational programs statewide. *The Governor recommends funding as requested.*

Teacher Quality/Professional Development Grants. The Board requests \$12.4 million from federal funds that support teacher quality and professional development. This is \$0.9 million less than enacted to reflect a reduction in available grants. *The Governor recommends funding as requested.*

Channel 36 Transition Grant. The FY 2014 budget included \$300,000 and the FY 2015 enacted budget includes \$250,000 as pass through grants to assist in the transition of Channel 36 from a state agency to control of the Rhode Island PBS Foundation. The request excludes future funding to Channel 36/RIPBS, based on the assumption of a limited 2-year commitment.

The Governor recommends \$250,000 from general revenues for a third year of grant funding in order to provide a total of \$800,000. It appears this was based on a request from RIPBS and was intended to be only \$200,000.

Longitudinal Data Systems. The Board requests \$1.8 million from federal funds for information technology expenses to develop statewide data hubs, networks and a data warehouse. This is \$0.3 million more than enacted to reflect updated project schedules and grant awards. These data projects are aimed at linking and tracking student data from elementary grades through post-secondary schooling, including adult and vocational education programs and health indicators, to show statewide trends and patterns of student progress and outcomes. *The Governor recommends funding as requested.*

State Assessments. The Board requests \$3.6 million from federal grants for state assessments, which is \$155,000 or 4.1 percent less than enacted reflecting anticipated expenditures. This is consistent with the FY 2015 revised request. These grants are used to support the development of the additional state assessments and standards required by federal law. These grants are also used to support the administration of those assessments or to carry out other activities related to ensuring that the state's schools and local educational agencies are held accountable for results. *The Governor recommends funding as requested.*

Adult Education Grants. The Board requests the enacted level of \$5.5 million for adult education grants for FY 2016, including \$2.0 million from general revenues and \$3.5 million from Human

Resource Investment Council funds. The Department administers adult education grants that are used to fund local adult education programs and literacy services, including workplace literacy services, family literacy services, and English literacy and civics education programs. Participation in these programs is limited to adults and high school drop outs aged 16 and older. Approximately 6,000 students participate in these programs with 25 percent of the program attendees for GED preparation services, 50 percent for English as a second language services, and 25 percent for low level literacy services.

The 2014 Assembly passed legislation allowing for a waiver of the test fee. The budget does not include any funding for this. The Department has drafted the initial rules and regulations and indicated intent to submit them for preliminary approval by the Council on Postsecondary Education in February. After public comment and final approval from the Council, the Department may begin to issue waivers. The Department has not yet identified any sources of funding for these waivers or identified what existing services would be reduced to support the costs of any waivers. *The Governor recommends funding as requested.*

Vision Services. The Department's request eliminates the \$0.2 million from general revenue funding for vision services that is included in the enacted budget. This is the last year of a three-year transition of the costs for services provided by the Paul Sherlock Center to visually impaired students from state funds to local education agencies enacted by the 2012 General Assembly. *The Governor excludes this funding, consistent with the request.*

Department of Justice Settlement. The Department requests the enacted level of \$125,000 from general revenues for a federal monitor as part of a settlement with the United States Department of Justice for violations of Title II of the Americans with Disabilities Act. The Department of Justice discovered that individuals with intellectual and developmental disabilities were being segregated through a "Training Thru Placement" program sheltered at the Harold A. Birch Vocational Program at Mount Pleasant High School. The Department of Justice's investigation found that the majority of people receiving state and city-funded employment and daytime services through the segregated program could and wanted to work and receive services in more integrated community settings.

Under the Americans with Disabilities Act, people with disabilities have the right to receive services in the most integrated settings appropriate for them. As part of the settlement, the Department of Elementary and Secondary Education must make certain remedial actions. The appropriation request will fund the remedies and the cost of the federal monitor that would validate compliance.

In addition to the Department of Elementary and Secondary Education, the Office of Health and Human Services, the Departments of Human Services, and Behavioral Health Development Disabilities and Hospitals are included in the investigation. The settlement and monitoring fees will be allocated among these agencies. The Department spent \$44,862 in FY 2014 and anticipates spending \$125,000 in FY 2015 for the federal monitor and implementation of compliance programs.

As part of its constrained request, the Board eliminates this funding, citing that it has not been notified of any payments or expenditures that may be required in FY 2016; however, it is not clear if this reduction is feasible. The Consent Decree to develop and maintain compliance spans ten years, so eliminating the funds will likely go against the memorandum of understanding. *The Governor does not include any funding related to this settlement, consistent with the constrained request.*

Community Service Grants. The Board requests the enacted level of \$1.8 million from general revenues for 17 community service grants to community organizations. *The Governor recommends*

\$480,000 less than requested; however, it appears the intent was to remove the entire \$500,000 for a one time grant.

Performance Management. The Board requests \$0.1 million in new general revenue funding and authorization for 1.0 full-time equivalent position that would be responsible for continuing the operation and maintenance of the Department's performance management system. This is \$36,246 more than enacted from all sources and shifts existing staffing expenses funded from federal Race to the Top funds to general revenues since Race to the Top grant funds for this position ended in September 2014. The Department has attempted to continue the functions with existing staff since then, but indicates it is not sustainable. This position was requested for the FY 2015 budget, but not included as part of the Governor's recommendation or the enacted budget. *The Governor recommends the position and funding as requested.*

Education Specialist. The Board requests \$0.1 million and authorization for 1.0 full-time equivalent position that would be responsible for supporting the Rhode Island Evaluation Model and would be responsible for providing technical assistance to local education agencies. The FY 2015 enacted budget includes \$34,048 from federal Race to the Top funds for this position for three months; the position has been vacant for the full year, but a staff member has been performing the duties as needed to total approximately a 0.25 full-time equivalent position. Since the federal funds are no longer available in FY 2016, the request only includes general revenues for the position. The request assumes approximately three months of turnover savings from filling the position at the end of the first quarter of FY 2016. This position was requested to be added for the FY 2015 budget, but not recommended by the Governor or included in the enacted budget. *The Governor recommends the position and funding as requested.*

Data Systems Administrator. The Board requests \$0.1 million from general revenues and authorization for 1.0 full-time equivalent position that would be responsible for data services related to teacher certification, educator performance and working with local education agencies to ensure data quality. The tasks of this position have been supported by Race to the Top funds that will no longer be available in FY 2016. The position is filled and expected to remain filled during FY 2015, so it is not clear why the request assumes approximately three months of turnover savings from filling the position at the end of the first quarter of FY 2016. The request shifts federal expenses to general revenues and is \$40,250 less than the enacted level of funding because it assumes three months of vacancy. This position was requested to be added for the FY 2015 budget, but not recommended by the Governor or included in the enacted budget. *The Governor recommends the position and funding as requested.*

All Other Race to the Top Positions. The Board's request eliminates \$0.4 million from federal funds and 5.5 full-time equivalent Race to the Top positions in FY 2016 since the program ends June 30, 2015. The enacted budget includes 5.5 positions and the revised request includes 10.0 positions to complete the work in FY 2015 under a no-cost extension. This excludes the 3.0 previously discussed positions that the Board requests general revenue funding and authorization for to continue work started with federal Race to the Top funds. *The Governor excludes the funding and the 5.5 positions.*

All Other Salaries and Benefits. The Board's request includes \$19.6 million for the Department's other 148.4 administrative positions. This is \$0.2 million more from all funds, including \$0.6 million more from general revenues to reflect current service adjustments and the cost-of-living adjustment. It also includes \$0.3 million less from federal funds, primarily as a result of the end of the Race to the Top – Early Learning grant on December 31, 2015 and \$0.2 million less from restricted receipts. The request shifts positions around within the administrative program, shifts 0.4 position to the E-rate program, discussed separately, and includes turnover savings of \$1.3 million from maintaining

approximately 13 vacant positions in FY 2016, which is \$0.4 million and four additional positions than assumed in the enacted budget, based on the average cost per position of \$95,101 in the request.

Based on the request, the cost-of-living increase is \$0.9 million, including \$0.6 million from general revenues. The Administration reached agreements with its largest unions for a new four-year contract effective July 1, 2013 through June 30, 2017 that includes 2.0 percent salary increases effective April 6, 2014, October 5, 2014, and October 4, 2015, offset by increased cost sharing measures for medical benefits. The estimated cost for FY 2016 reflects approximately 5.6 percent growth over personnel expenditures for FY 2014.

The Governor recommends \$34,275 less than requested, including \$9,752 less from general revenues to reflect additional turnover and updates to available federal and restricted receipt funding.

Teacher Evaluation. The Department requests \$140,000 from general revenues to continue teacher evaluation support systems implemented with Race to the Top funds. This program was previously funded through Race to the Top federal funds, but will no longer receive funding when the Race to the Top grants end in FY 2015. The request includes funding for maintenance of the software that provides local education agencies with access to roster verification, schedule observations, keeping track of evaluation ratings and is linked to the teacher certification system. The Department indicates that if the funding is not provided, the local education agencies would have to replace the funds or the evaluation system would cease to operate. *The Governor recommends funding as requested.*

Assessment Tools. The Department requests \$150,000 from general revenues for the annual license fee to maintain student assessment tools, trainings and supports for teachers and local education agencies throughout the state. This program was previously funded through Race to the Top federal funds, but will no longer receive funding when the Race to the Top grants end in FY 2015. These funds would assist teachers by providing updated itemized development information for assessment training and data analysis, which is used by teachers to assess and address the strengths and weaknesses of the students and access tools to help make improvements to student success. The Department indicates that if the state does not continue to fund the upkeep and licensure requirements, the local education agencies would have to replace the funds or the evaluation system would cease to operate. *The Governor recommends funding as requested.*

Instructional Support System. The Department requests \$180,000 from general revenues to continue to provide maintenance and support for the Rhode Island Instructional Support System. This system combines curriculum, assessment, instructional practice tools, and student data for educators and administrators into one system. This program was the largest and most costly initiative developed with federal Race to the Top funds, requiring \$180,000 annually for its continued maintenance and operation. It will no longer receive federal funding when the Race to the Top grants end in FY 2015. The Department indicates that if the state does not continue to fund the maintenance and support requirements, the local education agencies would have to replace the funds or the support system would cease to operate. *The Governor recommends funding as requested.*

Single Sign-On System. The Department requests an additional \$75,000 from general revenues for the single sign-on system which provides services and resources to all users of the new data system created by the state for use by educators in the field. This program was previously funded through federal Race to the Top funds; the enacted budget includes \$32,000 from general revenues, but the Department indicates that the additional funding is needed to maintain and support this program as federal Race to the Top funding will no longer be available when the grant ends in FY 2015. *The Governor recommends funding as requested.*

All Other Race to the Top Expenses. The Board requests \$0.2 million to complete work on education reforms funded by the Race to the Top grant. This is \$7.3 million less than enacted, adjusted for the four items previously discussed where expenses are shifted to general revenues, from the federal grants ending June 30, 2015. The grant was scheduled to end on September 20, 2014; however, the state was able to receive a no-cost extension for certain projects. On August 24, 2010, Rhode Island was notified it would be awarded Race to the Top grant funds. The Department's total award of \$75.0 million will be spent by the end of FY 2015, with final payments of up to \$200,000 in FY 2016. A requirement of the award is that 50.0 percent of funds must be used directly for education aid; most of the remaining funds will be used for consultants and full-time equivalent positions. *The Governor recommends funding as requested.*

Met School Capital. The Board requests \$3.2 million from Rhode Island Capital Plan funds for two projects for the Metropolitan Career and Technical School. This is \$2.0 million more than enacted, including \$1.7 million for the HVAC project from increased costs from the first two buildings that are expected to continue through the remaining buildings and \$0.3 million for the various projects within the asset protection project. This is consistent with the capital request. *The Governor recommends \$3.1 million less than requested reducing the scope for both the HVAC and asset protection projects. A detailed analysis of the projects is included in the Capital Budget section of this publication.*

Other Capital. The Board requests \$2.8 million from Rhode Island Capital Plan funds for FY 2016 for capital projects at the state's career and technical centers. This is \$0.4 million less than enacted and includes work at the Warwick and Woonsocket career and technical centers; the Cranston center is expected to be completed in FY 2015. The state is making significant repairs and renovations at the career and technical centers for the districts to consider taking ownership of the facilities. *The Governor shifts \$0.8 million from FY 2016 to FY 2017 related to the Warwick career and technical center. A detailed description of these projects is included in the Capital Budget section of this publication.*

Grant and Programming Adjustments. The Board's request for \$20.8 million includes adjustments in state and federal expenditures producing a total decrease of \$0.4 million, including a reduction of \$6,000 from general revenues. Federal funds changes reflect actual grant awards and projected expenditures and include the end of several grants and increased awards for others. The request includes expenditures of \$8.1 million from general revenues, \$12.6 million from federal funds and \$0.1 million from restricted receipts. *The Governor recommends funding as requested.*

Davies Career and Technical School

Funding Formula. The Board requests \$17.3 million from all sources, including \$11.7 million from general revenues to fund Davies Career and Technical School for FY 2016, the fifth year of the funding formula. This is \$0.4 million less than enacted including \$0.6 million less from general revenues and \$0.2 million more from restricted receipts. Beginning with FY 2012, Davies falls under the education funding formula and its state aid is determined by the funding formula calculation just as any other local education agency would. FY 2016 is the fifth year of the funding formula. Using enrollments of 875 and 603 free and reduced price lunch students, total formula aid is projected to be \$8.1 million or approximately \$4.2 million less than FY 2015 enacted aid. This decrease will be transitioned over five years, the remainder of the ten-year transition plan.

The request assumes several positions will be filled that were assumed to remain vacant in the enacted budget and based on the request, the cost-of-living increase is \$0.6 million, primarily from general revenues; however, since the school is funded through the funding formula and only receives a single

allocation for the year, the school will have to find savings elsewhere within its allocation. *The Governor recommends funding as requested.*

Capital. The Board requests \$1.2 million from Rhode Island Capital Plan funds for capital projects at the Davies Career and Technical School. This is \$0.3 million less than enacted, including \$0.8 million less for the repair of the HVAC system and \$0.6 million more for general asset protection projects. *The Governor recommends funding as requested. A detailed description of these projects is included in the Capital Budget section of this publication.*

Rhode Island School for the Deaf

Salaries and Benefits. The Board's budget request contains \$6.3 million in salary and benefit expenditures for 59.0 full-time equivalent positions at the school. This is \$0.5 million more than enacted, including \$0.3 million more from general revenues as a result of benefit updates, the cost-of-living adjustment, several staffing adjustments and the elimination of one position, consistent with the revised request. The request assumes several positions will be filled that were assumed to remain vacant in the enacted budget and based on the request, the cost-of-living increase is \$0.3 million, primarily from general revenues.

As part of its constrained request, the Department proposes eliminating 2.0 full-time teacher positions for savings of \$0.3 million. This has been proposed in the past. The Department states that these layoffs would cause a significant detriment to the School's functions and result in non-highly qualified teachers assuming roles for which they are not prepared.

The Governor recommends \$86,640 more than the unconstrained request, including \$83,011 more from general revenues for 60.0 positions, which provides funding for the existing faculty and staff at the school. The Governor does not eliminate the positions offered in the constrained request, but does assume they will remain vacant unless other sources of funding become available.

All Other Operations. The Board requests \$1.0 million for all other operating expenditures for the School for the Deaf, including \$0.6 million from general revenues. The request is \$25,724 less than enacted including \$26,857 less from general revenues, \$44,200 less from federal funds, primarily from the expiration of federal Race to the Top funds in FY 2015, and an increase of \$45,333 from fee for service restricted receipts. The Board requests \$0.4 million for specialized care contracted services, such as speech pathologists, behavior specialists and personal care attendants, which is approximately \$36,000 more than enacted to reflect anticipated expenditures. The Board also includes the enacted level of \$59,000 from Permanent School funds for computer and information technology supplies and support. *The Governor recommends funding as requested.*

Public Higher Education

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Program				
Office of Postsecondary Commissioner	\$ 9,658,557	\$ 10,586,735	\$ 10,317,932	\$ 29,088,477
University of Rhode Island	743,589,467	733,962,103	736,108,492	717,786,562
Rhode Island College	171,374,139	175,117,201	178,543,640	178,733,154
Community College of RI	156,167,029	156,030,503	162,777,259	162,150,985
Total	\$1,080,789,192	\$1,075,696,542	\$1,087,747,323	\$1,087,759,178
Expenditures by Category				
Salaries and Benefits	\$ 458,686,332	\$ 464,708,242	\$ 473,912,894	\$ 471,607,946
Contracted Services	20,454,821	20,897,234	21,940,121	26,522,730
Subtotal	\$ 479,141,153	\$ 485,605,476	\$ 495,853,015	\$ 498,130,676
Other State Operations	195,928,291	197,299,397	195,444,452	195,663,850
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	306,515,026	289,413,011	291,788,172	302,760,114
Capital	44,342,111	51,281,068	49,385,429	37,818,980
Capital Debt Service	54,862,611	52,097,590	55,276,255	53,385,558
Operating Transfers	-	-	-	-
Total	\$1,080,789,192	\$1,075,696,542	\$1,087,747,323	\$1,087,759,178
Sources of Funds				
General Revenue	\$ 190,954,911	\$ 188,298,201	\$ 204,422,023	\$ 195,693,088
Federal Aid	5,092,287	5,099,787	4,214,637	15,442,544
Restricted Receipts	644,000	644,000	653,200	653,200
Other	884,097,994	881,654,554	878,457,463	875,970,346
Total	\$1,080,789,192	\$1,075,696,542	\$1,087,747,323	\$1,087,759,178
Uses of Funds				
Unrestricted Use Funds	\$ 615,755,668	\$ 623,612,330	\$ 651,935,208	\$ 644,143,834
Restricted Use Funds	465,033,524	452,084,212	435,812,115	443,615,344
Total	\$1,080,789,192	\$1,075,696,542	\$1,087,747,323	\$1,087,759,178
FTE Authorization	3,496.2	3,498.4	3,524.4	3,518.4
<i>Limited to Third Party Funds</i>	<i>750.8</i>	<i>750.8</i>	<i>750.8</i>	<i>745.8</i>
Total Authorized Positions	4,247.0	4,249.2	4,275.2	4,264.2

Summary. The Board requests \$1,087.7 million from all funds, including \$204.4 million from general revenues. This is \$7.0 million of new spending above the FY 2015 enacted budget for FY 2016 including \$13.5 million more in general revenue support, \$23.5 million more from other unrestricted sources and \$30.0 million less from restricted sources. The Board requests total funding from all sources of \$1,087.7 million for FY 2016, which is 0.6 percent growth over the FY 2015 enacted budget. The Board requests \$652.7 million from unrestricted use funds and \$435.0 million from restricted use funds. The unrestricted request represents 4.1 percent growth over FY 2015 revised expenditure projections; the restricted request represents a 4.7 percent reduction.

The Governor recommends \$1,087.8 million from all sources, which is \$7.0 million more than enacted. She recommends \$195.7 million from general revenues, which is \$4.7 million more than enacted and \$8.7 million less than requested. She transfers \$19.1 million and 15.0 full-time equivalent positions from the Rhode Island Higher Education Assistance Authority to the Office of Postsecondary Commissioner and recommends abolishment of the Authority as a stand-alone agency.

Target Issues. Historically the Board submits a current service budget in addition to the target budget required by the Budget Office. The Budget Office provided the Department with a general revenue target of \$184.1 million. The amount includes current service adjustments of \$5.7 million and a 7.5 percent target reduction, adjusted for certain exclusions, of \$12.5 million.

The constrained budget submitted by the agency is \$0.4 million above the target. The proposals to achieve the reductions are noted among the items described in each institution's section where appropriate. *The Governor's recommendation is \$11.6 million more than the target.*

FY 2016 Budget	Budget Office	Higher Education	Difference
FY 2015 Enacted	\$ 190,954,911	\$ 190,954,911	\$ -
Current Service Adjustments	5,704,873	13,467,112	7,762,239
Change to FY 2015 Enacted	\$ 5,704,873	\$ 13,467,112	\$ 7,762,239
FY 2016 Current Service/ Unconstrained Request	\$ 196,659,784	\$ 204,422,023	\$ 7,762,239
Target Reduction/Initiatives	(12,547,256)	(19,914,232)	(7,366,976)
FY 2016 Constrained Target/Request	\$ 184,112,528	\$ 184,507,791	\$ 395,263
<i>Change to FY 2015 Enacted</i>	<i>\$ (6,842,383)</i>	<i>\$ (6,447,120)</i>	<i>\$ 395,263</i>

Full-Time Equivalent Positions. The FY 2016 request includes authority for 4,275.2 full-time equivalent positions, provided that 750.8 of those positions would be limited to third-party sources. This is 28.2 more than the enacted level, including 2.2 new positions at the Office to reflect the new Commissioner's staffing plan, 21.0 more positions at the University and 5.0 positions at the Community College. The 2004 Assembly changed its treatment of research-funded positions to provide the institutions' estimates of staffing needs associated with additional research grants and other third-party funds. Article 1 separately lists the authorization for each institution and the Office of Higher Education and indicates how many positions are reserved for third-party funded activities.

The Governor recommends 4,264.2 full-time positions, which is 17.2 more than enacted. This includes the 2.2 positions added for the Office of Postsecondary Commissioner in FY 2015 and transfer of 15.0 positions from the Rhode Island Higher Education Assistance Authority in a proposed merger into the Office of Postsecondary Commissioner. It reduces authorization for third party funded positions by 5.0, increasing non-third party funded ones by a like amount at the Community College.

Current Year Revisions. Historically, the analyses have begun with an adjustment for the current year. Until FY 2005, the Board had statutory authority, which did not require legislative approval, to reallocate the enacted budget based on information available to it, including changes to revenues and needs. The 2004 Assembly rescinded that authority and established separate appropriation lines for the four operations. The Assembly did not change the budget request and submission process; the law continues to require the Board of Education to review, develop and submit the higher education budget that it receives and approves from the Council on Postsecondary Education. Also, the institutions retained their authority to use additional resources they received above appropriated amounts, such as research grants and additional tuition and fees.

The Board continues to review and approve each institution's allocation of all current year resources and describes its requested budget year items in terms of changes to those current year allocations. So that the analysis can be in terms of the items the Board specifies as requested, staff analysis starts from the allocations.

The Governor recommends \$8.1 million less than requested including \$3.5 million less from general revenues of which \$2.6 million reflects refunding savings on general obligation bonds for the University and College and \$0.5 million represents additional statewide medical benefit savings. She also recommends \$5.2 million less from Rhode Island Capital Plan funds to reflect her capital budget recommendations.

Higher Education Funding. Expenditures in Public Higher Education increased 63.5 percent during the period FY 2005 through FY 2015, which is an annual rate of 6.4 percent. Public Higher Education would grow 56.2 percent if the Board's FY 2016 request were funded, which is an annual rate of 5.6 percent. It should be noted that beginning in FY 2007, debt service expenditures, which had been shown in the budget of the Department of Administration from FY 2000 through FY 2006, are again shown in Higher Education's budget.

In Rhode Island, as in many other states, expenditures and sources for public higher education are generally broken into two categories: (1) *unrestricted* budget and (2) *restricted* budget. The distinction is extremely important to the understanding of public higher education funding.

The Governor's FY 2016 recommendation, adjusted for the transfer of the Higher Education Assistance Authority functions, represents 68.8 growth during the period of FY 2005 through FY 2016, which is an annual rate of 6.3 percent.

Unrestricted Budget. The unrestricted budget consists of those funds that can be used for any legitimate purpose. Those purposes fall within the education and general operations of the institutions. They include state general revenue appropriations, tuition and general fees, auxiliary indirect costs and miscellaneous revenue. The unrestricted budget is similar to the general revenue budget of other agencies and departments. The Board's unrestricted budget includes \$651.9 million, of which \$204.4 million is from general revenues. The general revenue portion is \$13.5 million more than the FY 2015 enacted budget; other unrestricted sources increase \$36.2 million.

The Governor recommends \$644.1 million from unrestricted sources, which is \$28.4 million more than enacted and \$7.8 million less than requested. General revenues are \$4.7 million more than enacted and \$8.7 million less than requested.

Restricted Budget. The restricted budget is composed of what are generally thought of as restricted receipt funds or enterprise funds. They include the residence hall funds, dining funds, parking funds where they occur, and any other funds whose sources are limited to use for certain purposes. Federal funds, including sponsored research overhead, are considered restricted use; the traditional display in the Governor's budget presentation breaks them out separately. The Board requests restricted budgets of \$435.8 million for FY 2016. This is a decrease of \$29.2 million, or 6.4 percent to the enacted FY 2015 level. Compared to the revised allocation, the request is \$21.4 million more. *The Governor recommends \$443.6 million, which is \$21.4 million less than enacted and \$7.8 million more than requested.*

Salaries and Benefits. The Board requests \$473.9 million for salary and benefit expenditures, of which \$386.1 million is from unrestricted sources and \$87.9 million is from restricted sources. The

request represents a \$25.3 million or 7.0 percent increase from the FY 2015 enacted level in unrestricted funding, and a \$10.1 million decrease in restricted funding, or 10.3 percent. Compared to the institutions' FY 2015 revised projections, the unrestricted increase is \$16.2 million or 4.4 percent and a \$7.2 million decrease in restricted funding, or 0.6 percent. The Board's request includes benefit adjustments consistent with Budget Office planning values and assumes successful outcome of contract negotiations with employee unions.

The Governor recommends \$6.0 million more than enacted and \$0.2 million less than requested. The unrestricted recommendation is \$21.5 million more than enacted and \$3.9 million less than requested. This includes \$0.5 million from general revenues for statewide medical benefit savings.

Contracted Services. The Board requests \$21.9 million for contracted services for FY 2016, of which \$14.0 million is from unrestricted sources and \$8.0 million is from restricted sources. This is \$1.5 million more than the FY 2015 enacted budget and \$1.1 million more than the FY 2015 revised allocation. Compared to the revised allocation, unrestricted sources increase \$1.6 million or 12.8 percent and restricted sources decrease \$0.5 million or 6.0 percent. *The Governor recommends \$0.4 million more than enacted and \$31,678 more than requested.*

Other Operating Expenses. The Board requests \$195.4 million for other operating expenditures in FY 2016, of which \$93.1 million is from unrestricted sources and \$102.3 million is from restricted sources. This is \$0.5 million less than the FY 2015 enacted operating expenses. Compared to the institutions' FY 2015 revised projections, the unrestricted increase is \$6.2 million, or 7.1 percent and the restricted budget decrease is \$7.6 million or 6.9 percent. *The Governor recommends \$1.4 million more than enacted and \$0.4 million more than requested.*

Grants and Scholarships. The Board requests \$291.8 million for total grants and scholarships expenditures for FY 2016, a decrease of \$14.7 million, or 4.8 percent to the enacted FY 2015 budget. The unrestricted budget accounts for \$117.3 million, a decrease of \$2.7 million, or 2.2 percent. The restricted budget includes \$174.5 million, a 6.5 percent increase of \$12.1 million.

Total scholarships, grants, waivers and other aid from the three institutions would provide aid equal to 29.9 percent of the tuition and mandatory fees based on the Board's current service budget. Revised FY 2015 estimates are for 30.0 percent. For FY 2014, that share was 29.4 percent. External student aid also includes the Ford Direct Student Loan and Parent Loan programs at the University. The University requests \$96.7 million related to the Ford Loans for FY 2016. The Ford Loan program began in FY 1996 with loans of \$33.8 million.

The Governor recommends \$3.8 million less than enacted and \$11.0 million more than requested. This includes the transfer of \$11.4 million from the Higher Education Assistance Authority to the Office of Postsecondary Commissioner. She includes language in Article 1 that requires the University to maintain internal student financial aid for FY 2016 at the FY 2015 level.

Capital. The Board requests \$49.4 million in total expenditures for capital outlays and improvements for FY 2016. The request includes \$34.5 million from Rhode Island Capital Plan funds of which \$17.8 million is for asset protection. It should be noted that the Rhode Island Capital Plan funds request is not consistent with the Board's five-year capital plan request. The operating budget excludes several new projects requested in the capital budget. *The Governor recommends \$6.9 million more than enacted and \$1.0 million less than requested. All projects are discussed in detail in the Capital Budget section of this publication.*

Debt Service. The Board requests \$55.3 million in total expenditures for debt service expenses for FY 2016. Of this total, \$35.9 million is unrestricted. General revenues are used to support general obligation bond debt service. *The Governor recommends \$2.8 million less than enacted and \$2.6 million less than requested to reflect savings from the refinancing of general obligation bond debt.*

Enrollment. FY 2016 enrollment, based on revised estimates, would be 31,345 full-time equivalent students, which is 0.1 percent more than the reported FY 2014 level. The Board's FY 2015 revised budget estimates a decrease of 1.0 percent at the University that reflects 115 fewer students overall and a change in the mix of in-state and out-of-state students. *The Governor's recommendation appears to reflect the Board's enrollment projections.*

Tuition and Fees. The Board's FY 2016 request includes \$409.6 million from tuition and fees. This represents a \$22.2 million, or 5.7 percent increase in revenues over the FY 2014 level and is \$14.1 million or 3.6 percent more than the revised allocation. The Board of Education approved tuition rates for FY 2016 at its December 2014 meeting. These include tuition and fee increases of 2.8 percent for in-state and out-of-state students at the University, 7.8 percent for in-state students at the College and 8.0 percent at the Community College.

It should be noted that the Board approved the tuition and fee rates for the College and Community College as requested. They changed the rates requested by the University which were 4.8 percent or \$600 for in-state and 2.3 percent or \$648 for out-of-state students.

The three institutions have proposed further tuition rate increases to offset the general revenue reduction contained in the constrained budget instead of making expenditure reductions. The Board of Education approved the tuition rates proposed as part of the current service budget at its December 2014 meeting. The Board would have to approve new rates consistent with the constrained request. It voted to "retain the right to readjust tuition based on the Governor's recommended budget and Assembly action." *The Governor's budget appears to assume tuition and fee increases consistent with those approved by the Board.*

Office of Postsecondary Commissioner

Office of Postsecondary Commissioner	FY 2015 Enacted	FY 2015 Gov. Rev.	FY 2016 Request	FY 2016 Governor
Expenditures by Category				
Salaries and Benefits	\$ 576,515	\$ 1,398,830	\$ 1,898,600	\$ 3,460,617
Contracted Services	129,000	252,000	152,500	5,262,500
Subtotal	\$ 705,515	\$ 1,650,830	\$ 2,051,100	\$ 8,723,117
Other State Operating	2,473,263	3,502,761	2,652,203	4,314,032
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	6,479,779	5,433,144	5,602,129	16,042,994
Capital	-	-	12,500	8,334
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 9,658,557	\$ 10,586,735	\$ 10,317,932	\$ 29,088,477
Sources of Funds				
General Revenue	\$ 4,566,270	\$ 5,486,948	\$ 6,103,295	\$ 5,785,323
Tuition and Fees	-	-	-	-
Other Unrestricted	-	-	-	-
Total Unrestricted	\$ 4,566,270	\$ 5,486,948	\$ 6,103,295	\$ 5,785,323
Restricted	5,092,287	5,099,787	4,214,637	23,303,154
All Sources	\$ 9,658,557	\$ 10,586,735	\$ 10,317,932	\$ 29,088,477
FTE Authorizations				
	11.8	14.0	14.0	29.0
<i>Third-Party Funded Positions</i>	1.0	1.0	1.0	1.0
Total Positions	12.8	15.0	15.0	30.0

Summary. The Board requests \$10.3 million in FY 2016 expenditures from all sources and 15.0 full-time equivalent positions which reflects the new Commissioner of Postsecondary Education's staffing and operations plan for the reconstituted Office of Higher Education as the Office of Postsecondary Commissioner. This is \$0.7 million more than the FY 2015 enacted authorization and includes \$1.5 million more from general revenues and \$0.9 million less from restricted sources. Staffing is 2.2 more than the enacted authorization.

The Governor recommends \$29.1 million, including \$5.8 million from general revenues. This is \$19.4 million more than enacted including \$1.2 million from general revenues. This reflects the Governor's proposal to transfer all of the powers, duties, authority and resources of the Rhode Island Higher Education Assistance Authority to the Council for Postsecondary Education and the Office of the General Treasurer and establish a new division of Higher Education Assistance in the Office of Postsecondary Commissioner. The budget transfers \$19.1 million and 15.0 full-time positions to the Office. She also recommends the 2.2 new positions for the Office, as requested.

Unrestricted Budget. The unrestricted budget accounts for \$6.1 million from general revenues, which is \$0.6 million more than the revised budget request and \$1.5 million more than the FY 2015 enacted budget to reflect funding for approximately 13.0 of 14.0 full-time equivalent positions. This reflects an increase of 2.2 full-time equivalent positions in the newly constituted Office of Postsecondary Commissioner. As of the pay period ending November 29, 2014, the Office had 2.8 vacant positions

out of 11.8 total unrestricted authorized positions. *The Governor recommends \$5.8 million from unrestricted sources; this is \$1.2 million more than enacted and \$0.3 million less than requested to primarily reflect a reduction to costs associated with Peoplesoft implementation.*

Full-Time Equivalent Positions. The Office requests 15.0 full-time equivalent positions, which is 2.2 more than the enacted authorization. *The Governor recommends the 2.2 new positions as requested and also transfers 15.0 positions from the Higher Education Assistance Authority to the Office of Postsecondary Commissioner eliminating 7.0 positions from the Authority's prior authorization as requested.*

Office of Postsecondary Commissioner Changes to Enacted			
	Request	Governor	Difference
Current Year Revisions	\$ 951,951	\$ 920,678	\$ (31,273)
Higher Education Restructuring	585,074	527,181	(57,893)
Shepard Building	-	-	-
PeopleSoft	-	(228,806)	(228,806)
Community Service Grants	-	-	-
Total	\$ 1,537,025	\$ 1,219,053	\$ (317,972)

Current Year Revisions. The revised budget includes \$5.5 million from general revenues, which is \$1.0 million more than enacted to reflect funding for approximately 13 of 14.0 requested full-time equivalent positions for a newly constituted Office of Postsecondary Commissioner. This includes 2.2 new full-time equivalent positions effective April 2015. The new Commissioner began work in August 2014 and has presented a new organization chart that includes several new functions including communications director and legislative relations, legal support and Board meetings ombudsman, fiscal research analyst, policy research analyst and assistant commissioner for workforce development.

As of the pay period ending November 15, 2014, the Office had 9.0 of 11.8 authorized positions filled. This includes one person out on worker's compensation and one person out on paid medical leave that worked for the Office of Higher Education that was set to be abolished. The intent of the Assembly in authorizing the creation of a new Office of Postsecondary Commissioner was to have the new Commissioner assess the needs of the new office, and staff it with personnel with the appropriate skill set.

The Governor recommends \$31,273 less from general revenues than requested. This includes \$5,196 in statewide medical benefit savings as well as minor reductions to staff training, telephones and other office supplies.

Higher Education Restructuring. The 2012 Assembly enacted legislation that abolished the Board of Governors for Higher Education and the Board of Regents effective January 1, 2013 and created a new 11 member Rhode Island Board of Education. It also abolished the Office of Higher Education effective July 1, 2014. The 2014 Assembly adopted legislation to restructure the Board of Education into a 17-member board responsible for setting goals and working on system-wide initiatives and whose members serve on one of two eight-member councils, one for elementary and secondary education and one for higher education. These councils have full statutory authority for governance and regulatory functions. It also transferred a limited number of management authorities previously held by the Board to the institution presidents. The legislation also reconstituted the Office of Higher Education as the Office of Postsecondary Commissioner. The FY 2015 enacted budget includes savings of \$0.5 million for the new Office pending the new commissioner's determination of necessary staffing and operations. A new Commissioner of Postsecondary Education was hired during the summer of 2014.

The unrestricted request for \$2.1 million will support the operations of the Office of Postsecondary Commissioner and 15.0 full-time equivalent positions, which is 2.2 more than the enacted authorization and consistent with the revised request. This is \$1.5 million more than enacted and \$0.6 million more than the revised allocation to reflect a full-year's salary and benefits for approximately 14.0 of 15.0 positions.

The constrained budget includes a 33.4 percent reduction of \$0.7 million. Of this, \$0.6 million is a reduction in salaries and benefits equivalent to approximately 6 positions.

The Governor recommends \$57,893 less than requested almost entirely for staff training.

Shepard Building. The unrestricted budget request includes \$2.4 million for costs associated with parking and operating expenses for the Shepard Building. This is consistent with the revised allocation and enacted budget. The Shepard building's primary use is as the Providence Campus of the University of Rhode Island. It also houses the Department of Elementary and Secondary Education.

The constrained request reduces operating expenses by \$0.1 million which would shift these costs to the University. The Office and the University believe that the original agreement between the state and the University was to split the cost of the building 50/50. As state funding has declined and the Office has been instructed to submit budget requests with reductions, it has reduced its support for Shepard, which shifts the cost to the University. It should be noted that the Office did not reduce parking expenses which is \$954,000. Parking expenses were also held harmless from reduction in the Budget Office target calculations. *The Governor recommends funding as requested.*

PeopleSoft. The unrestricted budget includes the enacted amount of \$0.9 million for costs associated with PeopleSoft. Each year the Office allocates the appropriation among the institutions. Funding was originally provided to implement the PeopleSoft system. In the past few years funds have been used for upgrades, updates, and expansions to the Oracle/PeopleSoft/Banner systems. Although the original systems are implemented, the Office has indicated that there are continual needs and interfaces that are required for federal and state reporting requirements as well as other administrative purposes such as human resources and payroll as well as student related administrative systems through both PeopleSoft and Banner. In recent years, the Office has also considered security projects for the safe handling of data to be among the most significant projects.

The constrained request reduces expenditures by \$68,642 or 7.5 percent which would result in a reduction in funding to the institutions.

The Governor recommends \$0.7 million, which is \$0.2 million less than the unconstrained request and represents a 25.0 percent reduction to enacted funding.

Community Service Grants. The Board requests \$0.7 million for its community service grants consistent with the revised budget request and the enacted level. Community service grants fund various programs that support or promote higher education. This includes \$0.4 million for the College Crusade. *The Governor recommends funding as requested.*

College Access Challenge Grant. The request includes \$0.8 million for the College Access Challenge Grant, which is \$0.7 million less than enacted based on available resources and projected expenditures. This is the final year of funding for this five-year grant. Funding is being used for access and persistence programs being done at each of the three institutions. There are other small amounts of

funds to be allocated for staffing, professional development and workshops. The majority of the funds are for the programs being run at the institutions. *The Governor recommends funding as requested.*

Other Restricted Use Operations. The restricted budget request is for \$3.4 million, which is \$0.2 million less than the FY 2015 enacted budget. The restricted budget reflects federal expenditure authority for grants, primarily passed through to the institutions and the College Crusade for Higher Education. *The Governor recommends funding as requested.*

Division of Higher Education Assistance. The Higher Education Assistance Authority submitted a budget request for \$7.8 million and 15.0 full-time equivalent positions for its operations for FY 2016. This is \$3.9 million and 7.0 fewer positions than enacted to reflect conversion from a partial-service to full-service contract with Navient (formerly called Sallie Mae) beginning April, 2015 for loan guaranty services, which is the Authority's main purpose. Guaranty agencies like the Authority receive a majority of their funding from default reduction and collection activities. Agencies use these proceeds to provide default prevention services to students and families. Federal budget actions regarding default aversion fees reduced the agency's revenue by approximately 40 percent beginning July 1, 2014. Because of the decisions at the federal level, the Authority currently has between three and five years remaining to manage its existing loan portfolio.

The Governor recommends Article 7 to transfer all of the powers, duties, authority and resources of the Higher Education Assistance Authority to the Council for Postsecondary Education and the Office of the General Treasurer. She transfers 15.0 full-time equivalent positions and \$7.7 million from the Authority to a new Division of Higher Education Assistance in the Office for its programs and operating support. The Authority and its corporate existence will be terminated on July 1, 2015.

Need-Based Scholarships and Grants. The Higher Education Assistance Authority requests the enacted level of \$12.1 million for need-based scholarships and grants, including \$4.1 million from general revenues and \$8.0 million from tuition savings funds consistent with the enacted level. The FY 2015 enacted budget includes \$4.1 million from Authority operating reserve funds in lieu of a like amount from general revenues for total grants of \$12.1 million. This request reverses the 2014 Assembly action.

For FY 2015, the Board voted not to use the \$4.1 million from reserve funds and to only use the \$8.0 million from tuition savings fees. The Board reduced the maximum grant award from \$750 to \$500. In FY 2014, approximately 18,355 received state grant offers, up to a maximum of \$750. The average award for FY 2014 was \$637 which covered less than five percent of an average student's need. For FY 2015, the Authority estimates that 23,000 will receive grants up to a maximum of \$500.

The Governor recommends legislation in Article 7 to replace the state's need based scholarship and grants program formula and eligibility requirements with a more flexible state grant program under the direction of the Commissioner of Postsecondary Education. She removes all funding for the need based scholarships and grants and uses \$11.4 million for two new programs described below.

Last Dollar Scholarship Program. Legislation in Article 7 replaces the state's need based scholarship and grants program formula and eligibility requirements with a more flexible state grant program under the direction of the Commissioner of Postsecondary Education.

The Governor recommends \$10.1 million from tuition savings fees and federal loan reserve funds for a new Last Dollar Scholarship program for students with proven academic performance and financial need to attend Rhode Island's public higher education institutions.

Dual Enrollment Initiative. Legislation in Article 7 replaces the state’s need based scholarship and grants program formula and eligibility requirements with a more flexible state grant program under the direction of the Commissioner of Postsecondary Education.

The Governor recommends \$1.3 million from tuition savings fees for a new dual and concurrent enrollment initiative to allow qualified high school students to earn college credit at no cost to the student.

Scholarships and Grants

Uses	FY 2015 Enacted	FY 2016 Request	Change to Enacted	FY 2016 Governor	Change to Enacted	Change to Request
Need-Based Scholarships and Grants	\$ 12,134,726	\$ 12,134,726	\$ -	\$ -	\$(12,134,726)	\$(12,134,726)
Last Dollar Scholarship Program	-	-	-	10,095,000	10,095,000	10,095,000
Dual Enrollment Initiative	-	-	-	1,300,000	1,300,000	1,300,000
Total	\$ 12,134,726	\$ 12,134,726	\$ -	\$ 11,395,000	\$ (739,726)	\$ (739,726)
Sources						
General Revenues	\$ -	\$ 4,134,726	\$ 4,134,726	\$ -	\$ -	\$ (4,134,726)
Tuition Savings Fees	8,000,000	8,000,000	-	7,395,000	(605,000)	(605,000)
Guaranty Agency Reserves	4,134,726	-	(4,134,726)	4,000,000	(134,726)	4,000,000
Total	\$ 12,134,726	\$ 12,134,726	\$ -	\$ 11,395,000	\$ (739,726)	\$ (739,726)

Other Authority Programs and Issues

WaytoGo Web Portal. The Authority submitted a budget request for \$700,000 from federal funds for the WaytoGo Rhode Island web portal. WaytoGo Rhode Island is a website that contains tools for elementary, middle, high school, and college students. The Authority has chosen to use federal guaranty agency operating funds to support this program, but as these are diminished, this expense will compete with other priorities. *The Governor recommends funding as requested; however, she transfers all funding from the Authority’s budget to the Office of Postsecondary Commissioner.*

Tuition Savings Program. The 1997 Assembly established a tuition savings program designed to facilitate and encourage savings by or on behalf of students, future students and parents for the purpose of paying the costs of attending institutions of higher education. Investments grow free from federal income taxes and distributions for qualified higher education expenses, such as tuition, fees, books, room and board, are federal income tax-free. In August 2000, the program was placed under the management of AllianceBernstein management and renamed the Collegebound *fund*.

Tuition savings fees are used to fund the need based scholarships and grants program as well as other programs at the Board’s direction, from time to time. The Agency’s contract with AllianceBernstein, the manager of the CollegeBound *fund* expires June 30, 2015.

As of June 30, 2011, there were approximately 500,000 accounts totaling \$7.9 billion. This was the peak number of accounts. The number of accounts has been declining since and totaled 417,000 at the end of 2013. The 2013 experience of assets showed market growth of \$800.0 million offset by a loss of \$500.0 million in accounts being withdrawn or closed.

The Governor recommends legislation in Article 7 to transfer administrative responsibility of the tuition savings program to the Office of the General Treasurer; all funding would go to the Office of Postsecondary Commissioner. Currently, 0.5 of a position is dedicated to maintaining the relationship with AllianceBernstein.

Academic Promise. Periodically the Board has created other grant programs that are not statutory. These are funded from tuition savings fees from the CollegeBoundfund. The Academic Promise program was created in 2002. In order to be eligible, a student must be a graduating high school senior who is planning to enroll in a postsecondary institution on a full-time basis, demonstrates academic promise and shows financial need. The award is up to \$2,500 per year over four years, up to a total of \$10,000.

Academic Promise	
FY 2008	\$ 1,000,000
FY 2009	\$ 1,000,000
FY 2010	\$ -
FY 2011	\$ -
FY 2012	\$ -
FY 2013	\$ 800,000
FY 2014	\$ -
FY 2015	\$ -

There is no funding for a new cohort in the FY 2016 budget. Because the cohorts are pre-funded, everyone who has been promised an award will receive one.

Collegeboundbaby. At its September 25, 2014 meeting, the Board voted to approve a new program. Starting January 1, 2015, children born to or adopted by Rhode Island families are eligible for a \$100 contribution from AllianceBernstein funding. The money will be held and invested in a master account on behalf of the child until the child is ready to attend a higher education institution. This is stipulated to in the Authority's contract with AllianceBernstein.

There is no change to this program proposed in the Governor's budget as it is funded by AllianceBernstein and not through the state budget. It should be noted that the Agency's contract with AllianceBernstein expires June 30, 2015. A new vendor or contract renegotiation could dramatically reduce the available revenues.

Reserve Funds. The federal student loan operating fund is derived from fees paid by the federal government to administer the loan program. These include loan processing issuance fees, default aversion fees, and account maintenance fees. The federal operating fund also includes income earned as a result of collection and consolidation of previously defaulted loans. The uses of the guaranty agency's operating fund are limited by state and federal statutes. State law limits the use to the ordinary operating expenses of the Authority; it also states that it is the intent of the General Assembly that these funds eventually be used to increase financial assistance to Rhode Island students in the form of scholarships and grants.

The Higher Education Assistance Authority Board has expressed interest in endowing guaranty operating reserves. As of June 30, 2014, there was approximately \$28 million available.

The Governor's budget uses \$4.0 million from federal loan reserve funds for a new Last Dollar Scholarship program for students with proven academic performance and financial need to attend Rhode Island's public higher education institutions.

University of Rhode Island

University of Rhode Island	FY 2015 Enacted	FY 2015 Gov. Rev.	FY 2016 Request	FY 2016 Governor
Expenditures by Category				
Salaries and Benefits	\$ 273,770,506	\$ 277,855,376	\$ 279,603,872	\$ 275,736,907
Contracted Services	15,507,647	15,357,533	15,772,609	15,579,934
Subtotal	\$ 289,278,153	\$ 293,212,909	\$ 295,376,481	\$ 291,316,841
Other State Operating	145,869,837	144,032,624	140,208,670	139,655,486
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	236,700,976	220,431,423	220,046,709	220,577,786
Capital	29,063,094	35,472,224	37,295,742	25,733,459
Capital Debt Service	42,677,407	40,812,923	43,180,890	40,502,990
Operating Transfers	-	-	-	-
Total	\$ 743,589,467	\$ 733,962,103	\$ 736,108,492	\$ 717,786,562
Sources of Funds				
General Revenue	\$ 91,231,968	\$ 89,154,355	\$ 97,438,502	\$ 90,362,378
Tuition and Fees	267,720,376	275,117,438	279,415,003	279,415,003
Other Unrestricted	24,188,377	23,453,660	25,302,512	25,341,994
Total Unrestricted	\$ 383,140,721	\$ 387,725,453	\$ 402,156,017	\$ 395,119,375
Restricted	360,448,746	346,236,650	333,952,475	322,667,187
All Sources	\$ 743,589,467	\$ 733,962,103	\$ 736,108,492	\$ 717,786,562
FTE Authorizations				
	1,882.7	1,882.7	1,903.7	1,882.7
<i>Limited to Third-Party Funds</i>	573.8	573.8	573.8	573.8
Total	2,456.5	2,456.5	2,477.5	2,456.5

Summary. The University requests \$736.1 million and 2,477.5 full-time equivalent positions for FY 2016, a decrease of \$7.5 million or 1.0 percent to the FY 2015 enacted budget and a decrease of \$4.5 million or 0.6 percent to the revised allocation. This includes the Rhode Island State Crime Lab. General revenues, requested at \$97.4 million, are \$6.2 million more than the enacted budget and \$6.3 million more than the revised allocation. Compared to the enacted budget, restricted expenditures are \$27.3 million less which largely reflects a reduction in available sponsored research funds. The staffing request includes an increase of 21.0 full-time equivalent positions over the enacted budget and assumes that 573.8 of the total positions would be limited to funding from third party sources.

The Governor recommends \$717.8 million, which is \$25.8 million less than enacted and \$18.3 million less than requested. She recommends \$90.4 million from general revenues, which is \$0.9 million less than enacted and \$7.1 million less than requested. She recommends 2,456.5 full-time equivalent positions, consistent with the enacted authorization.

Tuition and Enrollment. The FY 2016 budget includes revenue related to tuition and mandatory fee increase of 4.8 percent, or \$600, and 2.3 percent, or \$648, for in-state and out-of-state students, respectively. The Board of Education changed the rates to 2.8 percent for both in-state and out-of-state students. The change to the rates result in tuition increases of 2.3 percent, or \$250, for in-state students and 2.5 percent, or \$674, for out-of-state students and fees increase 6.5 percent, or \$106, for all undergraduates and that room and board would increase 1.7 percent or \$204. In-state enrollment is

projected to decrease 1.0 percent or 79 full-time equivalent students and out-of-state enrollment is projected to increase 1.5 percent or 91 full-time equivalent students for a total increase of 0.1 percent or 12 full-time equivalent students. For FY 2016, the University is projecting that of 14,344 full-time equivalent students, 8,071 will be in-state and 6,273 or 43.7 percent will be out-of-state. Over the past few years, the University has made an effort to increase its recruitment of out-of-state students in an effort to generate more revenue as it has not raised tuition in the past two years.

The University, like the other two institutions, has proposed tuition rate increases to offset the general revenue reduction contained in the budget target instead of making expenditure reductions. The Board of Education approved the tuition rates proposed as part of the current service budget at its December 2014 meeting. The Board would have to approve new rates consistent with the constrained request. It voted to “retain the right to readjust tuition based on the Governor’s recommended budget and Assembly action.”

The Governor’s budget appears to assume tuition and fee increases consistent with Board approval.

University Undergraduate Tuition and Fees	FY 2015	FY 2016	Change to FY 2015	
Resident				
Tuition	\$ 10,878	\$ 11,128	\$ 250	2.3%
Fees	1,628	1,734	106	6.5%
Total	\$ 12,506	\$ 12,862	\$ 356	2.8%
Nonresident				
Tuition	\$ 26,444	\$ 27,118	\$ 674	2.5%
Fees	1,628	1,734	106	6.5%
Total	\$ 28,072	\$ 28,852	\$ 780	2.8%
Average Room and Board	\$ 11,752	\$ 11,956	\$ 204	1.7%
Undergraduate and Graduate Enrollment				
In-State	8,150	8,071	(79)	-1.0%
Out-of-State	6,182	6,273	91	1.5%
Total	14,332	14,344	12	0.1%

Staffing. The request for 2,477.5 full-time equivalent positions is 21.0 more than the enacted level. The enacted authorization and the request assumes that 573.8 of those will be limited to third-party sources. *The Governor recommends 2,456.5 full-time equivalent positions, consistent with the enacted authorization.*

Unrestricted Budget Summary. The unrestricted budget, including the Rhode Island State Crime Lab, accounts for \$402.2 million, which is an increase of \$19.0 million or 5.2 percent to the FY 2015 enacted budget and \$12.7 million or 3.3 percent to the revised allocation. Sources of funds for the increase from the revised budget include \$6.3 million more general revenues, \$5.3 million more from tuition and fees and \$1.1 million more from other institutional resources.

The Budget Office instructed agencies to submit a constrained budget request including a 7.5 percent target reduction, adjusted for certain exclusions. The constrained budget submitted by the University is \$6.3 million more than the unconstrained request including \$9.7 million less from general revenues offset by \$16.0 million more from tuition and fees. All three institutions are proposing further tuition rate increases to offset the general revenue reduction contained in the budget target.

The Governor recommends \$395.1 million in unrestricted expenditures, which is \$12.7 million more than enacted and \$7.0 million less than requested. General revenues are \$0.9 million less than enacted and \$7.1 million less than requested. She includes language in Article 1 that requires the University to maintain internal student financial aid for FY 2016 at the FY 2015 level.

University of Rhode Island Changes to Enacted			
	Request	Governor	Difference
Current Year Revisions	\$ 7,039,029	\$ 5,303,184	\$ (1,735,845)
New Positions (21.0)	2,469,557	-	(2,469,557)
Other Salaries and Benefits	5,729,931	4,525,681	(1,204,250)
Buildings and Grounds	240,439	240,439	-
Contracted Project Management	125,000	125,000	-
Business Engagement Center	175,000	175,000	-
Chemistry Building Equipment & Furniture	1,079,804	1,079,804	-
New Building Operations	662,370	662,370	-
Utilities	1,869,661	1,869,661	-
Community Service Grants	-	-	-
Capital Expenditures - Chemsitry Building	(2,000,000)	(2,000,000)	-
Capital Expenditures - LGBTQ Center	(1,800,000)	(1,800,000)	-
Capital Expenditures - Welcome Center	-	-	-
Debt Service	507,271	(504,747)	(1,012,018)
Student Aid	3,182,204	3,182,204	-
State Crime Lab	68,478	44,318	(24,160)
Allowance for Unpaid Accounts	178,933	178,933	-
Other Operating Adjustments	258,316	(332,496)	(590,812)
Total	\$ 19,785,993	\$ 12,749,351	\$ (7,036,642)

Current Year Revisions. Historically the analyses have begun with an adjustment for the current year. Until FY 2005, the Board had statutory authority, which did not require legislative approval, to reallocate the enacted budget based on information available to it, including changes to revenues and needs. The 2004 Assembly rescinded that authority and established separate appropriation lines for the four operations. The Assembly did not change the budget request and submission process; the law continues to require the Board of Education to review, develop and submit the higher education budget that it receives from the Council on Postsecondary Education. Also, the institutions retained their authority to use additional resources they received above appropriated amounts, such as research grants and additional tuition and fees.

The Board continues to review and approve each institution's allocation of all current year resources and describes its requested budget year items in terms of changes to those current year allocations. So that the analysis can be in terms of the items the Board specifies as requested, staff analysis starts from the allocations. The revised unrestricted budget includes the enacted level of general revenues.

The University requests \$389.5 million which includes \$6.4 million or 2.4 percent more than enacted from tuition and fees, \$0.1 million less the enacted level of general revenues to reflect medical benefit savings and \$16,265 less from other University sources. Of the increased tuition and fees, \$0.7 million is from a change in enrollment and student mix and \$5.7 million is from the use of carryforward funds from prior years. Although there are 115 fewer students, more students are from out of state. The University is projecting FY 2015 enrollment of 14,332, which is an overall decrease of 115 or 1.0 percent compared to the enrollment assumptions in the FY 2015 enacted budget. The enacted budget assumed 8,298 students would be in-state. The revised allocation assumes 148 or 2.0 percent fewer in-

state students. The enacted budget also assumed 6,149 students would be out-of-state. The revised allocation is for 33 or 1.0 percent more out-of-state students.

The revised allocation is \$6.3 million more than enacted; it is \$10.7 million or 2.3 percent more than spent in FY 2014 and \$36.2 million or 10.2 percent more than spent in FY 2013. The year to year growth from FY 2013 to FY 2014 was 7.2 percent. Changes to the enacted budget include \$6.8 million more for salaries and benefits and \$7.8 million less for student aid partially to reflect the revised enrollment projections. Changes to salaries and benefits include \$160,164 in medical benefit savings.

There is also a significant increase in unrestricted expenditures for capital projects. The University is spending \$1.8 million in FY 2015 from prior unrestricted year end fund balances to construct the LGBTQ Center. The University will spend a total of \$2.4 million between FY 2013 and FY 2015 for the construction of this center. The budget also includes \$0.9 million from both unrestricted and restricted sources for a Gateway Welcome Center project. According to the University, the Gateway project is seen as a strategic and highly important asset for bolstering the recruitment of new students and is, therefore, critical to sustaining its most predominant revenue streams from student tuition and fees.

The budget also includes a total of \$2.0 million from unrestricted sources for the fourth floor of the chemistry building. The capital budget includes \$7.5 million for the fourth floor of the chemistry building for an air-handling unit, the fit-out of instructional labs on the first and second floors, and the full fit-out of the research space on the fourth floor. Of the total, \$2.0 million is from University unrestricted year-end balances, \$1.5 million has been committed from private sources for FY 2016, and \$4.0 million is being requested from Rhode Island Capital Plan funds for FY 2016.

The Governor's recommendation is \$1.7 million less than requested including \$2.0 million less from general revenues to reflect \$1.7 million of debt service savings on general obligation bonds, \$0.2 million in statewide medical benefit savings and \$0.1 million in reductions to the Rhode Island Crime Lab.

New Staff Positions. Unrestricted expenditures increase \$2.5 million to fund 21.0 new positions for FY 2016. These include 10.0 tenure track faculty positions, 4.0 lecturers and 7.0 staff positions. The University indicates that it is committed to hiring 55 new faculty, 40.0 tenure track and 15.0 lecturers over the next four years. The University has stated that these positions are critical to the institution's teaching, research and outreach mission. The faculty positions will be allocated across colleges and disciplines with an emphasis on responding to student demand for introductory, general education, advanced undergraduate and graduate courses. The University also aims to enhance the gender, cultural and ethnic diversity of the faculty. *The Governor does not recommend the new positions or funding.*

Other Salaries and Benefits. Excluding the new positions mentioned above, the unrestricted budget includes \$207.9 million for all other salary and benefit expenditures. This is \$5.7 million or 2.8 percent more than the revised allocation. The increase reflects step increases, a number of faculty promotions and benefit adjustments consistent with Budget Office instructions. It also assumes funding based on a successful outcome of contract negotiations with faculty, non-classified and classified staff. The University had 58.8 vacant positions as of the December 13, 2014 pay period, including the Crime Lab, not all of which are funded. *The Governor recommends \$4.6 million or 2.2 percent more than her revised allocation. This is 6.4 percent more than FY 2014 spending.*

Buildings and Grounds. The unrestricted budget request includes \$3.0 million for buildings and grounds repairs and maintenance including trash and recycling services, custodial services, carpet cleaning and window cleaning. This is \$0.2 million or 8.6 percent more than the revised allocation. The request is 6.4 percent more than FY 2014 spending. The increase is partially a result of a new trash contract and an increase in hazardous waste removal needs. *The Governor recommends funding as requested.*

Contracted Project Management. The unrestricted budget includes \$125,000 for a new expenditure to contract for project management services for the University's smaller capital projects. This contracted position will assist the director and assistant director of capital planning with managing the approximately 50 capital projects going on at any given time. The University has indicated that staff time limitations and an increasing workload have resulted in continuous delay in projects due to backlog, and delayed decision making which extends project schedules and costs. The University's capital program involves approximately \$50.0 million a year and the University has calculated that every week of delay translates into \$28,000 in additional cost because of construction cost escalation. *The Governor recommends funding as requested.*

Business Engagement Center. The unrestricted budget includes \$175,000 for a new expense for the University to contract with the University Foundation to further build for the Business Engagement Center. This would be the first year of a two-year request. The University of Rhode Island Business Engagement Center opened September 5, 2013. The University reports that since its opening, more than 80 companies have utilized the services of the Center in addition to faculty and students. The University would like to invest to increase industry engagement and market the research and education at the University. The University Foundation currently pays half the salary of the executive director and administrative assistant positions. The University has indicated that there will be a \$75,000 request as part of the FY 2017 budget to continue this work. *The Governor recommends funding as requested.*

Chemistry Building Equipment and Furniture. The unrestricted budget includes \$1.1 million in costs associated with outfitting the new chemistry building including lab equipment and furniture. The voters approved \$61.0 million from general obligation bonds on the November 2010 ballot to construct a new chemistry building. More than 6,000 students take at least a semester of chemistry each year and 40 percent of all university degree programs require at least one chemistry class. Construction is currently underway and is scheduled to achieve substantial completion early in calendar year 2016, with progressive occupancy accomplished by summer 2016. Based on this schedule, additional expenditures for the chemistry building would not be required until FY 2017. *The Governor recommends funding as requested.*

New Building Operations. The unrestricted budget includes \$0.7 million for operating costs associated with two new buildings coming online during FY 2016, the chemistry building and the LGBTQ Center. Of the total, \$0.6 million is for utility expenses with the remaining \$0.1 million for insurance, trash removal and recycling costs.

It should be noted that construction of the chemistry building is currently underway. Construction of the project is scheduled to achieve substantial completion early in calendar year 2016, with progressive occupancy accomplished by summer 2016. Based on this schedule, additional expenditures for the chemistry building would not be required until FY 2017. The LGBTQ Center is scheduled for completion of construction early in calendar year 2015 and will be fully operational in FY 2016. *The Governor recommends funding as requested.*

Utilities. The unrestricted budget includes \$8.8 million for energy costs excluding the chemistry and LGBTQ buildings previously mentioned. This is \$1.9 million or 27.0 percent more than the FY 2015 revised allocation. The request is \$0.7 million or 9.1 percent more than spent in FY 2014 and \$5.1 million or 135 percent more than spent in FY 2013. The increase reflects projected rate increases and the most recent usage projections. *The Governor recommends funding as requested.*

Community Service Grants. The unrestricted budget includes the enacted level of \$0.5 million for its community service grants. Community service grants fund various programs that support or promote higher education. These include the Hope High School Scholarship grant, Italian Cultural Heritage, learning enhancements for adults, minority outreach, Ocean State Center Law, citizen education, senior standard medical information system, Special Olympics and funding for the Small Business Development Center. *The Governor recommends funding as requested.*

Capital Expenditures - Chemistry Building. The revised budget includes \$2.0 million from unrestricted sources for capital expenses for the fourth floor of the chemistry building that do not repeat in FY 2016. The capital budget includes \$7.5 million for the fourth floor of the chemistry building for an air-handling unit, the fit-out of instructional labs on the first and second floors, and the full fit-out of the research space on the fourth floor. Of the total, \$2.0 million was committed from University unrestricted year-end balances, \$1.5 million has been committed from private sources for FY 2016, and \$4.0 million is being requested from Rhode Island Capital Plan funds for FY 2016. *The Governor recommends funding as requested.*

Capital Expenditures - LGBTQ Center. The University is spending \$1.8 million in FY 2015 from prior year unrestricted fund balances to construct the LGBTQ Center. The University spent a total of \$2.0 million between FY 2013 and FY 2015 for the construction of this center. The FY 2016 request does not include any additional funding for this center. The building is scheduled for completion of construction early in calendar year 2015. *The Governor recommends funding as requested.*

Capital Expenditures - Welcome Center. The budget includes \$900,000 from both unrestricted and restricted sources, consistent with the revised allocation, for a Gateway Welcome Center. According to the University, the Gateway project is seen as a strategic and highly important asset for bolstering the recruitment of new students and is, therefore, critical to sustaining its most predominant revenue streams from student tuition and fees. The unrestricted budget and the auxiliaries and enterprises that rely heavily on student tuition and fee revenue are supporting this project. *The Governor recommends funding as requested.*

Debt Service. The unrestricted request includes \$26.2 million for debt service costs, which is \$0.5 million more than the revised allocation to reflect new revenue bonds for road, utilities and landscaping improvements to Fraternity Circle. The Assembly would need to approve the issuance of this debt. The unrestricted budget funds debt service payments on general obligation bonds and revenue bonds.

Between FY 2009 and the FY 2016 request, unrestricted debt service will grow \$12.3 million or 83.6 percent. General revenue expenditures for general obligation bond debt service will grow \$8.3 million or 66.0 percent.

The Governor recommends \$1.0 million less than requested to reflect savings from the refunding of general obligation bond debt. Updated for these savings, unrestricted debt service would grow \$8.8 million or 60.2 percent between FY 2009 and FY 2016, and general revenue expenditures for general obligation bond debt service will grow \$5.6 million or 44.4 percent.

Unrestricted Debt Service - URI				
	GO	RIHEBC	ESCO	Total
FY 2009	\$ 12,590,080	\$ 2,104,178	\$ -	\$ 14,694,258
FY 2010	\$ 14,178,053	\$ 2,791,057	\$ -	\$ 16,969,110
FY 2011	\$ 15,006,727	\$ 3,065,682	\$ -	\$ 18,072,409
FY 2012	\$ 16,095,746	\$ 3,239,088	\$ -	\$ 19,334,834
FY 2013	\$ 19,721,003	\$ 3,316,971	\$ 2,283,569	\$ 25,321,543
FY 2014	\$ 20,351,930	\$ 3,211,739	\$ 2,368,374	\$ 25,932,043
FY 2015 Rev. Req.	\$ 20,903,400	\$ 3,184,366	\$ 1,669,647	\$ 25,757,413
FY 2016 Request	\$ 20,903,400	\$ 3,599,062	\$ 1,709,977	\$ 26,212,439
FY 2016 Governor	\$ 18,186,018	\$ 3,599,062	\$ 1,749,459	\$ 23,534,539

Student Aid. The unrestricted budget includes \$95.9 million for student aid, which is \$3.2 million or 3.4 percent greater than the FY 2015 allocation and 7.9 percent greater than FY 2014 expenditures. The additional funding is intended to increase the yield of the freshman class and retention of all classes. Student aid can be seen as a discount to the tuition and the expenditure is directly related to tuition and fee revenue. For FY 2016, student aid is estimated to be 36.6 percent of tuition and fee revenue. This had steadily increased over the years; FY 2016 is slightly lower than FY 2015. For FY 2010, student aid was 25.6 percent of tuition and fees and grew to 36.8 percent for FY 2015.

The constrained request adds \$6.5 million in student aid consistent with a tuition increase that generates \$16.0 million more in tuition revenue to offset a reduction of \$9.7 million from general revenues.

The Governor recommends funding as requested. She includes language in Article 1 that requires the University to maintain internal student financial aid for FY 2016 at the FY 2015 level.

State Crime Lab. The unrestricted budget includes \$1.2 million for the State Crime Lab, which is \$0.1 million more than the FY 2015 allocation. The majority of the additional funding is for salaries and benefits including the upgrade of all staff positions, except the director. The Crime Lab has been part of the University's budget since FY 2012.

The constrained budget request reduces general revenues by \$0.2 million and requests that a like amount of funding be provided from an alternate source. The Crime Lab has indicated that a possible alternative source of revenue would be to impose a fee on the agencies which use the laboratory services. The Crime Lab has indicated that this practice was enacted in 1978 legislation but repealed in 1984. The Crime Lab suggested that another option would be to add a dedicated surcharge of 5.0 percent to every insurance property loss policy written in the state. The Crime Lab indicates that any reduction in expenditures would result in the loss of its standing as an accredited laboratory under the guidelines for forensic testing laboratories. This is the same proposal submitted as part of the FY 2014 and FY 2015 constrained budget requests. *The Governor recommends \$24,160 less than requested to reject the request to upgrade positions.*

Allowance for Unpaid Accounts. The unrestricted budget request includes \$3.5 million in allowance for unpaid accounts. Accounting standards require the practice of accounting for uncollected accounts in the budget. A year end accounting entry records bad debt allowance based on a formula applied to unpaid accounts receivables. This is \$0.2 million or 5.3 percent more than the revised allocation. The University Controller projects bad debt expenses based on the history and the anticipated balance required for "Allowance for Bad Debt" reported in the audited Financial Statement of Net Position. The Allowance is based on prior years' history, tuition increases as well as outstanding

tuition and fees expected at the end of the fiscal year. The economy over the last few years has impacted the collection of outstanding balances. *The Governor recommends funding as requested.*

Other Operating Expenditures. Excluding the items noted previously, the unrestricted budget includes \$47.4 million for all other operating and contracted services expenditures. These include expenditures for audit fees, guest speakers, legal services, student loan management services, fundraising services, tuition and student loan collection services, travel, Shepard Building operations and technology. This is a \$0.3 million or 0.5 percent more than the revised allocation. Overall these expenditures are 6.9 percent more than spent in FY 2013 and 2.4 percent less than spent in FY 2014. *The Governor recommends \$0.3 million less than revised which is \$0.4 million less than requested.*

Restricted Budget. The restricted budget request is for \$334.0 million, which is a 7.4 percent decrease of \$26.5 million to the FY 2015 enacted budget. Compared to the revised allocation, the request is \$17.2 million or 4.9 percent less. The decrease to the enacted budget includes \$9.3 million less for salaries and benefits, \$12.0 million less for student aid, \$6.8 million more for capital improvements funded from Rhode Island Capital Plan funds, \$0.8 million more for debt service, and \$12.9 million less for all other contracted and operating expenditures.

Of the total decrease of \$27.3 million, \$23.4 million is related to a reduction in sponsored research activity. The projection reflects account awards in hand or anticipated as well as current and future proposals. The University reports that the effects of sequestration and a decrease in federal agency budgets have finally “caught up” to the University. The decline of research funding is part of a national trend due to flat or decreased funding for research provided by the federal government. Now that the stimulus funding has expired, federal research funds are contracting and the funding success rate for peer-reviewed grants has dropped to very low levels. Sponsored research funding has been declining over the past few years. The FY 2016 request is 17.6 percent less than the revised allocation and 26.2 percent less than was spent in FY 2013.

There is also a \$3.2 million decrease in student aid from the FY 2015 allocation that is attributable to a decrease in the federal Ford Loan program based on the current loans disbursed. The University believes that the main reason for this is that alternative loans are offering better rates than the federal loan. The University has noticed a corresponding increase in alternative private loans that do not appear in the University's budget. *The Governor recommends \$11.3 million less than requested from Rhode Island Capital Plan funds for capital projects. All projects are discussed in detail in the Capital Budget section of this publication.*

Rhode Island College

Rhode Island College	FY 2015 Enacted	FY 2015 Gov. Rev.	FY 2016 Request	FY 2016 Governor
Expenditures by Category				
Salaries and Benefits	\$ 96,342,268	\$ 97,579,148	\$ 100,303,621	\$ 100,303,621
Contracted Services	2,370,419	2,546,885	3,072,875	2,738,159
Subtotal	\$ 98,712,687	\$ 100,126,033	\$ 103,376,496	\$ 103,041,780
Other State Operating	26,874,712	28,207,539	29,428,022	28,928,791
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	28,299,572	28,897,326	30,307,674	30,307,674
Capital	8,049,911	9,349,583	6,057,287	6,057,287
Capital Debt Service	9,437,257	8,536,720	9,374,161	10,397,622
Operating Transfers	-	-	-	-
Total	\$ 171,374,139	\$ 175,117,201	\$ 178,543,640	\$ 178,733,154
Sources of Funds				
General Revenue	\$ 47,361,399	\$ 46,201,365	\$ 50,486,345	\$ 49,903,011
Tuition and Fees	65,505,516	65,633,786	70,265,844	70,265,844
Other Unrestricted	7,712,045	11,261,051	9,674,418	10,447,266
Total Unrestricted	\$ 120,578,960	\$ 123,096,202	\$ 130,426,607	\$ 130,616,121
Restricted	50,795,179	52,020,999	48,117,033	48,117,033
All Sources	\$ 171,374,139	\$ 175,117,201	\$ 178,543,640	\$ 178,733,154
FTE Authorizations				
	841.6	841.6	841.6	841.6
<i>Limited to Third-Party Funds</i>	82.0	82.0	82.0	82.0
Total	923.6	923.6	923.6	923.6

Summary. Rhode Island College requests \$178.5 million from all sources and 923.6 full-time equivalent positions, of which 82.0 would be limited to third party sources. This is an increase of \$7.2 million or 4.2 percent from the FY 2015 enacted budget and an increase of \$2.1 million or 1.2 percent to the revised budget allocation. The staffing request is consistent with the enacted authorization.

The Governor recommends \$178.7 million, which is \$7.4 million more than enacted and \$0.2 million more than requested. The Governor recommends \$49.9 million from general revenues, which is \$2.5 million more than enacted and \$0.6 million less than requested. Staffing is consistent with the enacted authorization.

Tuition and Enrollment. The FY 2016 budget assumes that tuition would increase 9.0 percent which is equivalent to a \$588 increase for in-state students and a \$1,551 increase for out-of-state students. It assumes that fees would increase 0.7 percent or \$7 for resident and nonresident undergraduates and that room and board would increase 3.0 percent or \$310. In-state enrollment is projected to increase 2.6 percent or 150 full-time equivalent students and out-of-state enrollment is projected to increase 2.4 percent or 20 full-time equivalent students for a total increase of 2.5 percent or 170 full-time equivalent students. For FY 2016, the College is projecting that of 6,860 full-time equivalent students, 6,010 will be in-state and 850 or 12.4 percent will be out-of-state.

The College, like the other two institutions, has proposed tuition rate increases to offset the general revenue reduction contained in the budget target instead of making expenditure reductions. The Board of Education approved the tuition rates proposed as part of the current service budget at its December 2014 meeting. The Board would have to approve new rates consistent with the constrained request. It voted to “retain the right to readjust tuition based on the Governor’s recommended budget and Assembly action.”

The Governor’s budget appears to assume tuition and fee increases consistent with Board approval.

College Undergraduate Tuition and Fees	FY 2015	FY 2016	Change to FY 2015	
Resident				
Tuition	\$ 6,530	\$ 7,118	\$ 588	9.0%
Fees	1,072	1,079	7	0.7%
Total	\$ 7,602	\$ 8,197	\$ 595	7.8%
Nonresident				
Tuition	\$ 17,228	\$ 18,779	\$ 1,551	9.0%
Fees	1,072	1,079	7	0.7%
Total	\$ 18,300	\$ 19,858	\$ 1,558	8.5%
Average Room and Board	\$ 10,408	\$ 10,718	\$ 310	3.0%
Undergraduate and Graduate Enrollment				
In-State	5,860	6,010	150	2.6%
Out-of-State	830	850	20	2.4%
Total	6,690	6,860	170	2.5%

Staffing. The request for 923.6 full-time equivalent positions is consistent with the enacted level. The enacted authorization and the request assume that 82.0 of those will be limited to third-party sources. *The Governor recommends staffing as requested.*

Unrestricted Budget. The unrestricted budget accounts for \$130.4 million, which is an increase of \$9.8 million, or 8.2 percent to the enacted budget and \$6.3 million or 5.1 percent to the revised allocation. Sources of funds for the increase to the revised allocation include \$3.1 million more from general revenues, \$4.8 million more from tuition and fees and \$1.6 million less from other unrestricted sources.

The Budget Office instructed agencies to submit a constrained budget request including a 7.5 percent target reduction, adjusted for certain exclusions. The constrained budget submitted by the College is consistent with the unconstrained request, however, further increases tuition to generate \$4.9 million from tuition and fee revenue in lieu of a like amount from general revenues.

The Governor recommends \$130.6 million in unrestricted expenditures. This is \$10.0 million more than enacted and \$0.2 million more than requested. General revenues are \$2.5 million more than enacted and \$0.6 million less than requested. She includes language in Article 1 that requires the College to maintain internal student financial aid for FY 2016 at the FY 2015 level.

College Changes to Enacted			
	Request	Governor	Difference
Current Year Revisions	\$ 3,545,397	\$ 2,517,242	\$ (1,028,155)
Salaries and Benefits	3,104,039	3,104,039	-
Student Aid	1,337,728	1,465,348	127,620
Repairs and Maintenance	1,031,188	731,957	(299,231)
Utilities	707,576	707,576	-
Debt Service	(4,517)	1,919,479	1,923,996
Other Operating Adjustments	126,236	(408,480)	(534,716)
Total	\$ 9,847,647	\$ 10,037,161	\$ 189,514

Current Year Revisions. Historically the analyses have begun with an adjustment for the current year. Until FY 2005, the Board had statutory authority, which did not require legislative approval, to reallocate the enacted budget based on information available to it, including changes to revenues and needs. The 2004 Assembly rescinded that authority and established separate appropriation lines for the four operations. The Assembly did not change the budget request and submission process; the law continues to require the Board of Education to review, develop and submit the higher education budget that it receives from the Council on Postsecondary Education. Also, the institutions retained their authority to use additional resources they received above appropriated amounts, such as research grants and additional tuition and fees.

The Board continues to review and approve each institution's allocation of all current year resources and describes its requested budget year items in terms of changes to those current year allocations. So that the analysis can be in terms of the items the Board specifies as requested, staff analysis starts from the allocations. The College is projecting FY 2015 enrollment of 6,690, which is the same as the enrollment assumptions in the enacted budget.

Changes to the enacted budget include \$1.6 million less in salaries and benefits, \$0.7 million more in student aid, and \$1.3 million more in all other expenses. The change to salaries and benefits includes medical benefit savings of \$127,620. As of the pay period ending March 7, 2015, the College had 54.9 vacant positions. Based on an average cost per position of \$103,280, the College would need 15.7 vacant positions on the unrestricted side to achieve the savings in the revised allocation. Based on the current level of vacancies, it appears that there may be additional turnover savings.

Student aid can be seen as a discount to the tuition and the expenditures is directly related to tuition and fee revenue. Fewer students mean less in tuition and fee revenue which translates to less in unrestricted student aid; however, the enrollment and tuition and fee revenue is projected to be at the enacted level yet the revised allocation includes \$0.7 million more for student aid. The College has indicated that it believes the lack of financial aid is an impediment to students completing their degrees. The College has voiced its commitment to providing support to its students that demonstrate financial need.

The Governor's recommendation is \$1.0 million less than requested including \$1.2 million less from general revenues to reflect \$0.9 million of debt service savings from general obligation bonds and \$0.1 million in statewide medical benefit savings. She also reduces requested unrestricted student aid by \$0.1 million to account for the distribution of medical benefit savings in the enacted budget.

Salaries and Benefits. Unrestricted expenditures for salaries and benefits total \$86.2 million and are \$3.1 million or 3.7 percent more than the FY 2015 allocation and 6.6 percent more than spent in FY 2014. Approximately \$1.0 million of the increase reflects restoring a portion of the turnover savings assumed in the enacted budget. The request also reflects benefit adjustments consistent with Budget

Office instructions and assumes funding pending successful contract negotiations with employee unions. *The Governor recommends funding as requested.*

Student Aid. The budget includes \$15.8 million for student aid, which is \$1.3 million or 9.2 percent greater than the FY 2015 allocation and \$1.4 million or 10.1 percent more than FY 2014 expenditures.

It should be noted that the constrained request assumes tuition increases that result in an additional \$4.9 million in revenue. An increase in student aid would be expected given an increase in tuition. Student aid can be seen as a discount to the tuition and the expenditure is directly related to tuition and fee revenue.

The Governor recommends \$0.1 million more than requested to restore a like amount of student aid removed in the revised recommendation. She includes language in Article 1 that requires the College to maintain internal student financial aid for FY 2016 at the FY 2015 level.

Repairs and Maintenance. The unrestricted budget includes \$3.4 million for repairs and maintenance for the College's buildings. The College reports that as the buildings continue to age, the cost to repair and maintain them rises each year. The request is \$1.0 million or 43.3 percent greater than the revised allocation and \$0.6 million or 20.3 percent greater than spent in FY 2014.

The College is undertaking a multiyear project to make major renovations to the academic buildings on campus. The voters approved \$50.0 million of new general obligation bonds for academic buildings and health and nursing facilities in November 2012. As this work begins and continues, repair and maintenance costs would be expected to begin declining. *The Governor recommends \$0.7 million or 30.8 percent more than the revised allocation and 9.8 percent more than spent in FY 2014.*

Utilities. The unrestricted budget includes \$3.3 million for utilities for the College's buildings. The request is \$1.0 million or 43.3 percent greater than the revised allocation and \$0.6 million or 20.3 percent greater than spent in FY 2014 based on assumed rate increases. *The Governor recommends funding as requested.*

Debt Service. The unrestricted request includes \$7.0 million for debt service costs, which is \$4,517 less than the revised allocation. The unrestricted budget funds debt service payments on general obligation bonds and revenue bonds. This is \$1.2 million more than spent in FY 2014 and \$1.3 million more than spent in FY 2013. *The Governor recommends \$1.9 million more for debt service on general obligation bonds associated with the first phase of repairs to academic buildings approved by the voters in 2012.*

Other Operating Adjustments. Excluding the items noted previously, the unrestricted budget includes \$14.8 million for all other operating expenditures, which is \$0.1 million or 0.9 percent more than the revised allocation. Spending for these same expenditures are 43.5 percent more than spent in FY 2013 and 17.3 percent more than spent in FY 2014. Increases were made for snow removal, outside legal services and hazardous waste removal based on more recent expenditure experience. The College also adds \$0.3 million for feasibility studies consistent with the capital budget. This includes \$150,000 for a feasibility study for the fourth phase of academic building renovations and \$150,000 for improvements to the East Campus. These increases were partially offset by a reduction in bad debt. *The Governor recommends \$0.2 million less than requested to bring expenditures more in line with FY 2014 spending.*

Restricted Budget. The restricted budget request is for \$48.1 million, which is \$2.7 million or 5.3 percent less than enacted for FY 2015. It is \$4.2 million less than the revised allocation. Compared to the enacted budget, the request includes \$0.6 million less for salaries and benefits, \$0.2 million less for

contracted services, \$0.1 million less for debt service, \$0.1 million less for student aid, \$1.8 million less for capital expenditures and \$49,598 more for operating expenditures.

Rhode Island Capital Plan funds decrease by \$1.8 million essentially to reflect a reduction of \$1.9 million for the infrastructure modernization project. *The Governor recommends funding as requested. Projects are described in detail in the Capital Budget section of this publication.*

Community College of Rhode Island

Community College of Rhode Island	FY 2015 Enacted	FY 2015 Gov. Rev.	FY 2016 Request	FY 2016 Governor
Expenditures by Category				
Salaries and Benefits	\$ 87,997,043	\$ 87,874,888	\$ 92,106,801	\$ 92,106,801
Contracted Services	2,447,755	2,740,816	2,942,137	2,942,137
Subtotal	\$ 90,444,798	\$ 90,615,704	\$ 95,048,938	\$ 95,048,938
Other State Operating	20,710,479	21,556,473	23,155,557	22,765,541
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	35,034,699	34,651,118	35,831,660	35,831,660
Capital	7,229,106	6,459,261	6,019,900	6,019,900
Capital Debt Service	2,747,947	2,747,947	2,721,204	2,484,946
Operating Transfers	-	-	-	-
Total	\$ 156,167,029	\$ 156,030,503	\$ 162,777,259	\$ 162,150,985
Sources of Funds				
General Revenue	\$ 47,795,274	\$ 47,455,533	\$ 50,393,881	\$ 49,642,376
Tuition and Fees	55,101,113	55,274,864	58,230,857	58,230,857
Other Unrestricted	4,573,330	4,573,330	4,624,551	4,749,782
Total Unrestricted	\$ 107,469,717	\$ 107,303,727	\$ 113,249,289	\$ 112,623,015
Restricted	48,697,312	48,726,776	49,527,970	49,527,970
All Sources	\$ 156,167,029	\$ 156,030,503	\$ 162,777,259	\$ 162,150,985
FTE Authorizations				
	760.1	760.1	765.1	765.1
<i>Limited to Third-Party Funds</i>	94.0	94.0	94.0	89.0
Total	854.1	854.1	859.1	854.1

Summary. The Community College requests \$162.8 million from all sources, an increase of \$6.6 million or 4.2 percent over the FY 2015 enacted budget and \$6.5 million or 4.2 percent more than the revised allocation. The request also assumes 859.1 full-time equivalent positions including 5.0 new positions. Consistent with the enacted budget, 94.0 positions would be limited to funding from third party sources.

The Governor recommends \$162.2 million, which is \$6.0 million more than enacted and \$0.6 million less than requested. The Governor recommends \$49.6 million from general revenues, which is \$1.8 million more than enacted and \$0.8 million less than requested. She recommends 854.1 total positions as enacted but reduces authority for third party funded positions by 5.0, increasing non-third party funded ones by a like amount.

Tuition and Enrollment. The FY 2016 budget assumes that tuition increases 9.0 percent or \$326 and that fees decrease \$10 or 3.1 percent for resident students. Enrollment is projected to decrease by 3.4 percent or 357 full-time equivalent students.

The Community College, like the other two institutions, has proposed tuition rate increases to offset the general revenue reduction contained in the budget target instead of making expenditure reductions. The Board of Education approved the tuition rates proposed as part of the current service budget at its December 2014 meeting. The Board would have to approve new rates consistent with the constrained

request. It voted to “retain the right to readjust tuition based on the Governor’s recommended budget and Assembly action.”

The Governor’s budget appears to assume tuition and fee increases consistent with Board approval.

Community College Tuition and Fees	FY 2015	FY 2016	Change to FY 2015	
Resident				
Tuition	\$ 3,624	\$ 3,950	\$ 326	9.0%
Fees	326	316	(10)	-3.1%
Total	\$ 3,950	\$ 4,266	\$ 316	8.0%
Nonresident				
Tuition	\$ 10,256	\$ 11,180	\$ 924	9.0%
Fees	326	316	(10)	-3.1%
Total	\$ 10,582	\$ 11,496	\$ 914	8.6%
Enrollment	10,498	10,141	(357)	-3.4%

Staffing. The request for 859.1 full-time equivalent positions is 5.0 more than the FY 2015 enacted authorization. It assumes that of the total positions, 94.0 will be limited to funding from third party sources. *The Governor recommends 854.1 full-time equivalent positions, consistent with the total enacted authorization. The recommendation shifts 5.0 third-party funded research positions to non-restricted positions.*

Unrestricted Budget. The unrestricted budget accounts for \$113.2 million, which is \$5.8 million or 5.4 percent more than the enacted budget and revised allocation. Sources of funds for the increase to the revised allocation include \$2.6 million more from general revenues, \$3.1 million more from tuition and fees and \$0.1 million more from other unrestricted sources.

The Budget Office instructed agencies to submit a constrained budget request including a 7.5 percent target reduction, adjusted for certain exclusions. The constrained budget submitted by the College is consistent with the unconstrained request; however, it further increases tuition to generate \$4.9 million in revenue to use in lieu of a like amount from general revenues.

The Governor recommends \$112.6 million in unrestricted expenditures. This is \$5.2 million more than enacted and \$0.6 million less than requested. General revenues are \$1.8 million more than enacted and \$0.8 million less than requested. She includes language in Article 1 that requires the Community College to maintain internal student financial aid for FY 2016 at the FY 2015 level.

Community College Changes to Enacted			
	Request	Governor	Difference
Current Year Revisions	\$ -	\$ (165,990)	\$ (165,990)
New Positions	361,986	361,986.00	-
Other Salaries and Benefits	4,035,574	4,035,574	-
Technology Upgrades	510,000	510,000	-
Utilities	120,000	120,000	-
Fleet Replacement	193,000	193,000	-
Building Repairs and Maintenance	326,388	326,388	-
Building Renovations	(935,313)	(935,313)	-
Student Aid	280,542	280,542	-
Debt Service	950	(235,308)	(236,258)
Other Operating Expenses	886,445	662,419	(224,026)
Total	\$ 5,779,572	\$ 5,153,298	\$ (626,274)

Current Year Revisions. Historically the analyses have begun with an adjustment for the current year. Until FY 2005, the Board had statutory authority, which did not require legislative approval, to reallocate the enacted budget based on information available to it, including changes to revenues and needs. The 2004 Assembly rescinded that authority and established separate appropriation lines for the four operations. The Assembly did not change the budget request and submission process; the law continues to require the Board of Education to review, develop and submit the higher education budget that it receives from the Council on Postsecondary Education. Also, the institutions retained their authority to use additional resources they received above appropriated amounts, such as research grants and additional tuition and fees.

The Community College requests \$107.5 million which is consistent with the enacted budget and reflects enrollment consistent with the assumptions in the enacted budget. The Community College requests \$0.1 million or 0.1 percent less for salaries and benefits. This includes medical benefit savings of \$165,990; however, the College did not reduce its request by this amount. Of the 760.1 authorized positions, the Community College had 64.9 vacant positions as of the March 7, 2015 pay period.

Expenditures for building repairs and capital renovations are \$0.6 million less than enacted. Final FY 2013 expenditures were \$5.3 million and the enacted budget included \$4.2 million. The Community College used unrestricted sources to make major building renovations to its facilities in FY 2013, requiring less need for FY 2014 and FY 2015. The Community College also removed the \$0.4 million in the enacted budget to replace six vehicles, and reduced tuition waivers by \$0.4 million. It added \$0.4 million for utility costs and \$0.4 million for bad debt and \$0.7 million for all other contracted services and operating expenditures.

The Governor recommends \$0.2 million less than requested including \$0.3 million less from general revenues to reflect \$0.2 million in statewide medical benefit savings and a \$0.2 million reduction to miscellaneous operating supplies to account for the enacted medical benefit savings.

New Positions. The unconstrained request includes \$0.4 million for 5.0 new full-time equivalent positions for FY 2016. The Community College indicates that the request is consistent with the college's strategic goal to improve student success. The new positions include 3.0 student development counselors, 1.0 joint articulation advisor and 1.0 Clery Act compliance coordinator.

The 3.0 new counselors plus the joint articulation advisor would work with future College and University transfer students. The Community College indicates in budget request supporting documents

that it would like to add 4.0 more positions in FY 2017 and 3.0 in FY 2018. The 1.0 Clery Act compliance coordinator will work with all departments to ensure the college's compliance with the Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act and associated regulations. *The Governor recommends funding and additional positions as requested.*

Other Salaries and Benefits. Unrestricted expenditures for salaries and benefits total \$86.4 million, which is \$4.0 million or 4.9 percent more than the FY 2015 allocation. The increase reflects benefit adjustments consistent with Budget Office instructions as well as additional funding for cost-of-living adjustments pending successful contract negotiations with faculty, staff and adjunct faculty unions. *The Governor recommends funding as requested.*

Technology Upgrades. The unrestricted budget includes \$1.4 million for technology initiatives and upgrades to existing equipment, which is \$0.5 million more than the revised allocation. This includes \$250,000 for equipment and \$260,000 for software.

The \$250,000 for equipment includes the purchase of multi-functional devices that combine scanner, copier, fax machines etc. into one device. All of the devices are networked so that people can forward printing from a desk to a device on any campus. The request includes \$260,000 for Degree Works software that partners with the Community College's Banner student administrative software. The software will assist students, advisors and faculty in assessing academic progress, course requirements, and GPA (grade point average) monitoring. The Community College has indicated that it will take over a year to implement this project and will involve the information technology department, student services and academic departments. *The Governor recommends funding as requested.*

Utilities. The unrestricted budget includes \$2.7 million for utility costs for FY 2016. This is \$0.1 million or 4.6 percent more than the revised allocation to reflect anticipated rate increases. This represents an 8.3 percent increase over FY 2014 spending and a 31.3 percent increase over FY 2013 spending. *The Governor recommends funding as requested.*

Vehicle Replacement. The unrestricted budget includes \$0.2 million for vehicle purchases. The enacted budget included \$0.4 million to replace six vehicles during FY 2015 but the revised allocation removed the entire amount. The Community College has a total of 33 vehicles and is requesting replacement of three in FY 2016. The current vehicle fleet of the Community College is worth an estimated \$1.1 million. It has a variety of vehicles including vans, pick-up trucks, cars, sports utility vehicles, and dump trucks among others. The last time the Community College purchased vehicles was in FY 2013 when it spent \$246,020. *The Governor recommends funding as requested.*

Building Repairs and Maintenance. The unrestricted budget includes \$2.6 million for building repairs and maintenance. This is \$0.3 million more than the revised allocation to address the ongoing needs of its facilities. Spending in FY 2013 and FY 2014 was \$2.1 million and \$2.4 million, respectively, for the same types of expenditure. The \$0.3 million in additional spending includes \$0.1 million for software maintenance agreements, \$0.1 million for plant equipment that is out of warranty, and \$0.1 million for contracted electrical services. *The Governor recommends funding as requested.*

Building Renovations. The unrestricted budget includes \$0.5 million for building renovations which is \$0.9 million less than the revised allocation and based on anticipated need. The Community College used unrestricted sources to make major building renovations to its facilities in FY 2013. These types of projects are typically funded from Rhode Island Capital Plan funds through the asset protection project for which the Community College receives approximately \$2.0 million annually. *The Governor recommends funding as requested.*

Student Aid. The unrestricted budget includes \$3.8 million for student aid, which is \$0.3 million more than the revised allocation based on the tuition increase requested. Student aid can be seen as a discount to the tuition and the expenditure is directly related to tuition and fee revenue. The request is \$0.5 million or 15.8 percent more than spent in FY 2014.

The constrained request includes an additional \$0.2 million to reflect an increase in tuition. Like the other two institutions, the Community College has opted to increase tuition to generate an additional \$4.6 million in revenue in lieu of \$4.4 million from general revenues instead of making expenditure reductions.

The Governor recommends funding as requested in the unconstrained request. She includes language in Article 1 that requires the Community College to maintain internal student financial aid for FY 2016 at the FY 2015 level.

Debt Service. The unrestricted budget includes \$2.7 million for debt service expenditures. This is \$950 more than the revised allocation. The unrestricted budget funds debt service payments on general obligation bonds and revenue bonds. *The Governor recommends \$0.2 million less than requested to reflect savings from the refunding of general obligation bond debt.*

Other Operating Expenses. Excluding the items noted previously, the request includes \$13.4 million for all other operating expenditures, which is \$0.9 million or 7.1 percent more than the revised allocation. This includes spending on buildings and grounds keeping services, legal services, and program supplies. The majority of the additional funding is for computers and other supplies offset by reductions made for building renovations. These same expenditures are 18.3 percent more than spent in FY 2013 and 9.7 percent more than spent in FY 2014. *The Governor recommends \$0.2 million less than requested, which is \$0.7 million more than the revised allocation.*

Restricted Budget. The restricted budget request is for \$49.5 million, which is \$0.8 million or 1.7 percent more than the FY 2015 enacted budget and \$0.8 million or 1.5 percent more than the FY 2015 revised allocation. Salaries and benefits are \$0.2 million less than enacted and student aid is \$0.9 million more. All other expenditures are \$0.1 million more.

External financial aid and college work study awards are estimated at \$32.0 million which is \$0.9 million more than enacted and nearly the same as spent in FY 2014. There is a \$0.5 million reduction in sponsored research. All three institutions are experiencing a decline in available federal sponsored research dollars. *The Governor recommends funding as requested.*

Rhode Island State Council on the Arts

		FY 2015 Enacted		FY 2015 Revised		FY 2016 Request		FY 2016 Recommended
Expenditures by Category								
Salaries and Benefits	\$	598,368	\$	607,679	\$	633,796	\$	629,179
Contracted Services		25,500		40,500		40,500		40,500
Subtotal		623,868	\$	648,179	\$	674,296	\$	669,679
Other State Operations		83,981		111,861		111,861		111,861
Aid to Local Units of Government		-		-		-		-
Assistance, Grants, and Benefits		1,604,574		1,511,574		1,956,574		1,546,574
Capital		602,536		701,372		1,353,293		1,353,293
Capital Debt Service		-		-		-		-
Operating Transfers		-		-		-		-
Total	\$	2,914,959	\$	2,972,986	\$	4,096,024	\$	3,681,407
Sources of Funds								
General Revenue		1,483,075	\$	1,491,068	\$	1,913,941	\$	1,507,761
Federal Aid		799,348		735,546		783,790		775,353
Restricted Receipts		-		-		-		-
Other		632,536		746,372		1,398,293		1,398,293
Total	\$	2,914,959	\$	2,972,986	\$	4,096,024	\$	3,681,407
FTE Authorization		6.0		6.0		6.0		6.0

Summary. The Rhode Island Council on the Arts requests \$4.1 million from all sources including \$1.9 million from general revenues. This is \$1.2 million more than enacted including \$0.4 million more from general revenues, \$15,558 less from federal funds, and \$0.8 million more from Percent for Art funds, which are used for the acquisition of art works to be placed in public places in the state. The staffing request is 6.0 full-time equivalent positions, consistent with the enacted level.

The Governor recommends \$0.4 million less than requested, primarily from general revenues and the enacted level of positions.

Target Issues. The Budget Office provided the Council with a general revenue target of \$1.5 million. The amount includes current service adjustments of \$22,419. The target provided to the Office does not include the 7.5 percent reduction assigned to larger agencies.

The constrained budget submitted by the agency is \$2,054 below the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$2,267 above the target.*

FY 2016 Budget	Budget Office	Arts Council	Difference
FY 2015 Enacted	\$ 1,483,075	\$ 1,483,075	\$ -
Current Service Adjustments	22,419	20,866	(1,553)
New Initiatives	-	410,000	410,000
Change to FY 2015 Enacted	\$ 22,419	\$ 430,866	\$ 408,447
FY 2016 Current Service/ Unconstrained Request	\$ 1,505,494	\$ 1,913,941	\$ 408,447
Target Reduction/Initiatives	-	(410,501)	(410,501)
FY 2016 Constrained Target/Request	\$ 1,505,494	\$ 1,503,440	\$ (2,054)
<i>Change to FY 2015 Enacted</i>	\$ 22,419	\$ 20,365	\$ (2,054)

Discretionary Grants. The Council requests \$1.5 million from all sources for discretionary grants, including \$1.0 million from general revenues and \$0.5 million from federal National Endowment for the Humanities funds. This is \$0.4 million more than enacted from general revenues and \$58,000 less from federal funds. Discretionary grants are awarded to artists and organizations throughout the state, ranging from individual artists to venues such as the Providence Performing Arts Center. The Council indicates the increase in general revenue funding is requested to reach its goal of awarding \$1.0 million from discretionary grants, a goal that was set by the Council in the late 1990's.

The Council's constrained request excludes the requested general revenue increase. *The Governor's recommendation is consistent with the constrained budget request, funding general revenues at the enacted level.*

Salaries and Benefits. The Council requests \$0.6 million, including \$0.4 million from general revenues for salaries and benefits for 6.0 positions. This is \$20,266 more from general revenues and \$15,345 more from federal funds. This primarily reflects a cost-of-living adjustment of \$28,155 and other benefit adjustments consistent with updated rates.

The Council's constrained request appears to reduce federally funded benefits by \$42,730 but does not address accompanying salaries.

The Governor's recommendation is \$4,617 less than the unconstrained request including \$3,820 more from general revenues and \$8,437 less from federal funds to reflect medical benefit savings and correct benefit calculations.

Community Service Grants. The Council requests the enacted level of \$464,574 from general revenues for community service grants. *The Governor recommends funding as requested.*

Online Grant Application Systems. The Council requests \$33,500 including \$1,000 from general revenues and \$32,500 from National Endowment for the Arts federal funds for the development and maintenance of a new online grant application system. The online grant system was developed in 2011; the requested amount of \$20,500 more than enacted from federal funds would provide the Council with an expansion of its online application interface allowing the Council to process grant applications more efficiently.

The Council's constrained request reduces federal funding for the system by \$12,000.

The Governor recommends funding as included in the unconstrained request.

Memberships and Other Operations. The Council requests \$73,861 including \$18,206 from general revenues and \$55,655 from federal funds for all other operations. This is \$7,380 more than enacted

including \$600 more from general revenues and \$6,780 more from federal funds. New requested expenses include the cost of holding grant review panels, records storage, and the Council's new funding for membership in Grantmakers in the Arts and the Americans for the Arts, two organizations that support the work of artists and arts funders throughout the country, and other operating expenses.

The Council's constrained request eliminates one federally funded arts organization membership for savings of \$3,250 and reduces unidentified general revenue funded telecommunications expenses by \$501. *The Governor recommends funding as included in the unconstrained request.*

Percent for Art Program. The Council's request includes \$1.4 million for public art projects at various new state owned facilities, which is \$0.8 million more than enacted. The request includes \$20,000 for costs associated with administration of the program such as posting online, newspaper advertising, and choosing requests for proposals. *The Governor recommends funding as included in the unconstrained request.*

Rhode Island Atomic Energy Commission

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 1,044,239	\$ 1,064,345	\$ 1,123,358	\$ 1,117,528
Contracted Services	-	-	3,315	315
Subtotal	\$ 1,044,239	\$ 1,064,345	\$ 1,126,673	\$ 1,117,843
Other State Operations	97,708	448,215	161,497	164,497
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	129,227	92,528	104,829	54,829
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 1,271,174	\$ 1,605,088	\$ 1,392,999	\$ 1,337,169
Sources of Funds				
General Revenue	\$ 913,197	\$ 907,737	\$ 957,170	957,170
Federal Aid	-	351,171	60,529	54,699
Restricted Receipts	-	-	-	-
Other	357,977	346,180	375,300	325,300
Total	\$ 1,271,174	\$ 1,605,088	\$ 1,392,999	\$ 1,337,169
FTE Authorization	8.6	8.6	8.6	8.6

Summary. The Rhode Island Atomic Energy Commission requests \$1.4 million including \$1.0 million from general revenues for its FY 2016 unconstrained request. This is \$121,825 more than enacted, including \$43,973 more from general revenues, \$60,529 more from federal funds, and \$17,323 more from University of Rhode Island Research funds. The Commission requests the enacted level of 8.6 positions. *The Governor recommends \$55,830 less than requested including \$5,830 less from federal funds and \$50,000 less from Rhode Island Capital Plan funds.*

Target Issues. The Budget Office provided the Commission with a general revenue target of \$957,170. The amount includes current service adjustments of \$43,973. The Budget Office did not require the Commission to submit a budget that contained a reduction to current services. The Commission's request is consistent with the target. *The Governor's recommendation is consistent with the Commission's request.*

FY 2016 Budget	Budget Office	Atomic Energy	Difference
FY 2015 Enacted	\$ 913,197	\$ 913,197	\$ -
Current Service Adjustments	43,973	43,973	-
Change to FY 2015 Enacted	\$ 43,973	\$ 43,973	\$ -
FY 2016 Current Service/Unconstrained Request	\$ 957,170	\$ 957,170	\$ -
Target Reduction/Initiatives	-	-	-
FY 2016 Constrained Target/Request	\$ 957,170	\$ 957,170	\$ -
<i>Change to FY 2015 Enacted</i>	<i>\$ 43,973</i>	<i>\$ 43,973</i>	<i>\$ -</i>

Salaries and Benefits. The Commission requests \$1.1 million, including \$0.9 million from general revenues, \$17,609 from federal funds and \$0.2 million from University of Rhode Island research funds for staffing costs. This is \$0.1 million more than enacted from all funds including \$44,000 more from general revenues, \$17,609 more from federal funds and \$17,510 more from University funds. The request fully funds salaries and benefits for 8.6 full-time equivalent positions. *The Governor recommends \$5,830 less than requested from University research funds to reflect turnover savings associated with two vacant positions that are expected to be filled in April of 2015.*

Instrumentation Upgrades. The Commission's request includes \$37,920 from federal funds for the upgrade of instrumentation associated with the health physics program. The Commission indicates that funding for the federal infrastructure support program was restored. It should be noted that most of the instrumentation at the Rhode Island Nuclear Science Center has not been upgraded since it was built in 1960. The Commission projects the majority of these upgrades to be completed in FY 2015. *The Governor recommends funding as requested.*

All Other Grants and Operations. The Commission requests \$131,721, including \$48,064 from general revenues, \$5,000 from federal funds and \$78,657 from University funds for all other grant funded activities and operations. This is \$27 less from general revenues, \$5,000 more from federal funds and \$187 less from University research funds. Federal grants fund nuclear engineering research and support Nuclear Education projects. Expenditures include general office and maintenance expenses. *The Governor recommends funding as requested.*

Capital. Consistent with the enacted amount, the Commission requests \$100,000 from Rhode Island Capital Plan funds for asset protection projects. The Commission spent \$59,257 in FY 2013 and \$45,770 in FY 2014. *The Governor recommends \$50,000. A detailed analysis of the project is included in the Capital Budget section of this publication.*

Rhode Island Higher Education Assistance Authority

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended*
Expenditures by Program				
Scholarship and Grant Program	\$ 147,000	\$ 147,000	\$ 4,281,726	\$ -
Loans Program	15,465,693	7,293,103	7,285,907	-
Tuition Savings Program	8,334,268	8,392,527	8,465,610	-
Total	\$ 23,946,961	\$ 15,832,630	\$ 20,033,243	\$ -
Expenditures by Category				
Salaries and Benefits	\$ 1,910,235	\$ 1,946,130	\$ 1,562,017	\$ -
Contracted Services	7,830,000	4,015,000	4,460,000	-
Subtotal	\$ 9,740,235	\$ 5,961,130	\$ 6,022,017	\$ -
Other State Operations	1,925,000	1,724,500	1,729,500	-
Aid to Local Units of Government	-	-	-	-
Assistance, Grant, and Benefits	12,281,726	8,147,000	12,281,726	-
Capital	-	-	-	-
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 23,946,961	\$ 15,832,630	\$ 20,033,243	\$ -
Sources of Funds				
General Revenue	\$ 147,000	\$ 147,000	\$ 4,281,726	\$ -
Federal Aid	15,465,693	7,293,103	7,285,907	-
Restricted Receipts	-	-	-	-
Other	8,334,268	8,392,527	8,465,610	-
Total	\$ 23,946,961	\$ 15,832,630	\$ 20,033,243	\$ -
FTE Authorization	22.0	22.0	15.0	

*Funding is now shown in the Office of Postsecondary Commissioner budget.

Summary. The Rhode Island Higher Education Assistance Authority requests \$20.0 million from all sources of funds, which is \$3.9 million less than the enacted budget. General revenues of \$4.3 million are \$4.1 million more than enacted. The Authority requests 15.0 full-time equivalent positions, 7.0 less than enacted.

The Governor recommends Article 7 to transfer all of the powers duties, authority and resources of the Higher Education Assistance Authority to the Council for Postsecondary Education and the Office of the General Treasurer. She transfers 15.0 full-time equivalent positions and \$19.1 million from the Authority to a new Division of Higher Education Assistance in the Office of Postsecondary Commissioner. The Authority and its corporate existence will be terminated on July 1, 2015.

Target Issues. The Budget Office provided the Authority with a general revenue target of \$147,000. The budget submitted by the Authority is \$4.1 million more than the target. *The Governor's budget is \$147,000 less than the target; however, it transfers all funding to the Office of Postsecondary Commissioner.*

FY 2016 Budget	Higher Education		
	Budget Office	Assist. Auth.	Difference
FY 2015 Enacted	\$ 147,000	\$ 147,000	\$ -
Current Service Adjustments	-	-	-
Change to FY 2015 Enacted	\$ -	\$ -	\$ -
FY 2016 Current Service/Unconstrained Request	\$ 147,000	\$ 147,000	\$ -
Target Reduction/Initiatives	-	4,134,726	4,134,726
FY 2016 Constrained Target/Request	\$ 147,000	\$ 4,281,726	\$ 4,134,726
<i>Change to FY 2015 Enacted</i>	<i>\$ -</i>	<i>\$ 4,134,726</i>	<i>\$ 4,134,726</i>

Need-Based Scholarships and Grants. The Authority requests the enacted level of \$12.1 million for need-based scholarships and grants, including \$4.1 million from general revenues and \$8.0 million from tuition savings funds consistent with the enacted level. The FY 2015 enacted budget includes \$4.1 million from Authority operating reserve funds in lieu of a like amount from general revenues for total grants of \$12.1 million. This request reverses the 2014 Assembly action.

For FY 2015, the Board voted not to use the \$4.1 million from reserve funds and to only use the \$8.0 million from tuition savings fees. The Board reduced the maximum grant award from \$750 to \$500. In FY 2014, 18,355 received state grant offers, up to a maximum of \$750. The average award for FY 2014 was \$637 which covered less than five percent of an average student's need. For FY 2015, the Authority estimates that 23,000 will receive grants up to a maximum of \$500.

The Governor recommends legislation in Article 7 to replace the state's need based scholarship and grants program formula and eligibility requirements with a more flexible state grant program under the direction of the Commissioner of Postsecondary Education. She removes all funding for the need based scholarships and grants and uses \$11.4 million for two new programs described below.

Last Dollar Scholarship Program. The Governor recommends \$10.1 million from tuition savings fees and federal agency operating reserve funds for a new Last Dollar Scholarship program for students with proven academic performance and financial need to attend Rhode Island's public higher education institutions. She transfers all funding to the Office of Postsecondary Commissioner.

Dual Enrollment Initiative. The Governor recommends \$1.3 million from tuition savings fees for a new dual and concurrent enrollment initiative to allow qualified high school students to earn college credit at no cost to the student. She transfers all funding to the Office of Postsecondary Commissioner.

Scholarships and Grants

Uses	FY 2015 Enacted	FY 2016 Request	Change to Enacted	FY 2016 Governor	Change to Enacted	Change to Request
Need-Based Scholarships and Grants	\$ 12,134,726	\$ 12,134,726	\$ -	\$ -	\$(12,134,726)	\$(12,134,726)
Last Dollar Scholarship Program	-	-	-	10,095,000	10,095,000	10,095,000
Dual Enrollment Initiative	-	-	-	1,300,000	1,300,000	1,300,000
Total	\$ 12,134,726	\$ 12,134,726	\$ -	\$ 11,395,000	\$ (739,726)	\$ (739,726)
Sources						
General Revenues	\$ -	\$ 4,134,726	\$ 4,134,726	\$ -	\$ -	\$ (4,134,726)
Tuition Savings Fees	8,000,000	8,000,000	-	7,395,000	(605,000)	(605,000)
Guaranty Agency Reserves	4,134,726	-	(4,134,726)	4,000,000	(134,726)	4,000,000
Total	\$ 12,134,726	\$ 12,134,726	\$ -	\$ 11,395,000	\$ (739,726)	\$ (739,726)

Full Service Contract Conversion. The Authority generates revenues from guaranteeing loans, which it uses for its programs and expenditures. In September 2009, the United States House of Representatives voted to end the federal family education loan program effective July 1, 2010. On March 30, 2010, President Barack Obama signed the provision into law under the Health Care and

Education Reconciliation Act of 2010. In addition to ending subsidies to lenders, the legislation made the federal government the originator of educational loans. The federal budget passed by Congress in November 2013 significantly affects the Authority's income received from rehabilitated loans beginning July 1, 2014, reducing the Authority's funding by approximately 40 percent.

Throughout FY 2014, the Authority discussed various options before the House Oversight Committee on the wind down of the agency. Given the organization of the Agency, net revenues will decline to unsustainable levels over the next two to three years. The Authority submitted its final proposal to the House Oversight Committee on May 1, 2014 to, among other things, negotiate with Sallie Mae for a full-service student loan platform, and reduce staffing levels to 15.0 full-time equivalent positions.

The revised request reflects the elimination of 7.0 full-time equivalent positions and the conversion from a partial-service to full-service contract with Navient (formerly called SallieMae) beginning January 1, 2015 for net savings of \$148,207 based on preliminary estimates. The full-service contract will include loan status management processing, payment processing, and defaulted loan payment processing, which Authority staff currently perform. The 7.0 positions that would be eliminated are 3.0 default prevention collection agents that work with borrowers, 2.0 information technology staff, 1.0 administrative staff and 1.0 accounting staff. *The Governor recommends funding as requested; however, she transfers all funding from the Authority's budget to the Office of Postsecondary Commissioner.*

Collections Related Expenses. The request includes \$4.4 million for costs related to the management of its loan portfolio, including commissions to contracted collection agencies, costs associated with the defaulted loan portfolio and fees paid to Navient for managing collections for the agency. This is \$3.7 million less than enacted based on revised federal revenue estimates and expenditures. The enacted budget includes \$5.0 million in collection agencies' commissions, \$2.3 million in portfolio management fees, and \$0.6 million in guarantee services.

Because of decisions at the federal level, the Authority currently has between three and five years remaining to manage its existing loan portfolio. The 2013 federal budget affects the Authority's income received from rehabilitated loans. Guaranty agencies like the Authority receive a majority of their funding from default reduction and collection activities. Agencies use these proceeds to provide default prevention services to students and families. Federal budget actions have reduced the agency's revenue by approximately 40 percent beginning July 1, 2014. *The Governor recommends funding as requested; however, she transfers all funding from the Authority's budget to the Office of Postsecondary Commissioner.*

Tuition Savings Program Analysis. The request includes \$75,000 from tuition savings fees in the event that the Board votes to contract with a firm to help write a request for proposals for a new manager of the *CollegeBoundfund*. The Agency's contract with AllianceBernstein, the manager of the *CollegeBoundfund* expires June 30, 2016. The FY 2015 revised request includes \$75,000 from tuition savings fees for a new initiative to contract for an analysis of the tuition savings program. In conjunction with the State Investment Commission, the Authority has contracted with Capital Cities to do an in depth analysis of the *CollegeBoundfund*. Pending results of this analysis, the Authority indicates it may do a request for proposal for a new fund manager during FY 2016.

As of the June 30, 2011, there were approximately 500,000 accounts totaling \$7.9 billion. This was the peak number of accounts. As of June 30, 2012, assets totaled nearly \$7.2 billion and there were 490,928 accounts. The number of accounts has been declining since and totaled 417,000 at the end of

2013. The 2013 experience of assets showed market growth of \$800.0 million offset by a loss of \$500.0 million in accounts being withdrawn or closed.

The Governor recommends funding as requested; however, she transfers all funding from the Authority's budget to the Office of Postsecondary Commissioner. She also recommends legislation in Article 7 to transfer administrative responsibility of the tuition savings program to the Office of the General Treasurer; all funding would go to the Office of Postsecondary Commissioner.

WaytoGo Web Portal. The Authority requests \$700,000 from federal funds for the WaytoGo Rhode Island web portal, which is \$50,000 more than enacted to pay for additional training or guidance counselors, teachers and school administrators. The Authority indicates that because it only has one staff person assigned to WaytoGo currently, it needs to increase contracted services. WaytoGo Rhode Island is a comprehensive website that contains tools for elementary, middle, high school, and college students. WaytogoRI.org helps elementary age students learn about themselves and the people who work in their community, provides middle school students tools they need to be prepared for high school and empowers high school students to develop personalized learning plans, prepare for college, extensive college and job research and access online college applications. The Authority uses guaranty agency operating funds, but as these are diminished, this expense now competes with other priorities. *The Governor recommends funding as requested; however, she transfers all funding from the Authority's budget to the Office of Postsecondary Commissioner.*

All Other Salaries and Benefits. The Authority requests \$2.0 million for salaries and benefits for 15.0 full-time equivalent positions for FY 2016. This is \$0.1 million more than enacted, of which \$72,038 is for cost-of-living adjustments. Because of the significant reduction in the Authority's primary source of funding, the 2014 Assembly added turnover savings of \$0.3 million from federal funds and removed authorization for 1.0 position to provide authorization for 22.0 positions, its filled level at the time. As of the pay period ending October 18, 2014, the Authority had 21.0 filled positions.

Throughout FY 2014, the Authority discussed various options before the House Oversight Committee on the wind down of the agency. Given the organization of the Agency, net revenues will decline to unsustainable levels over the next two to three years. The Authority submitted its final proposal to the House Oversight Committee on May 1, 2014 to, among other things, negotiate with Sallie Mae for a full-service student loan platform, and reduce staffing levels to 15.0 full-time equivalent positions.

The revised request reflects the elimination of 7.0 full-time equivalent positions and the conversion from a partial-service to full-service contract with Navient (formerly called SallieMae) effective January 1, 2015 for net savings of \$148,207. The largest share of the new work that Navient would perform includes loan status management processing, payment processing, and defaulted loan payment processing. The 7.0 positions that would be eliminated are 3.0 default prevention collection agents that work with borrowers, 2.0 information technology staff, 1.0 administrative staff and 1.0 accounting staff. *The Governor recommends funding as requested; however, she transfers all funding and 15.0 positions from the Authority's budget to the Office of Postsecondary Commissioner.*

All Other Operations. The Authority requests \$0.6 million for all other operations for FY 2016, a decrease of \$0.1 million. The reduction was made to align expenditures with FY 2014 spending levels at the direction of the Board. Historically, the Authority has over-budgeted federal funds so as to avoid exceeding the appropriation. Because of the significant loss of revenues and the eventual wind-down of the agency, the Board instructed the Authority to submit a budget that reflects realistic expenditures and fewer staff.

The 2013 federal budget significantly affects the Authority's income received from rehabilitated loans. When guaranty agencies like the Authority rehabilitate defaulted loans from the Federal Family Education Loan program, they may charge borrowers 18.5 percent of the outstanding principal and interest owed on the loan at the time of sale and may retain 18.5 percent of a federal default reinsurance payment. Section 501 of the Ryan-Murray budget deal lowered the maximum borrower collection fee to 16.0 percent and requires the agency to return 100 percent of the federal default reinsurance payment beginning July 1, 2014. Guaranty agencies like the Authority receive a significant amount of their funding from rehabilitated loans and collection activities. Agencies use these proceeds to provide default prevention services to students and families. The federal budget cuts have reduced the agency's funding by approximately 40.0 percent beginning July 1, 2014.

The Governor recommends \$0.1 million less than requested. She shifts \$147,000 for dues for the New England Board of Higher Education from general revenues to federal funds. She also makes reductions to expenditures associated with information technology and transfers all funding from the Authority's budget to the Office of Postsecondary Commissioner.

Other Authority Programs and Issues

Tuition Savings Program. The 1997 Assembly established a tuition savings program designed to facilitate and encourage savings by or on behalf of students, future students and parents for the purpose of paying the costs of attending institutions of higher education. Investments grow free from federal income taxes and distributions for qualified higher education expenses, such as tuition, fees, books, room and board, are federal income tax-free. In August 2000, the program was placed under the management of AllianceBernstein management and renamed the *Collegeboundfund*.

Tuition savings fees are used to fund the need based scholarships and grants program as well as other programs at the Board's direction, from time to time. The Agency's contract with AllianceBernstein, the manager of the *CollegeBoundfund* expires June 30, 2015.

As of June 30, 2011, there were approximately 500,000 accounts totaling \$7.9 billion. This was the peak number of accounts. The number of accounts has been declining since and totaled 417,000 at the end of 2013. The 2013 experience of assets showed market growth of \$800.0 million offset by a loss of \$500.0 million in accounts being withdrawn or closed.

The Governor recommends legislation in Article 7 to transfer administrative responsibility of the tuition savings program to the Office of the General Treasurer; all funding would go to the Office of Postsecondary Commissioner. Currently 0.5 of a position is dedicated to maintaining the relationship with AllianceBernstein.

Academic Promise. Periodically, the Board has created other grant programs that are not statutory. These are funded from tuition savings fees from the *CollegeBoundfund*. The Academic Promise program was created in 2002. In order to be eligible, a student must be a graduating high school senior who is planning to enroll in a postsecondary institution on a full-time basis, demonstrates academic promise and shows financial need. The award is up to \$2,500 per year over four years, up to a total of \$10,000.

Academic Promise	
FY 2008	\$ 1,000,000
FY 2009	\$ 1,000,000
FY 2010	\$ -
FY 2011	\$ -
FY 2012	\$ -
FY 2013	\$ 800,000
FY 2014	\$ -
FY 2015	\$ -

There is no funding for a new cohort in the FY 2016 budget. Because the cohorts are pre-funded, everyone who has been promised an award will receive one.

Collegeboundbaby. At its September 25, 2014 meeting, the Board voted to approve a new program. Starting January 1, 2015, children born to or adopted by Rhode Island families are eligible for a \$100 contribution from AllianceBernstein funding. The money will be held and invested in a master account on behalf of the child until the child is ready to attend a higher education institution. This is stipulated to in the Authority's contract with AllianceBernstein.

There is no change to this program proposed in the Governor's budget as it is funded by AllianceBernstein and not through the state budget. It should be noted that the Agency's contract with AllianceBernstein expires June 30, 2015. A new vendor or contract renegotiation could dramatically reduce the available revenues.

Reserve Funds. The federal student loan operating fund is derived from fees paid by the federal government to administer the loan program. These include loan processing issuance fees, default aversion fees, and account maintenance fees. The federal operating fund also includes income earned as a result of collection and consolidation of previously defaulted loans. The uses of the guaranty agency's operating fund are limited by state and federal statutes. State law limits the use to the ordinary operating expenses of the Authority; it also states that it is the intent of the General Assembly that these funds eventually be used to increase financial assistance to Rhode Island students in the form of scholarships and grants.

The Higher Education Assistance Authority Board has expressed interest in endowing guaranty operating reserves. As of June 30, 2014, there was approximately \$28 million available.

The Governor's budget uses \$4.0 million from federal loan reserve funds for a new Last Dollar Scholarship program for students with proven academic performance and financial need to attend Rhode Island's public higher education institutions.

Historical Preservation and Heritage Commission

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 1,718,591	\$ 1,688,724	\$ 1,828,881	\$ 1,755,591
Contracted Services	3,100	3,400	3,400	3,400
Subtotal	\$ 1,721,691	\$ 1,692,124	\$ 1,832,281	\$ 1,758,991
Other State Operations	110,899	90,278	95,713	95,988
Aid to Local Units of Government	-	-	-	-
Assistance, Grant, and Benefits	2,173,686	2,175,729	2,051,194	2,051,194
Capital	1,903,700	2,122,450	225,030	5,030
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 5,909,976	\$ 6,080,581	\$ 4,204,218	\$ 3,911,203
Sources of Funds				
General Revenue	\$ 1,320,610	\$ 1,206,107	\$ 1,458,226	\$ 1,355,972
Federal Aid	2,183,588	2,255,295	2,025,654	2,054,893
Restricted Receipts	434,910	428,630	428,630	428,630
Other	1,970,868	2,190,549	291,708	71,708
Total	\$ 5,909,976	\$ 6,080,581	\$ 4,204,218	\$ 3,911,203
FTE Authorization	16.6	16.6	16.6	16.6

Summary. The Historical Preservation and Heritage Commission requests \$4.2 million, which is \$1.7 million less than enacted from all sources. This includes \$0.1 million more from general revenues, \$0.2 million less from federal funds, \$6,280 less from restricted receipts, and \$1.7 million less from other funds, primarily Rhode Island Capital Plan funds. The request includes the authorized level of 16.6 full-time equivalent positions.

The Commission also submitted a constrained request that totals \$1.4 million from general revenues and includes \$21,161 less from general revenues than the unconstrained request.

The Governor recommends \$3.9 million from all funds. This is \$0.3 million less than requested, including \$0.1 million less from general revenues and \$0.2 million less from Rhode Island Capital Plan funds. She includes the authorized level of 16.6 full-time equivalent positions.

Target Issues. The Budget Office provided the Historical Preservation and Heritage Commission with a general revenue target of \$1,442,113, including current service adjustments of \$0.1 million. The target provided to the Commission does not include the 7.5 percent reduction assigned to larger agencies.

FY 2016 Budget	Budget Office	HPHC	Difference
FY 2015 Enacted	\$ 1,320,610	\$ 1,320,610	\$ -
Current Service Adjustments	121,503	137,616	16,113
Change to FY 2015 Enacted	\$ 121,503	\$ 137,616	\$ 16,113
FY 2016 Current Service/Unconstrained Request	\$ 1,442,113	\$ 1,458,226	\$ 16,113
Target Reduction/Initiatives	-	(21,161)	(21,161)
FY 2016 Constrained Target/Request	\$ 1,442,113	\$ 1,437,065	\$ (5,048)
<i>Change to FY 2015 Enacted</i>	\$ 121,503	\$ 116,455	\$ (5,048)

The constrained budget submitted by the agency is \$5,048 below the target. The Commission's proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$86,141 below the target.*

Eisenhower House. The Commission requests \$0.4 million from all funds for staffing, operations, and renovations to Eisenhower House. This includes \$0.2 million, which is \$15,287 more than enacted from general revenues for house staffing and operations, consistent with current planning values and historical expenditures. Also included is \$0.2 million, which is \$1.7 million less than enacted from Rhode Island Capital Plan funds, reflective of the anticipated completion of substantial renovations to the house in the fourth quarter of FY 2015.

As part of its constrained request, the Commission proposes \$1,720 less from general revenues for the staffing and operations of Eisenhower House. This includes the one-week furlough of the full-time staff member who maintains Eisenhower House for savings of \$1,420. Also included is a \$300 reduction in unspecified house operations expenses. The Commission has not provided any information regarding the impacts on Eisenhower House operations resulting from the proposals.

The Governor recommends \$0.2 million less than requested from all funds. Her recommendation includes \$7,212 less from general revenues to reflect anticipated part-time staffing and statewide benefit savings. She also includes \$0.2 million less from Rhode Island Capital Plan funds, to reflect a shift of funding from FY 2016 to FY 2015 for the completion of the renovation project in the current year.

All Other Salaries and Benefits. The Commission requests \$1.7 million, which is \$99,323 more than enacted from all sources for salaries and benefits for the remaining 15.0 authorized full-time equivalent positions. This includes \$0.1 million more from general revenues, \$11,545 more from restricted receipts, and \$1,406 more from Department of Transportation reimbursement funds. Increases are offset by \$26,619 less from federal funds. The enacted budget includes one-time funding for salaries and benefits from Hurricane Sandy Grant funds that produced general revenue savings; the FY 2016 request shifts these expenditures back to general revenues.

The Administration reached agreements with its largest unions for a new four-year contract effective July 1, 2013 through June 30, 2017, which includes 2.0 percent salary increases effective April 6, 2014, October 5, 2014, and October 4, 2015, offset by increased cost sharing measures for medical benefits. The request includes \$0.1 million from all sources to fund the increases, including \$46,634 from general revenues. The remainder of the request is consistent with FY 2016 planning values, statewide medical benefit savings, and anticipated staffing.

As part of its constrained request, the Commission proposes a one week furlough of its staff and includes \$37,396 less from all sources to reflect that for 15.0 authorized full-time equivalent positions. This includes \$16,741 less from general revenues, \$18,569 less from federal funds, and \$2,086 less from Department of Transportation reimbursement funds. It should be noted that the target provided to

the Commission by the Budget Office only applies to funding from general revenues. However, the Commission reports that the furlough of all staff and a reduction from all sources was determined to be the most equitable, as the Commission's staff is assigned to various tasks, funded from multiple sources throughout the year. No information has been provided regarding the impact the furlough would have on the Commission's ability to fulfill its statutory requirements.

The Governor recommends \$66,078 less than requested from all sources, including \$0.1 million less from general revenues and \$29,239 more from federal funds to reflect the shift of personnel expenses to available federal Survey and Planning grant funds. The recommendation includes statewide benefit savings and turnover savings consistent with recent staffing changes.

Grant Programs. The Commission requests \$1.5 million, which is \$0.1 million less than enacted from federal funds for its grant programs. This includes \$0.1 million less for the Hurricane Sandy Disaster Relief Grant, reflective of reported FY 2014 and anticipated FY 2015 expenditures and \$2,143 more for the Survey and Planning grant program, reflective of the Commission's FY 2015 award. The request also eliminates \$565 in enacted funds from the Preserve America grant program, which has expired and is not anticipated to be revived at the federal level. *The Governor recommends funding as requested.*

Preservation Programs. The Commission requests \$0.4 million, which is \$17,825 less than enacted from restricted receipts for preservation program expenses, excluding staffing. The request includes the enacted amount of \$0.4 million from restricted receipts for the Historic Preservation loan fund and \$1,715 for other preservation program operations. This reflects historical expenditures for these programs and shifts funds from Historic Preservation Loan Fund interest to fund increasing personnel costs. *The Governor recommends funding as requested.*

Community Service Grants. The Commission requests the enacted amount of \$176,301 from general revenues for eleven community service grants. *The Governor recommends funding as requested.*

All Other Operations. The Commission requests \$70,743 which is \$8,772 more than enacted from all sources for all other operations, including a shift of \$8,158 to general revenues, reflective of a reduction in allowable administrative expenditures associated with the federal Hurricane Sandy Disaster Relief grant. The request includes \$1,800 for unspecified office furniture or equipment purchases and the enacted amount of \$17,000 from general revenues for grants to state preservation organizations. Also included is \$566 less from Department of Transportation reimbursement funds to reflect historical expenditures to support archeological review of Department construction projects.

As part of its constrained request, the Commission proposes general revenues reductions totaling \$2,700, including a \$900 reduction in printing expenditures for the year and the exclusion of furniture and equipment purchases. *The Governor recommends \$275 more than enacted from general revenues to reflect an increase in the Commission's internet and information technology expenses.*

Office of the Attorney General

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Program				
Criminal	\$ 26,442,544	\$ 29,372,820	\$ 17,778,932	\$ 17,106,413
Civil	5,733,404	6,184,174	6,538,092	6,182,731
Bureau of Criminal Identification	1,542,124	1,575,883	1,715,067	1,591,162
General	3,073,613	3,043,735	3,823,947	3,155,011
Total	\$ 36,791,685	\$ 40,176,612	\$ 29,856,038	\$ 28,035,317
Expenditures by Category				
Salaries and Benefits	\$ 23,863,118	\$ 24,614,603	\$ 25,936,207	\$ 24,951,076
Contracted Services	1,707,122	\$ 4,533,098	752,604	683,793
Subtotal	\$ 25,570,240	\$ 29,147,701	\$ 26,688,811	\$ 25,634,869
Other State Operations	3,226,111	3,705,930	2,021,370	1,902,815
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	7,995,334	7,322,981	1,145,857	497,633
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 36,791,685	\$ 40,176,612	\$ 29,856,038	\$ 28,035,317
Sources of Funds				
General Revenue	\$ 23,607,146	\$ 24,544,068	\$ 26,368,236	\$ 25,193,210
Federal Aid	1,634,631	2,679,629	1,291,777	1,291,777
Restricted Receipts	11,249,908	12,702,915	1,250,330	1,250,330
Other	300,000	250,000	945,695	300,000
Total	\$ 36,791,685	\$ 40,176,612	\$ 29,856,038	\$ 28,035,317
FTE Authorization	236.1	236.1	238.1	236.1

Summary. The Office of the Attorney General's request is \$29.9 million from all sources, including \$26.4 million from general revenues. This is \$6.9 million less than enacted, including \$2.8 million more from general revenues, \$0.3 million less from federal funds, \$10.0 million less from restricted receipts and \$0.6 million more from Rhode Island Capital Plan funds. The Office requests 238.1 full-time equivalent positions, 2.0 positions above the authorized level.

The Governor recommends \$8.8 million less than enacted and \$1.8 million less than requested from all sources of funds and includes \$1.6 million more than enacted from general revenues which is \$1.2 million less than requested. She includes the enacted level of 236.1 positions.

Target Issues. The Budget Office provided the Office with a general revenue target of \$22,993,748. The amount includes current service adjustments of \$1,231,384 and a 7.5 percent target reduction of \$1,844,782.

FY 2016 Budget	Office of the		
	Budget Office	Attorney General	Difference
FY 2015 Enacted	\$ 23,607,146	\$ 23,607,146	\$ -
Current Service Adjustments	1,231,384	2,416,058	1,184,674
New Initiatives	-	345,032	345,032
Change to FY 2015 Enacted	\$ 1,231,384	\$ 2,761,090	\$ 1,529,706
FY 2016 Current Service/Unconstrained Request	\$ 24,838,530	\$ 26,368,236	\$ 1,529,706
Target Reduction/Initiatives	(1,844,782)	-	1,844,782
FY 2016 Constrained Target/Request	\$ 22,993,748	\$ 26,368,236	\$ 3,374,488
Change to FY 2015 Enacted	\$ (613,398)	\$ 2,761,090	\$ 3,374,488

The Office did not submit a constrained budget; its unconstrained budget exceeds the target by \$3.4 million. *The Governor's recommendation is \$2.3 million above the target.*

Criminal Division

New Staff - 2.0 Positions. The Office requests \$0.2 million from general revenues to support two new positions: an entry level staff attorney and an investigator based on projected needs for the Criminal Division. This request assumes funding for the positions for a full year; however, the Office does not increase its staffing authorization for the new hires and restores funding included in the enacted budget from keeping positions vacant. It should be noted that this was also part of the Attorney General's FY 2015 request but was not recommended by the Governor. The Office's FY 2016 request does not increase its staffing level and fills the positions under existing authorization based on available vacancies. *The Governor does not provide funding for the positions.*

Medicaid Fraud Unit. The Office requests \$1.4 million, including \$0.3 million from general revenues for the Medicaid Fraud Unit, including 12.0 positions. This is \$0.2 million less from all sources; however, adds \$33,661 from general revenues and includes the correct Medicaid rate of 75 percent. The Office spent \$1.2 million from all sources in FY 2013 and FY 2014 for the fraud unit. *The Governor recommends \$26,988 less than requested from general revenues; she does not adjust the matching federal funds.*

Other Salaries and Benefits. The Office requests \$15.9 million from all sources, including \$14.5 million from general revenues for other salaries and benefits for the remaining 147.7 full-time equivalent positions within the Criminal Division. This is \$1.2 million more than enacted, primarily from general revenues, including \$0.7 million for the cost of living adjustments, \$0.3 million to restore turnover savings and \$0.1 million to adjust benefit rates consistent with the Budget Office planning values. *The Governor recommends \$0.4 million less than requested from keeping additional positions vacant.*

Google Settlement Funds. The Office requests no funding for use from Google settlement funds; the enacted budget includes \$10.0 million. The revised request uses \$11.4 million for total expenditures of \$16.5 million leaving \$43.5 million unspent. *The Governor recommends funding as requested.*

Operations. The Office requests \$1.7 million from all sources, including \$1.4 million from general revenues for all other operations. This is \$220,664 more than enacted, including \$212,953 more from general revenues, \$16,015 more from restricted receipts offset by \$8,304 less from federal funds.

The request includes increases of \$62,439 for travel, \$61,926 for maintenance and repairs, \$39,664 for security supplies, \$21,640 for temporary services and \$34,995 for all other adjustments. The Office decreases information technology expenses and indicates that it is part of its plan to use Google

settlement funds for a system-wide upgrade; however, is waiting for federal approval and did not include any funding in FY 2016. *The Governor includes \$97,637 less than requested but \$123,027 more than enacted, including \$115,316 more from general revenues. The Governor includes \$28,398 less for maintenance and repairs and office equipment to be consistent with prior year spending.*

Civil Division

Paralegal Position. The Office requests \$0.1 million from general revenues to support 1.0 new paralegal clerk position. The paralegal clerk will perform legal research and analysis of law sources in order to assist attorneys with their caseloads. The Office notes additional staff is necessary to maintain the desired level of proficiency when handling all legal matters and caseloads. *The Governor does not recommend the new position.*

Pension Settlement Lawsuit. The Office's revised request adds \$276,650 from general revenues for costs related to the pension lawsuit currently in Superior Court. The Office of the General Treasurer is responsible for the rest. It is anticipated that it will take two years to complete the legal process to settle the lawsuit. As of February 1, 2015 there have been no expenses related to the lawsuit. *The Governor recommends \$500,000 including \$250,000 in the both the Office of the Attorney General and the Office of Governor's budgets.*

Salaries and Benefits. The Office requests \$5.5 million from all sources, including \$4.9 million from general revenues for other salaries and benefits for 44.6 full-time equivalent positions within the Civil Division. This is \$0.4 million more than enacted, nearly all from general revenues to include \$0.3 million for the cost-of-living adjustments, to partially restore turnover savings, and includes step increases, other staffing changes and benefit rates consistent with the Budget Office planning values. The enacted budget assumed \$0.1 million in turnover savings, equating to holding 1.0 full-time equivalent position vacant for FY 2015; the FY 2016 request leaves 0.4 positions vacant. *The Governor recommends \$0.2 million less than requested from keeping 1.8 positions vacant.*

All Other Operations. The Office requests \$0.7 million, including \$0.4 million from general revenues for all other operating expenses in the Civil Division. This is \$32,780 more than enacted, including \$87,145 more from general revenues offset by reduced receipts available through the oversight and regulation with the Public Utilities Commission to support operating expenses. This includes increases to office supplies and equipment, travel and maintenance. *The Governor includes \$28,833 less than requested including \$11,585 less for office equipment. This is consistent with historical spending.*

Bureau of Criminal Identification Division

Fingerprint Expert Position. The Office requests \$0.1 million from general revenues to support 1.0 new fingerprint expert position to provide assistance in implementing the federal mandates that require all healthcare workers to have a background check prior to volunteering and/or employment. The Office notes additional staff is necessary to maintain the desired level of proficiency when handling all fingerprinting matters. The position was also included in the Office's FY 2015 request but was not recommended by the Governor. *The Governor does not recommend the new position.*

Salaries and Benefits. The Office requests \$1.6 million from general revenues for other salaries and benefits for 18.8 full-time equivalent positions for the Bureau of Criminal Identification Division. The request is \$87,874 more than enacted to include \$71,457 for the cost-of-living adjustment, \$12,361 to reduce turnover savings, and other benefit adjustments consistent with Budget Office planning values totaling \$3,966 in FY 2016. The enacted budget assumed holding a 0.4 full-time equivalent position

vacant; the Office assumes only \$14,944 in turnover savings equivalent to 0.1 positions vacant in FY 2016. *The Governor recommends \$37,366 less than requested to reflect additional turnover savings.*

Operations. The Office requests \$76,396 from general revenues for all other operations for the Bureau of Criminal Identification. This is \$7,795 more than enacted to reflect increases for travel expenses and office equipment and supplies, partially offset by decreases in building maintenance and repairs; the request is based on projected Office needs and is consistent with the revised request and \$10,149 less than FY 2014 actual expenses. *The Governor includes \$9,205 less than requested.*

General Division

Salaries and Benefits. The Office requests \$2.7 million from general revenues for salaries and benefits for 20.8 full-time equivalent positions within the General Division. This is \$137,650 more than enacted to include the cost-of-living adjustments, backfilling a portion of the savings included in the enacted budget and for other benefit adjustments consistent with Budget Office planning values totaling \$1,950 in FY 2016. *The Governor recommends \$5,271 less than requested and includes savings from keeping 0.2 positions vacant.*

Operations. The Office requests \$190,953 from general revenues for division operations. This is \$33,011 less than enacted to reflect decreases primarily for utilities and record center charges that are partially offset by increases for other expenses based on projected Office needs. *The Governor includes \$17,970 less than requested; she does not include additional funding for other expenses.*

Asset Protection. The Office requests \$945,695 from Rhode Island Capital Plan funds for its asset protection projects for FY 2016. This is consistent with its capital request and is \$0.6 million more than the approved plan. Funds are expected to be used for continuous upgrade to its heat, ventilation and air conditioning system, as well as other interior renovations, including office spaces. *The Governor recommends funding consistent with the approved plan.*

Department of Corrections

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Program				
Central Management	\$ 9,533,210	\$ 9,815,416	\$ 10,390,875	\$ 9,427,197
Parole Board	1,313,799	1,349,510	1,422,034	1,383,685
Custody and Security	119,558,624	125,312,558	133,075,856	127,143,451
Institutional Support	35,253,504	30,708,519	34,893,501	27,711,667
Institutional Based Rehab/Pop	9,620,945	10,185,599	10,481,347	10,106,057
Healthcare Services	18,916,896	20,956,127	22,531,207	20,771,182
Community Corrections	15,129,522	15,018,934	16,197,461	16,032,431
Total	\$ 209,326,500	\$ 213,346,663	\$ 228,992,281	\$ 212,575,670
Expenditures by Category				
Salaries and Benefits	\$ 162,641,349	\$ 168,143,677	\$ 179,512,178	\$ 172,033,046
Contracted Services	9,804,000	11,037,858	11,016,699	10,366,604
Subtotal	\$ 172,445,349	\$ 179,181,535	\$ 190,528,877	\$ 182,399,650
Other State Operations	15,472,911	18,010,134	18,512,300	17,574,458
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	1,556,148	1,191,908	1,211,908	1,191,908
Capital	19,852,092	14,963,086	18,739,196	11,409,654
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 209,326,500	\$ 213,346,663	\$ 228,992,281	\$ 212,575,670
Sources of Funds				
General Revenue	\$ 187,745,480	\$ 196,263,428	\$ 209,442,300	\$ 200,075,231
Federal Aid	1,654,703	2,009,400	1,337,381	1,337,381
Restricted Receipts	398,879	404,403	47,058	47,058
Other	19,527,438	14,669,432	18,165,542	11,116,000
Total	\$ 209,326,500	\$ 213,346,663	\$ 228,992,281	\$ 212,575,670
FTE Authorization	1,419.0	1,419.0	1,419.0	1,419.0
Prison Population	3,170	3,239	3,292	3,292

Summary. The Department requests \$229.0 million, \$19.7 million or 9.4 percent more than enacted from all sources of funds, including \$21.7 million more from general revenues. Consistent with the enacted authorization, the Department requests 1,419.0 full-time equivalent positions. The Department's FY 2016 request is based on a population of 3,292, an increase of 122 inmates above the enacted level. The Governor recommends \$212.6 million from all sources, including \$200.1 million from general revenues and the enacted level of positions. This is \$16.4 million less than requested, including \$9.4 million less from general revenues. *The Governor assumes a population of 3,292, which is consistent with the Department's request.*

Target Issues. The Budget Office provided the Department with a general revenue target of \$178.3 million. The amount includes current service adjustments of \$3.6 million and a 7.5 percent target

reduction of \$13.1 million. *The Governor's recommendation is \$21.8 million above the Budget Office target.*

FY 2016 Budget	Budget Office	Department of Corrections	Difference
FY 2015 Enacted	\$ 187,745,480	\$ 187,745,480	\$ -
Current Service Adjustments	3,598,005	6,263,440	2,665,435
Change to FY 2015 Enacted	\$ 3,598,005	\$ 6,263,440	\$ 2,665,435
FY 2016 Current Service/Unconstrained Request	\$ 191,343,485	\$ 194,008,920	\$ 2,665,435
Target Reduction/Initiatives	(13,069,999)	(15,773,880)	(2,703,881)
FY 2016 Constrained Target/Request	\$ 178,273,486	\$ 178,235,040	\$ (38,446)
<i>Change to FY 2015 Enacted</i>	\$ (9,471,994)	\$ (9,510,440)	\$ (38,446)

The constrained budget submitted by the Department meets the target. The proposals to achieve the reductions are noted among the items described below where appropriate.

Population. The enacted budget is based on a population of 3,170. The FY 2016 request is based on more current data and assumes a population of 3,292, which is 122 higher than included in the enacted budget. The Department contracts with a firm to prepare population estimates, which has estimated the population for FY 2016 upward to 3,292, which reflects a population growth of almost 4 percent. This is the population upon which the FY 2016 request is based. The House Fiscal Staff uses a simple model using trend data, and population through the second quarter suggests an average population of 3,196, or 96 less inmates than requested.

Population reductions result in the greatest savings when there are enough to allow for the closure of housing modules. The maximum capacity of the prison is governed by the terms of an overcrowding lawsuit. In FY 2008, the Department reached an agreement with the federal courts to increase the allowed capacity at facilities from 4,085 to 4,265. The Donald Price Medium Security facility accounted for 360 bed spaces, but as of November 2011, there are no inmates housed there.

The following table depicts the recent history of budgeted and actual prison population from FY 2008 through the FY 2016 recommendation. Total cost per inmate including staff, can be expressed by dividing the Institutional Corrections' budget by the number of inmates. This is \$61,052 for the FY 2016 request, where the enacted budget includes \$57,839, or \$3,312 less per inmate.

History	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<i>Request</i>	2,583	3,803	4,008	3,709	3,416	3,231	3,152	3,170	3,292
Governor	3,289	3,848	4,008	3,643	3,416	3,231	3,152	3,170	3,292
Enacted	3,289	3,848	3,767	3,450	3,239	3,194	3,152	3,170	-
Revised Request	4,018	3,869	3,669	3,350	3,264	3,146	3,192	3,239	-
Governor Revised	3,925	3,869	3,659	3,350	3,265	3,146	3,192	3,239	-
Final	3,925	3,788	3,551	3,273	3,192	3,146	3,192	-	-
<i>Actual</i>	3,860	3,773	3,502	3,273	3,191	3,160	3,214	-	-

The Governor's recommendation assumes a population of 3,292, as requested, which is 122 more inmates than enacted.

Institutional Corrections

Population: Per Diem Expenditures. The Department requests \$14.7 million, \$2.5 million more than enacted from general revenues for population related expenditures that are calculated on a per diem

basis. This is based on prior year expenditures for items such as food, inmate clothing and linens, and janitorial supplies, accounting for \$0.9 million of the increase. Another major contributor to these expenses are medical costs, which include both inpatient and outpatient services as well as contracted dentistry services. In prior years, dental services were dependent upon availability of staff, requiring the levels of service to be reduced. The Department decided it would be more efficient to contract for these services beginning in FY 2015, and have added \$0.5 million to per diem costs to reflect this change. The final change reflects \$0.7 million of increased costs for pharmaceuticals. This increase is not associated with new drugs for Hepatitis C, which is discussed elsewhere in this analysis, but is based on historical projections and anticipated costs for FY 2016. The Department spent \$4,202 per inmate for FY 2014. The enacted budget includes annual inmate costs of \$3,865, and the request increases these costs to \$4,795. *The Governor recommends \$0.4 million less than requested to reflect revised medical treatment expenses.*

Hepatitis C Treatment. The Department requests \$1.5 million from general revenues for medication and physician consultants related to providing a cure for inmates with Hepatitis C. The enacted budget does not contain funding for the medication or the consultants, who prioritize treatment and administer the medications. The request is based on using the drug Sovaldi, which costs approximately \$84,000 for the required dosage to cure Hepatitis C, and the Department has included similar expenses for both FY 2015 and FY 2016. Consistent with United States Supreme Court rulings, the Department is required to provide the treatment to inmates, which is based on certain criteria, including an individual's stage of the disease, length of prison sentence and the existence of other health complications.

The prioritization of treatment is established by a departmental panel of five infectious disease experts who are mandated to meet the community standard of care, which is consistent with the standards established by the Medicaid program. The Department has noted that approximately one-third of its population has Hepatitis C, but it will provide the medication for only 15 cases each year for FY 2015 and FY 2016, based on projected caseloads and prioritization. *The Governor recommends \$0.7 million, \$0.8 million less than enacted. It appears the recommendation is based on treating fewer cases.*

Affordable Care Act Savings. The enacted budget includes \$0.8 million of savings associated with expanded health coverage available under the Affordable Care Act. The Department has increased the savings by an additional \$0.5 million for a total projected savings of \$1.3 million in FY 2016. These savings are realized due to the expansion of Medicaid eligibility and a streamlined process, which allows for the billing of hospital stays to go directly to the Department of Human Services or the Executive Office of Health and Human Services. The Department will be billed less for eligible stays based on the presumption of Medicaid eligibility for all inmates when they are received in the hospital setting. This avoids a more lengthy and expensive eligibility determination, and shifts the cost for the hospital treatments from 100 percent state funding in the Department's budget to the state Medicaid program. Inmates are not eligible for Medicaid while incarcerated, except when they are receiving treatment in a community hospital for a period of more than 24 hours. *The Governor recommends funding as requested.*

Electronic Medical Records. The Department requests \$0.5 million, \$0.1 million more than enacted from general revenues for upgrades to the Department's electronic medical record tracking system, to include the design of updated templates for the system in FY 2016. The Department indicates these upgrades are required in order to continue the tracking of all medical records, and consultant services are necessary for the maintenance and operation of the Department's system that tracks the inmate population's medical history and treatments. *The Governor recommends funding as requested.*

RIBCO Cost-of-Living Adjustment. The Department's request includes \$3.1 million from general revenues for the cost-of-living adjustment associated with the new contract for the Rhode Island Brotherhood of Correctional Officers, which represents 1,155 of the Department's 1,419 authorized positions. The contract for all but the professional unit has not been resolved; the request assumes that correctional officers will receive a cost-of-living adjustment consistent with other state employees, who will receive 2.0 percent salary increases in FY 2016. The enacted budget did not include the funding for the increases. Statewide, it was assumed the savings required to pay for the increases would be generated primarily from turnover savings. In the case of this union, it typically settles contracts long after other unions. *The Governor recommends funding as requested. As of the end of March, an agreement has not been reached with the Brotherhood.*

Staffing Request. The Department's request includes new funding of \$1.9 million from general revenues to fill 16.0 vacant positions, including correctional officer lieutenants, correctional officer stewards, teachers, administrators, and clerks. The request anticipates filling the positions at the end of FY 2015, and includes funding the positions for the entirety of FY 2016. *The Governor recommends funding as requested.*

New Correctional Officers. The Department requests \$2.4 million from general revenues to reflect the hiring of 25.0 new correctional officers in FY 2016. The Department notes that if these new officers are hired, it will save \$2.3 million of overtime costs, resulting in a net request of \$0.1 million for the new class. The request assumes the new officer class would be recruited, trained and hired by the beginning of FY 2016, with anticipated hiring costs for new officers at an estimated \$96,000 each. The positions are contingent upon a new correctional officer training class, which is currently delayed due to an active lawsuit brought by the Department of Justice, which relates to certain procedures utilized by the Department.

It should be noted the enacted budget and the Department's revised request include \$0.9 million for the class, including \$0.1 million for recruitment and \$0.8 million for all other operations. Subsequent to its submission, the Department removed funding for operations as part of its corrective action plan in FY 2015, but maintained funding for recruitment, as that has historically been expended in the fiscal year before the class takes place. The FY 2016 request includes the \$0.8 million for operations related to the new officer class. *The Governor recommends funding as requested.*

Construction Supervision. There are two situations for which the Department would like to use Rhode Island Capital Plan funds to pay for correctional officer overtime related to capital projects at correctional facilities. The first instance occurs when officers are needed to stay with outside vendors performing work at the facilities for security reasons. The Governor's previously recommended budget included shifting these overtime costs to Rhode Island Capital Plan funds in fiscal years 2014 and 2015. Instead, the Assembly's budget assumed the Department would integrate overtime expenses into the project costs incurred by the vendor as part of its capital budget request.

The Department intends to comply for future contracts with outside vendors; however, it requests \$0.6 million from general revenues for overtime costs for projects already underway. A new element, also included in the revised request, is the allocation of these funds for correctional officer supervision of inmates working at the Department's facilities. Work includes demolition, masonry work and painting.

The Department's constrained budget request includes additional savings of \$0.4 million by transferring higher levels of correctional officer overtime costs to Rhode Island Capital Plan funds. These costs do not appear to be included in contracts; rather, they are for the supervision of inmate work crews only, which would not qualify as an authorized use of these funds. *Supporting documentation shows that the*

Governor recommends the reduction; however, there are no personnel expenditures from Rhode Island Capital Plan funds included in the budget.

Correctional Industries Offset. The Department requests \$0.7 million from general revenues to restore savings included in the FY 2015 enacted budget that were to be generated by shifting supervision costs for work crews from general revenues to the Correctional Industries' internal service fund. Correctional Industries receives payments from state agencies and municipalities on behalf of work crews for various work assignments, including painting, moving, and janitorial services. Funding is also generated from the sale of goods produced by Correctional Industries. The Department notes that it does not have sufficient funding in the Correctional Industries account to offset these costs and is requesting general revenues to reflect the failure of this savings initiative. It should be noted this savings initiative was originally proposed by the Department in its FY 2013 revised request, and each subsequent request through the enacted budget. Despite their inclusion in several budgets, the savings have not been achieved. *The Governor does not recommend restoring the funding.*

State Criminal Alien Assistance Funds. The Department requests \$0.8 million, \$0.2 million more than enacted from general revenues to reflect a decrease in federal State Criminal Alien Assistance funds. This is a formula grant awarded to the Department for incurring costs of incarcerating undocumented immigrants who are being held as a result of state and/or local charges or convictions. The enacted budget anticipates a total of \$0.8 million, consistent with the grant funds awarded for FY 2014. The federal award for FY 2016 is expected to be \$0.2 million less than enacted and the Department's revised request increases general revenues to offset the anticipated shortfall. *The Governor recommends funding as requested.*

Other Institutional Corrections Staffing. The Department requests \$151.1 million, primarily from general revenues, for salaries and benefits within its Institutional Corrections program. The request is \$9.2 million more than enacted, including \$9.3 million more from general revenues, which reflects step increases and the restoration of turnover savings assumed in the enacted budget. These savings were assumed based on traditional turnover, and also on savings the Department suggested would be achieved based on the closing of housing modules at the Intake Services Center. The housing modules remained open, though the enacted budget was based on the assumption these modules would be closed.

The request includes \$1.0 million for step increases and restores \$1.9 million to recognize the modules assumed closed in the enacted budget remaining open during the current year. The request also restores \$3.4 million of turnover savings along with an increase of \$0.2 million for the two percent cost-of-living adjustment associated with employees not in the Brotherhood of Correctional Officers.

The Governor recommends \$4.5 million more than enacted, which is \$4.7 million less than requested. The increase to the enacted budget includes the requested \$2.9 million to reflect step increases and additional modules remaining open, \$1.3 million to restore turnover savings, and \$0.2 million to fund the cost-of-living adjustment. The recommendation includes \$2.1 million of turnover savings for FY 2016.

Institutional Corrections All Other Operations. The Department requests \$5.9 million, primarily from general revenues, for all other Institutional Corrections' operations. The changes to the enacted budget include \$0.6 million more from general revenues to reflect several adjustments to operating expenditures at the intake service center and \$2,274 less from federal funds to reflect revised awards and expenditures for criminal justice and offender reentry grants. *The Governor recommends \$0.2 million more than enacted, \$0.4 million less than requested to reflect only partial funding of operating costs at the Intake Service Center.*

Target - Closing High Security Facility. The Department's constrained budget request includes general revenue savings of \$5.6 million for FY 2016 from closing the High Security Center. The proposal correctly indicates that the High Security Center carries the most expensive per capita costs due to the nature of offenders housed at the facility. Excluding inmate per diem costs, the FY 2015 enacted budget includes \$12.3 million for the Center's operations. This proposal assumes inmates housed in this facility would be transferred to either the maximum or medium facilities. This would require statutory changes to address potential issues that could affect the current labor contract agreement between the state and the Rhode Island Brotherhood of Correctional Officers. *The Governor's recommendation does not include this proposal.*

Target - Elimination of Double Time Rate. The Department's constrained budget request includes general revenue savings of \$0.2 million from eliminating the double time rate for correctional officers who are working more than 16 hours consecutively. The Department is proposing to make legislative changes that would limit all overtime to time and a half, including overtime hours for those working over 16 hours consecutively. *The Governor's recommendation does not include this proposal.*

Target - Expansion of Corrections Options. The Department's constrained budget request includes general revenue savings of \$7.1 million for FY 2016 from expanding the award of good behavior credits that would reduce the minimum custody population by over 400 beds. This would allow for the closure of two housing modules at the Minimum Security facility. This proposal would require legislation in order to increase the amount of good behavior time awarded to qualified inmates. The proposal indicates that this would benefit inmates at the lower security classification and/or non-violent offenders. *The Governor's recommendation does not include this proposal.*

Target - Eliminate RIBCO Educational Stipend. The Department's constrained budget request includes general revenue savings of \$0.5 million for FY 2016 by eliminating the educational stipend provided to current or prior members of the Brotherhood of Correctional Officers who are employed by the Department. The stipend is provided annually, based on the member's attainment of an associate's, bachelor's or master's degree. *The Governor's recommendation does not include this proposal.*

Target - Transfer Correctional Officer Training to the Department of Public Safety. The Department's constrained budget request includes general revenue savings of \$2.1 million from transferring annual expenditures and staff from the Department of Corrections to the Department of Public Safety. The objective behind this proposal would be to place its training unit into the Department of Public Safety's Municipal Police Academy. The unit is comprised of 10 positions responsible for ongoing training of current correctional officers, as well as the recruitment and training for upcoming correctional officer classes. The proposal would shift the ten positions and associated operating costs to the Department of Public Safety. Although this proposal would lower the Department's budget, it would not reduce the overall state budget since the costs would just be shifted from the Department of Corrections to the Department of Public Safety. *The Governor's recommendation does not include this proposal.*

Target - Donald Price Facility & Land Sale. The Department proposed a constrained budget that includes \$8.6 million in new revenues from selling the Donald Price Medium Security building and land. This facility was built in 1929 and it was originally designed and first used to house youthful offenders. The facility was closed in 1992 due to the opening of the Medium Moran facility and then re-opened in 1997 as the Donald Price Medium Security facility; it was closed again in November 2011 due to the continuous decline of the inmate population. *The Governor's recommendation does not include this proposal.*

Target - Sell the Former Gloria McDonald Facility. The Department proposed a constrained budget that includes \$3.9 million in new revenues from selling the former Gloria McDonald female facility, which is currently vacant. The Department's initial plans were to transform the facility into storage spaces for other departmental units. This facility became operational in 1984 with an average population of 134 females and an operational capacity of 150 females. This is a converted hospital building, which features dormitory style living arrangements. The facility was closed in late 2010 and the female population was transferred to the facility formerly known as the Reintegration Center. It should be noted that the funds raised from the sale of this land would be deposited into the state's technology fund, and would not generate or save general revenues. *The Governor's recommendation does not include this proposal.*

Other Programs

Staffing Request. The Department requests \$1.6 million from general revenues to fund 16.0 vacant positions in programs outside of Institutional Corrections. These include 7.0 positions in the Community Corrections program, including probation and parole officers, and 9.0 positions in its Central Management program, including clerks, typists and administrative officers. The request assumes an entire year of funding for all positions. The Department notes that it is requesting to fill the positions primarily to lower the caseloads of its probation and parole officers, as well as to assist with the input and processing of data throughout the Department. *The Governor recommends \$0.8 million to fund these vacancies.*

All Other Salaries and Benefits. The Department requests \$23.8 million, \$0.4 million less than enacted primarily from general revenues, for all other salaries and benefits for 199.0 full-time equivalent positions for the three remaining departmental programs. The request includes the cost-of-living adjustment as well as updated benefit rates, offset by additional turnover savings equivalent to six vacant positions. *The Governor recommends funding as requested.*

Staff Development Grants. The Department requests \$71,651, \$14,994 less than enacted from federal funds to reflect decreases from federal grants that support existing staff development programs during FY 2016. These grants support a variety of functions, including staff activities aimed at crime control and prevention and overall improvement of the criminal justice system. These activities include information sharing, research and evaluation of existing programs, database system improvement and professional development training. *The Governor recommends funding as requested.*

Educational Grants. The Department requests \$0.3 million, \$0.1 million more than enacted from federal funds to support its existing educational programs, including special education for eligible inmates. The request reflects increased grant awards and expenditures for FY 2016. The request includes a small decrease for math and reading programs, offset by increases for adult continuing basic education services and programs that encourage released female offenders to acquire postsecondary education. *The Governor recommends funding as requested.*

Recidivism Reduction Grant. The Department requests \$0.1 million, \$16,733 less than enacted from federal funds to reflect projected funding from a grant awarded to develop and implement comprehensive strategies that address the challenges of offender reentry and recidivism reduction. This is a project grant established under the federal Second Chance Act, to help ensure safe and successful transition from prison or jail to the community. Funding is provided to enhance the Department's transitional services in order to provide released offenders essential treatment services to maintain a self-sustaining and law-abiding life. *The Governor recommends funding as requested.*

New Vehicle Purchase. The enacted budget did not include funding for the purchase of new vehicles by the Department. The FY 2016 request includes \$250,000 from general revenues for new vehicles, which the Department notes are necessary to replace current vehicles which have become too costly to repair. *The Governor does not recommend the funding.*

Management Information Systems. The Department requests \$0.5 million, \$0.2 million more than enacted from general revenues for various components of its management information system. These components include software for its Livescan fingerprinting system and iris scanning system. *The Governor recommends \$32,233 less than requested to reflect computer maintenance savings.*

CMARS and RILETS. The Department's request removes the \$0.3 million from other funds included in the enacted budget that were being used to support the Community Mapping and Reentry System and the Rhode Island Law Enforcement Telecommunications System. The reentry system is a database which tracks sex offenders, probation clients and parole clients along with their charges and current locations. The telecommunication system database tracks all Rhode Island inmates, both in and out of state, and provides up to date photographs and vital information to police. The funds for these programs were provided to the Department as part of the statewide Google settlement. The Department notes that funding for the modifications of these databases will be exhausted in FY 2015. *The Governor recommends funding as requested.*

Capital Projects. The Department requests \$18.2 million, \$1.4 million less than enacted from Rhode Island Capital Plan funds for its capital projects scheduled for FY 2016. This reflects delays to repairs at the intake services center along with work delays at both the minimum and medium security buildings. *The Governor recommends \$11.1 million, \$8.4 million less than enacted and \$7.0 million less than requested, based on the availability of Rhode Island Capital Plan funds. A more detailed description of the capital projects is available in the Capital Budget section of this publication.*

All Other Operations. The Department requests \$2.4 million, primarily from general revenues, for all other operations at the Department. This includes a decrease of \$0.2 million from general revenues offset by an increase of \$0.2 million from other funds. The general revenue change reflects decreased costs for software maintenance agreements and contracted services for computer programming. The federal fund adjustment includes minor increases to three separate Department of Justice grants to reflect updated awards and expenditures. The request increases other funds to include several small scale increases to operating costs not associated with Institutional Corrections.

The Governor recommends \$32,016 less than requested, including \$0.2 million less from general revenues to reflect numerous reductions to operating expenditures, including office furniture, contracted clerical work and office equipment maintenance. These are offset by revised receipts and expenditures from federally funded operating expenses.

Judicial Department

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Program				
Supreme Court	\$ 30,268,377	\$ 31,641,748	\$ 40,883,676	\$ 31,893,692
Defense of Indigent Persons	3,562,240	3,542,240	3,542,240	3,542,240
Commission on Judicial Tenure & Discipline	115,513	119,161	123,090	121,527
Superior Court	22,493,957	23,085,632	24,048,780	23,560,346
Family Court	20,955,333	23,356,449	24,458,796	23,932,580
District Court	11,801,337	12,239,032	12,872,136	12,554,797
Traffic Tribunal	8,760,119	8,430,692	9,172,156	8,542,221
Workers' Compensation Court	7,712,640	7,614,932	7,928,322	7,763,807
Total	\$ 105,669,516	\$ 110,029,886	\$ 123,029,196	\$ 111,911,210
Expenditures by Category				
Salaries and Benefits	\$ 80,011,752	\$ 82,306,785	\$ 87,280,873	\$ 84,623,721
Contracted Services	2,109,813	1,848,285	1,686,354	1,686,354
Subtotal	\$ 82,121,565	\$ 84,155,070	\$ 88,967,227	\$ 86,310,075
Other State Operations	10,607,659	12,328,515	12,483,226	12,186,613
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	10,951,188	10,483,921	10,441,635	10,341,635
Capital	1,989,104	3,062,380	11,137,108	3,072,887
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 105,669,516	\$ 110,029,886	\$ 123,029,196	\$ 111,911,210
Sources of Funds				
General Revenue	\$ 91,636,668	\$ 94,058,445	\$ 100,663,471	\$ 95,797,046
Federal Aid	1,909,247	3,190,765	3,154,617	3,217,720
Restricted Receipts	10,773,601	11,346,527	10,011,108	10,396,444
Other	1,350,000	1,434,149	9,200,000	2,500,000
Total	\$ 105,669,516	\$ 110,029,886	\$ 123,029,196	\$ 111,911,210
FTE Authorization	723.3	723.3	723.3	723.3

Summary. The Judiciary requests \$123.0 million from all sources, including \$100.7 million from general revenues for FY 2016. This is \$17.4 million more than enacted, including \$9.0 million more from general revenues, which reflects an increase of approximately 10 percent. Consistent with the enacted authorization, the Department requests 723.3 full-time equivalent positions. *The Governor recommends \$111.9 million, including \$95.8 million from general revenues. This is \$11.1 million less than requested, including \$4.9 million less from general revenues and \$6.7 million less from Rhode Island Capital Plan funds.*

Target Issues. The Budget Office provided the Judiciary with a general revenue target of \$88.8 million. The amount includes current service adjustments of \$3.6 million and an adjusted 7.5 percent

target reduction of \$6.4 million. The Judiciary did not submit a constrained request. *The Governor recommends \$95.8 million which is \$7.0 million more than the target set by the Budget Office.*

FY 2016 Budget	Budget Office	Judiciary	Difference
FY 2015 Enacted	\$ 91,636,668	\$ 91,636,668	\$ -
Current Service Adjustments	3,573,769	7,662,582	4,088,813
New Initiatives	-	1,364,221	1,364,221
Change to FY 2015 Enacted	\$ 3,573,769	\$ 9,026,803	\$ 5,453,034
FY 2016 Current Service/ Unconstrained Request	\$ 95,210,437	\$ 100,663,471	\$ 5,453,034
Target Reduction/Initiatives	(6,427,368)	-	6,427,368
FY 2016 Constrained Target/Request	\$ 88,783,069	\$ 100,663,471	\$ 11,880,402
<i>Change to FY 2015 Enacted</i>	<i>\$ (2,853,599)</i>	<i>\$ 9,026,803</i>	<i>\$ 11,880,402</i>

Staffing. The Judiciary requests \$87.3 million from all sources for salaries and benefits for 723.3 positions. The enacted budget includes \$2.9 million of turnover, which is decreased by \$1.1 million to \$1.8 million in the Department's FY 2016 request. As of the last pay period in January, the Judiciary had 43.8 vacant positions, which is reflective of its staffing level through the first half of FY 2015. The request appears to inadvertently overfund medical insurance costs by approximately \$2.0 million.

The Governor recommends \$84.6 million for salaries and benefits, which is \$4.6 million more than enacted and \$4.9 million less than requested, of which \$0.3 million reflects statewide benefit savings. The recommendation includes \$2.1 million of turnover savings, which is \$0.8 million less than enacted and \$0.3 million more than requested. The recommendation includes the correction to medical benefit costs and removes \$2.2 million to reflect the change. It also includes the enacted level of 723.3 positions.

Overhead Functions

Pay-Go Judges Pensions. The Department requests \$5.5 million from all sources, including \$4.8 million from general revenues for retirement costs for judges and magistrates who are not part of the state employees' retirement system. This is \$0.5 million less than enacted from all funds, including \$0.4 million less from general revenues to reflect the estimate of expected retirements for those judges eligible. There are currently seven active judges not in the system and they all meet the eligibility threshold to retire. Subsequent to the request, the Department noted that the general revenue reduction was overstated by \$0.2 million, which would effectively result in a decrease of \$0.2 million from the enacted budget. *The Governor recommends the \$5.5 million included in the original request.*

Case Management System. The Judiciary requests \$1.4 million from general revenues to purchase computers, servers and software for the ongoing implementation of its case management system. The enacted budget does not include funding for the system, which will enable electronic filing for all courts through the internet, and will replace the current system which relies on duplicative data input and paper files. It should be noted that the Department's revised request includes \$0.9 million for the system, and the first quarter report from the Budget Office indicates funding for the system will be made available from the state's Information Technology Investment Fund for FY 2015; however, there has been no indication that the funding will be provided from that source in FY 2016. *The Governor does not recommend any funding for the system in FY 2016.*

Court Technology. The Department requests \$6.2 million from general revenues for its technology expenses including the personnel that are assigned to this function. These expenses are separate from those described above as part of the case management system. One of the missions of the Department

is to implement and support information technologies that improve decision making processes of judges and magistrates, as well as being responsible for overseeing the development and implementation of a technology system that includes computer maintenance, systems, software, interagency technical training, 24/7 network monitoring and an interagency help desk. The request is \$0.5 million more than the enacted budget, including \$0.2 million to reflect a cost-of-living adjustment and turnover restoration, with the remaining increase above the enacted budget for new wiring of the courtrooms and barcode printers for the inventory of files and equipment. *The Governor recommends \$5.8 million, \$0.4 million less than requested, including \$0.1 million to reflect a correction to medical benefits and \$0.3 million less for software maintenance contracts.*

Facilities and Operations. The Department requests \$6.7 million from general revenues for the maintenance of the judicial complex facilities. This is \$0.5 million more than enacted to reflect an increase of operating expenses. These are passed along to non-judicial agencies occupying space within the courthouses, as well as the increase of expenditures to historical levels. The facilities and operations division is responsible for the execution and coordination of various services relating to the courthouses, infrastructure and grounds. *The Governor recommends \$0.1 million less than requested to reflect a correction to medical benefits.*

Finance, Budget and Employee Relations. The Judiciary requests \$2.0 million from general revenues to support 14.3 full-time equivalent positions in the finance, budget and employee relations function. This is \$0.1 million more than enacted to reflect a cost-of-living adjustment and the restoration of turnover savings included in the enacted budget for this function, which is 1.0 position. *The Governor recommends \$49,984 less than requested to reflect a correction to medical benefits.*

Community Outreach and Public Support. The Judiciary requests \$1.0 million from general revenues to support 7.6 full-time time equivalent positions in the community outreach and public support function for FY 2016. This is \$0.1 million more than enacted and includes interpreter services and programs to inform and educate the public about the services, programs and activities of the Judiciary. The request reflects more funding for interpreter services and subscription fees to multilingual services, as well as a cost-of-living adjustment for the positions. *The Governor recommends \$34,887 less than requested to reflect a correction to medical benefits.*

Planning. The Judiciary requests \$0.2 million from general revenues to support the planning function of the Judiciary, which is comprised of 3.0 positions and minor amounts of operating expenditures. The request is \$14,663 more than enacted to reflect updated benefits and a cost-of-living adjustment. The planning program provides a centralized function for research and planning to increase the effectiveness and efficiency of the Judiciary. *The Governor recommends \$1,677 less than requested to reflect a correction to medical benefits.*

Education. The Judiciary requests \$0.4 million from general revenues for the education function which is \$29,144 more than enacted primarily to reflect a cost-of-living adjustment and updated benefits for the four positions in this function, as well as minor increases to operating expenditures. The education function includes overseeing mandatory continuing legal education for attorneys and the education program for judges and magistrates. *The Governor recommends \$9,857 less than requested to reflect a correction to medical benefits.*

Clerks/Records Center. The Judiciary requests \$3.6 million for 25.6 full-time equivalent positions who support clerks and record center functions. This is \$0.4 million more than enacted, of which \$0.3 million reflects the restoration of turnover for three positions included in the enacted budget with \$0.1 million included for a cost-of-living adjustment. The Judicial Records Center is located in rented

property on Hill Street in Pawtucket and serves as the central repository for the state's semi-active, inactive and archival court records. Current records that are still necessary for the daily operations of the courts remain stored at the Clerk's Office of the respective court. Clerks also provide legal research and writing assistance to the judges and magistrates of the Superior, Family, District, and Workers' Compensation Courts and the Traffic Tribunal. *The Governor recommends \$99,490 less than requested to reflect a correction to medical benefits.*

Disciplinary Board/Counsel. The Department requests \$1.3 million from restricted receipts to support 10.8 full-time equivalent positions in the Rhode Island Supreme Court Disciplinary Counsel Office for FY 2016. This is \$37,490 less than enacted to reflect projected filled positions and benefit adjustments consistent with Budget Office planning values. The enacted budget did not assume any turnover for these positions; however, the Department has indicated it anticipates leaving a position open at the beginning of FY 2016 as part of its overall personnel plan. According to Supreme Court Article IV, Rule 1, this restricted receipt account collects annual fees of \$200 from each active attorney in the Rhode Island Bar to fund the Disciplinary Counsel functions. The goal of the Board is to process disciplinary complaints filed against Rhode Island attorneys as expeditiously and fairly as possible. *The Governor recommends \$40,149 less than requested from restricted receipts to reflect a correction to medical benefits.*

Law Library. The Judiciary requests \$1.2 million from general revenues to support 10.6 full-time equivalent positions in the law library for FY 2016. This is \$0.2 million more than enacted, which primarily reflects the restoration of \$0.2 million for subscriptions for legal software, periodicals and books, which was removed in the enacted budget. The Law Library is a complete, publicly accessible legal reference service with over 110,000 volumes and computer aided legal research. *The Governor recommends \$23,467 less than requested to reflect a correction to medical benefits.*

Appellate Screening Unit. The Judiciary requests \$0.9 million from general revenues to support 6.5 positions performing the activities of the appellate screening unit for FY 2016. This is \$64,153 more than enacted to reflect turnover restoration for half of a position and a cost-of-living adjustment. The Appellate Screening Unit is the central staff attorney's office for the Supreme Court. The unit's mission is to increase the efficiency of the court in handling cases and to increase the knowledge and preparedness of the justices in deciding cases. *The Governor recommends \$21,040 less than requested to reflect a correction to medical benefits.*

Board of Bar Examiners. The Judiciary requests \$0.2 million from general revenues to support the Board of Bar Examiners for FY 2016. This is \$14,659 more than enacted and reflects funding the 1.0 position that staffs the Board. The position was vacant and not fully funded in the enacted budget; however, the position has been filled and the increase reflects the actual cost of funding. The Board of Bar Examiners tests the legal knowledge of Bar applicants by administering the Rhode Island Bar examination. *The Governor recommends \$4,381 less than requested to reflect a correction to medical benefits.*

Indigent Defense Services. Consistent with the enacted budget, the Department requests \$3.5 million from general revenues for indigent defense services. This program assigns private attorneys to transferred clients when the Office of the Public Defender is unable to provide legal representation services because of conflict of interests. In FY 2012 actual expenses were \$3.2 million, \$3.4 million of expenditures for FY 2013 and \$3.6 million reported for FY 2014. *The Governor recommends funding as requested.*

Capital Projects. The Department requests \$7.9 million from Rhode Island Capital Plan funds for its capital projects during FY 2016. This includes an additional \$5.6 million for the expansion of the Noel Judicial Complex in Kent County and \$1.5 million more to upgrade HVAC systems throughout the court system. Funding is consistent with the amounts requested in the Judiciary's capital budget request. *The Governor recommends \$1.2 million, \$6.7 million less than requested, which primarily reflects a delay in the start of the Noel courtroom expansion project from FY 2016 to FY 2019. This revision and other changes are explained in the Capital Budget section of this publication.*

Supreme Court

Salaries and Benefits. The Judiciary's request includes \$4.3 million from all sources, \$0.2 million less than enacted, for the salaries and benefits of the Supreme Court. The request includes 161.7 full-time equivalent positions in this program; 120.7 of these positions are associated with the previously described overhead functions, with 41.0 positions dedicated strictly to the Supreme Court. The request reflects the cost-of-living adjustment and minor changes to benefits. It should be noted that the \$0.5 million of turnover included in the enacted budget for the Supreme Court was increased by \$0.5 million to cover the additional funds for the cost-of-living adjustment. The request also includes shifting \$0.5 million of expenses formerly funded from restricted receipts to general revenues. This reflects the available amount of restricted receipts, which is less than included in the enacted budget because those receipts were accumulated over a three year period before they were used by the Department.

The Governor recommends \$4.2 million, \$0.1 million less than requested from all sources including \$0.6 million less from general revenues, which reflects the use of restricted receipts for personnel costs as included in the enacted budget. The recommendation restores \$0.1 million of turnover savings, for total turnover of \$0.4 million for FY 2016 and removes \$0.1 million to reflect a correction to medical benefits.

Community Service Grants. Consistent with the enacted budget, the Judiciary requests \$0.5 million from general revenues for five separate community service grants for justice related initiatives. This includes advocating for victims of domestic violence, and providing legal services for low income individuals. *The Governor removes \$0.1 million of general revenues to reflect the conclusion of the Justice Assistance one-time modeling grant.*

All Other Operations. The Judiciary requests \$2.1 million for all other operating expenses of the Supreme Court. This is \$0.3 million less than enacted and includes \$0.1 million less from general revenues and \$0.2 million less from restricted receipts. The majority of the decrease is due to a revision to restricted receipts to reflect projected available funds. The receipts are derived from fines assessed on individuals convicted of crimes, and are used to provide assistance to crime victims including an explanation of rights, assistance with impact statements, counseling recommendations and possible restitution claims. *The Governor recommends funding as requested.*

Superior Court

Salaries and Benefits. The Judiciary's request includes \$19.8 million from general revenues for the salaries and benefits of the Superior Court's 165.7 full-time equivalent positions. This is \$1.5 million more than enacted, which reflects the restoration of \$1.0 million of turnover savings, for which the enacted budget includes \$1.3 million. The request also includes \$0.3 million more for the cost-of-living adjustment with \$0.2 million requested to reflect updated benefit rates. *The Governor recommends \$0.5 million less than requested to reflect a correction to medical benefits.*

All Other Operations. The Judiciary requests \$1.9 million for all other operations of the Superior Court. Expenditures are programmed for juror fees, rental payments, expert witnesses, insurance and other office expenses. This is \$0.2 million more than enacted including \$0.2 million more from general revenues offset by \$47,546 less from federal funds. Increases reflect anticipated expenses for temporary staff in the Superior Court and travel reimbursements for jurors based on the length and number of trials projected during FY 2016. *The Governor recommends funding as requested.*

District Court

Salaries and Benefits. The Judiciary's request includes \$11.3 million from all sources, \$1.4 million more than enacted, for the salaries and benefits of the District Court's 93.0 full-time equivalent positions. The change to the enacted includes \$1.5 million more from general revenues to restore all of the \$0.6 million of turnover savings included in the District Court. The request also includes \$0.4 million more for the cost-of-living adjustment with \$0.3 million requested to reflect updated benefit rates.

The Governor recommends \$11.0 million, \$0.3 million less than requested including \$0.4 million less from general revenues offset by \$0.1 million more from restricted receipts. Personnel costs of \$0.1 million are eligible to be offset to receipts available from small claims mediation, but were requested from general revenues. The recommendation also includes \$0.3 million less from general revenues to reflect a correction to medical benefits.

All Other Operations. The Judiciary requests \$0.5 million for all other operating expenses for the District Court. Major expenditures include office supplies, interpreter services, printing and insurance. This is \$0.1 million less than enacted, primarily from general revenues. The reduction reflects lower costs for temporary staff for the District Court due to the projected filling of certain vacant positions. *The Governor recommends funding as requested.*

Family Court

Salaries and Benefits. The Judiciary's request includes \$21.4 million from all sources, \$19.7 million from general revenues, for the salaries and benefits of the Family Court's 173.7 full-time equivalent positions. This is \$2.7 million more than enacted including \$2.3 million more from general revenues and \$0.4 million more from federal funds. Of the increase, \$1.1 million is associated with restoring turnover for 11.0 positions, for which the enacted budget included turnover for 14.0 positions. Other increases above the enacted include \$0.6 million for the cost-of-living adjustment and \$0.5 million for updated benefit rates.

The Governor recommends \$20.9 million, \$0.5 million less than requested, including \$0.6 million less from general revenues offset by \$0.1 million more from federal funds. Personnel costs of \$0.1 million are eligible to be offset to the supervision of court ordered visits federal grant, but they were not offset in the request. She increases requested turnover by \$0.1 million, and removes \$0.5 million from general revenues to reflect a correction to medical benefits.

Child Support Enforcement. The Department requests \$1.0 million more than enacted from federal funds to properly reflect its award and expenditures from the child support enforcement grant. The Judiciary utilizes the grant funds to enforce the support obligations owed by absent parents to their children, locate absent parents, establish paternity, and obtain child, spousal and medical support. It should be noted that the request increases these funds as part of a technical adjustment to its budget, but does not reflect an actual increase in funds. The Judiciary charges an indirect cost recovery to this

grant, which was historically shown as restricted receipts and can be used for general revenue expenses. The request increases the federal sources to properly reflect the award and expenditures; however, the request inadvertently excludes the corresponding increase to restricted receipts to show the indirect cost recovery. *The Governor recommends funding as requested.*

All Other Operations. The Judiciary requests \$1.0 million for all other operations of the Family Court for FY 2016. Major expenditures include mileage reimbursement, office supplies, insurance and auditing services. This is \$0.1 million less than enacted; including \$0.2 million less from federal funds offset by \$0.1 million more from general revenues. The majority of the general revenue increase is in temporary services provided by Adil for the Juvenile Drug Court and increases for the rental of parking spaces from the Rhode Island Convention Center Authority. *The Governor recommends funding as requested.*

Traffic Tribunal

Salaries and Benefits. The Judiciary's request includes \$8.1 million from general revenues for the salaries and benefits of the Traffic Tribunal's 78.2 full-time equivalent positions. The enacted budget includes turnover for six positions, and the request reflects restoring \$0.4 million of funding for all of those positions, along with \$0.2 million more for a cost-of-living adjustment and \$0.1 million more to reflect updated benefit rates. *The Governor recommends \$7.5 million, \$0.6 million less than requested to reflect \$0.4 million of turnover. The recommendation also removes \$0.2 million to reflect a correction to medical benefits.*

All Other Operations. The request includes \$0.7 million from general revenues for all other operating expenses of the Traffic Tribunal. This is \$0.1 million less than enacted almost entirely for security services. These are for Capitol Police overtime expenses that were previously in the Department of Public Safety's budget. These expenditures are tracked through an internal service fund, which is funded from the Judiciary's budget, then used by the Capitol Police for its personnel expenditures associated with court activities. *The Governor recommends funding as requested.*

Workers' Compensation Court

Salaries and Benefits. The Judiciary's request includes \$6.6 million from restricted receipts for the salaries and benefits of the Workers' Compensation Court's 50.0 full-time equivalent positions. The enacted budget includes turnover for 2.0 positions, and the request includes \$0.2 million more than enacted to reflect restoring those funds, as well as \$0.1 million more for the cost-of-living adjustment and updated benefit values. *The Governor recommends \$0.2 million less than requested to reflect a correction to medical benefits.*

All Other Operations. The request includes \$0.7 million from restricted receipts for all other operations at the Worker's Compensation Court. Major expenditures include \$0.2 million for building repairs and \$0.1 million each for electricity and software maintenance agreements. The request is \$20,900 more than enacted and reflects additional funding for small scale repairs and office equipment. *The Governor recommends funding as requested.*

Judicial Tenure and Discipline

Judicial Tenure and Discipline. The Judiciary requests \$0.1 million from general revenues to support the Commission on Judicial Tenure and Discipline for FY 2016. This is \$7,577 more than enacted to reflect the cost-of-living adjustment and minor adjustments to operating expenses. The Judicial Tenure

and Discipline Commission is responsible for conducting investigations of judges suspected of or charged with misconduct. *The Governor recommends \$1,563 less than requested to reflect a correction to medical benefits.*

Military Staff

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 7,742,984	\$ 7,636,881	\$ 8,548,941	\$ 8,309,609
Contracted Services	1,267,908	1,371,307	1,434,168	1,434,168
Subtotal	\$ 9,010,892	\$ 9,008,188	\$ 9,983,109	\$ 9,743,777
Other State Operations	5,076,261	5,071,878	5,104,461	5,015,055
Assistance, Grants, and Benefits	497,000	502,000	515,200	502,000
Capital	3,869,921	4,261,771	4,017,266	4,147,266
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 18,454,074	\$ 18,843,837	\$ 19,620,036	\$ 19,408,098
Sources of Funds				
General Revenue	\$ 1,842,096	\$ 2,164,935	\$ 2,277,372	\$ 2,065,434
Federal Aid	14,779,178	14,518,597	15,491,864	15,361,864
Restricted Receipts	442,800	388,300	323,300	323,300
Other	1,390,000	1,772,005	1,527,500	1,657,500
Total	\$ 18,454,074	\$ 18,843,837	\$ 19,620,036	\$ 19,408,098
FTE Authorization	85.0	85.0	94.0	92.0

Summary. The Military Staff's request includes \$19.6 million from all sources, including \$2.3 million from general revenues, \$15.5 million from federal funds, \$0.3 million from restricted receipts, \$1.5 million from Rhode Island Capital Plan funds and 94.0 full-time equivalent positions, which is 9.0 more than enacted. This is \$1.2 million more than enacted, which primarily reflects new positions, a cost-of-living adjustment and additional funding for capital projects. *The Governor recommends \$211,938 less than requested including \$0.2 million less from general revenues, \$0.1 less from federal funds and \$0.1 million more from Rhode Island Capital Plan funds. She recommends 2.0 fewer full-time equivalent positions than requested, but 7.0 more than enacted.*

Target Issues. The Budget Office provided the Department with a general revenue target of \$1.9 million. The amount includes current service adjustments of \$0.2 million and a 7.5 percent target reduction of \$0.1 million.

FY 2016 Budget	Budget Office		Military	Difference		
FY 2015 Enacted	\$	1,837,655	\$	1,837,655	\$	-
Current Service Adjustments		163,369		363,217		199,848
New Initiatives		-		76,500		76,500
<i>Change to FY 2015 Enacted</i>	\$	163,369	\$	439,717	\$	276,348
FY 2016 Current Service/ Unconstrained Request	\$	2,001,024	\$	2,277,372	\$	276,348
Target Reduction/Initiatives		(146,475)		(435,632)		(289,157)
FY 2016 Constrained Target/Request	\$	1,854,549	\$	1,841,740	\$	(12,809)
<i>Change to FY 2015 Enacted</i>	\$	16,894	\$	4,085	\$	(12,809)

The constrained budget submitted by the agency is \$12,809 below the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$210,885 above the target.*

Firefighters. The Military Staff requests \$3.5 million, including \$0.2 million from general revenues and \$3.3 million from federal funds for the Rhode Island National Guard firefighter program. This is \$32,814 more than enacted for salaries and benefits, including \$0.2 million more from general revenues and \$0.2 million less from federal funds for 30.0 full-time positions, including 17.0 full-time firefighters that are specialized in fire containment and disaster response involving National Guard vehicles, 10.0 crew chiefs and 3.0 assistant chiefs. The Rhode Island National Guard was notified in October 2013 that the federal National Guard Bureau will only reimburse the state for the cost of firefighters being paid at a level consistent with federal Government Service pay scales capped at \$59,617 annually. Firefighters hired after FY 2012 are subject to the new cost sharing guidelines. *The average salary cost per firefighter in the Rhode Island Air National Guard is \$66,219 per year in the agency's FY 2016 request.* It appears that the Staff was aware that this change would be happening but did not request additional funding in its FY 2015 request. The Military Staff indicates that this only applies to those firefighters hired after 2012.

The Staff's request also shifts \$0.1 million from federal funds to general revenues for costs associated with a firefighter who has qualified as injured on duty. The Staff indicates that beginning in FY 2015, the National Guard Bureau no longer pays the salaries of firefighters who are injured on duty but will pay for the benefits in FY 2015. For FY 2016, the state will be responsible for the full cost of firefighters injured on duty.

[Staff Note: It appears that the Military Staff's request may be overstated as there are several different elements to the federal reimbursement schedule. Furthermore, the agency's second quarter report indicates that the National Guard Bureau will not pay for the cost of benefits for the firefighter who was injured on duty.]

The Governor recommends \$0.1 million less than requested, including \$48,538 less from general revenues, which assumes additional turnover savings based on current filled positions. This funds 28.0 positions, which is 2.0 fewer than requested.

9.0 New Maintenance Positions. The Military Staff requests \$0.7 million more than enacted, all but \$1,500 is from general revenues for nine additional maintenance employees including four new production systems specialists and five maintenance repair persons. These maintenance employees will be responsible for maintaining approximately one million square feet of building space throughout the state. The Military Staff indicates that current maintenance personnel float between different locations to perform necessary maintenance. This has been the case since 2002; however, building space has

increased by approximately 350,000 square feet since then and the Staff does not believe that the current staff is sufficient enough to maintain all of the equipment, vehicles, and space.

The Staff indicates that the master cooperative agreement with the federal National Guard Bureau allows the Rhode Island National Guard to have 67.0 maintenance positions, but it only plans to fill 13.0 positions. The two existing positions would move to the mobile team and be funded primarily from federal funds with a general revenue component of \$1,500 per year to account for making an existing maintenance employee a supervisor. Current maintenance personnel float between different locations to provide the necessary maintenance at sites throughout the state.

The Governor recommends \$130,000 less than requested from all funds and 2.0 fewer positions. The Governor excludes the \$1,500 of general revenue funding for promotions and positions above federal allowances.

Activations. The Military Staff requests \$75,000 from general revenues to support the activation of National Guard troops to provide support to civil authorities during both emergency and non-emergency events. The agency's request suggests that this could involve a state or federal emergency, including weather events. Currently, funding required for activations is appropriated during the year in which it is needed. The enacted budget includes \$75,000 for expenses associated with the Governor's inauguration. The current request is more of a placeholder with funds appropriated and then expended as needed.

As part of its constrained request, the Military Staff excludes the funding.

[Staff Note: The agency's second quarter report showed that the National Guard has already spent \$147,000 for activations associated with the declared state of emergency for the January blizzard.]

The Governor does not include any funding for activations in FY 2016.

All Other Salaries and Benefits. The Military Staff requests \$5.9 million for salaries and benefits including \$0.8 million from general revenues and \$5.1 million from federal funds for the remaining 55.0 full-time equivalent positions. This is \$14,897 more than enacted from general revenues and \$102,695 more from federal funds. This primarily reflects \$0.3 million for the cost-of-living adjustment and other benefit adjustments consistent with Budget Office planning values offset by \$0.2 million from additional turnover savings. *The Governor recommends \$0.1 million more than requested to restore turnover savings for 1.0 position and shifts \$0.1 million from general revenues to available federal sources.*

Counterdrug Asset Forfeiture. The Military Staff's request includes \$23,300 from restricted receipts, which is \$119,500 less than enacted, to reflect funds available from asset forfeitures generated from the Guard's counterdrug activities. The funds are part of the state's overall Google settlement, and will be used for the purchase of equipment and other supplies in support of the Guard's counterdrug operations. Total Google settlement funds allocated to the Military Staff are \$5.0 million. The Military Staff has not provided a more detailed list of the expenditures it plans to make from these sources. *The Governor recommends funding as requested.*

Building Maintenance. The Military Staff requests \$0.9 million including \$0.3 million from general revenues and \$0.6 million from federal funds for building maintenance and small scale repairs. This is \$0.2 million more than enacted including \$0.1 million more from general revenues and \$0.2 million more from federal funds. This reflects an increase in minor renovations and repairs at all National

Guard facilities, projects at other armories and militia facilities, custodial services at armories, and fire inspection.

The constrained request reduces janitorial services by \$13,635. It should be noted that this is below the enacted level of funding and assumes that the agency will sign a new cleaning contract for less than a contract that expired in 2014. The agency's constrained request also reduces maintenance costs for state armories, for savings of \$0.2 million, including \$0.1 million from general revenues. *The Governor recommends federal funds as requested; she does not recommend the additional general revenues.*

Military Funeral Honors. The National Guard requests \$109,200, or \$18,200 more than enacted from general revenues to reflect the projected cost for military funeral honors in FY 2016. Retired military members are paid a \$50 stipend to perform military honors at the funerals, including a firing party as well as a bugler playing "Taps". Prior to a memorandum from the National Guard Bureau, the federal government paid the stipends for two personnel for all branches of service. The new memorandum provides that the federal funds will no longer be provided for any branches of service besides the Army, for which the National Guard Bureau will still pay stipends for two individuals.

The agency's constrained request eliminates funding for military funeral honors. It appears that this would require a change to state law. Honor guards would either have to provide the service free of charge or the honors would not be provided at veterans' funerals. *The Governor recommends \$13,200 less than requested to reflect updated projections based on current year expenditures.*

Education Benefits. The National Guard requests the enacted level of \$0.1 million from general revenues to support the state mandate for the provision of free tuition to National Guard members at the state's public higher education institutions. The current course limit is five per semester, and any expenses above \$100,000 are borne by the institutions.

The Military Staff eliminates these benefits as part of its constrained request. The Military Staff has noted that it included this option without considering a change to the general laws or the source of future education benefits for National Guard members. *The Governor recommends the enacted level of funding.*

Utilities and Other Operations. The Military Staff requests \$3.7 million including \$0.7 million from general revenues, \$2.7 million from federal funds and \$0.3 million from restricted receipts for all other expenses for the National Guard. This includes \$0.1 million more from general revenues and \$0.2 million more from federal funds and the enacted level from restricted receipts. The increase is primarily for insurance, electricity, and fuel which are funded from federal sources with a state match.

The Military Staff's constrained request includes a reduction of \$46,391 from general revenues for operating expenses. *The Governor recommends funding as requested in the unconstrained request.*

Capital Projects. The Military Staff requests \$5.4 million for capital projects including \$3.8 million from federal funds and \$1.5 million from Rhode Island Capital Plan funds. This is \$0.1 million less than enacted from Rhode Island Capital Plan funds and \$137,500 more from federal funds for FY 2016. This primarily reflects an expansion of the asset protection project and the renovation of the Benefit Street Arsenal. The Military Staff also requests funding for a new Joint Force Headquarters to be built at Camp Fogarty.

The Governor recommends \$130,000 more than requested from Rhode Island Capital Plan funds to reflect the new headquarters project and adjustments to other projects based on current year expenditures. Specific project information is included in the Capital Budget section of this publication.

Rhode Island Emergency Management Agency

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 3,388,157	\$ 3,216,246	\$ 3,501,259	\$ 3,436,024
Contracted Services	1,039,219	839,963	811,908	807,408
Subtotal	\$ 4,427,376	\$ 4,056,209	\$ 4,313,167	\$ 4,243,432
Other State Operations	1,796,093	3,679,533	2,796,218	3,689,972
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	13,950,446	15,573,238	4,988,764	10,596,014
Capital	448,312	461,943	8,500	8,500
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 20,622,227	\$ 23,770,923	\$ 12,106,649	\$ 18,537,918
Sources of Funds				
General Revenue	\$ 1,959,858	\$ 1,861,076	\$ 1,999,540	\$ 1,766,002
Federal Aid	18,273,640	21,438,224	9,888,628	16,551,541
Restricted Receipts	221,729	216,680	218,481	220,375
Other	167,000	254,943	-	-
Total	\$ 20,622,227	\$ 23,770,923	\$ 12,106,649	\$ 18,537,918
FTE Authorization	32.0	32.0	32.0	32.0

Summary. The Rhode Island Emergency Management Agency requests \$12.1 million including \$2.0 million from general revenues, \$9.9 million from federal funds and \$0.2 million from restricted receipts. This is \$8.5 million less than enacted including \$39,682 more from general revenues, \$8.4 million less from federal funds, \$0.2 million less from Rhode Island Capital Plan funds, and \$3,248 less from restricted receipts. This primarily reflects adjustments to available federal disaster aid and other federal grants. The Agency requests the enacted level of 32.0 positions.

The Governor recommends \$6.4 million more than requested including \$6.6 million more from federal funds and \$0.2 million less from general revenues.

Target Issues. The Budget Office provided the Agency with a general revenue target of \$2.0 million. The amount includes current service adjustments of \$42,641 and a 7.5 percent target reduction of \$149,966.

The constrained budget submitted by the agency is \$2,959 below the target. The proposals to achieve the reductions are noted among the items described where appropriate. *The Governor's recommendation is \$83,572 below the target.*

FY 2016 Budget	Budget Office	Emergency Management	Difference
FY 2015 Enacted	\$ 1,959,858	\$ 1,959,858	\$ -
Current Service Adjustments	42,641	39,682	(2,959)
Change to FY 2015 Enacted	\$ 42,641	\$ 39,682	\$ (2,959)
FY 2016 Current Service/ Unconstrained Request	\$ 2,002,499	\$ 1,999,540	\$ (2,959)
Target Reduction/Initiatives	(149,966)	(149,966)	-
FY 2016 Constrained Target/Request	\$ 1,852,533	\$ 1,849,574	\$ (2,959)
<i>Change to FY 2015 Enacted</i>	<i>\$ (107,325)</i>	<i>\$ (110,284)</i>	<i>\$ (2,959)</i>

Statewide Communications Network. The Agency requests \$1.2 million from all funds including \$1.1 million from general revenues, \$83,171 from federal funds and \$500 from restricted receipts for expenses related to the Rhode Island Statewide Communications Network. This is \$0.3 million less from federal funds, and \$8,724 more from general revenues than enacted. This includes major maintenance costs, heating, ventilation, and air conditioning systems, and the replacement of radio control boards funded through available federal sources. General revenue funding primarily reflects the updated contract with Motorola to maintain the radio system, consistent with the revised request.

The Governor recommends general revenues essentially as requested and adds \$1.0 million more from available Federal Emergency Management Agency funds for ongoing maintenance to the network. The five-year plan is described in the Capital Budget section of this publication.

Salaries and Benefits. The Agency requests \$3.5 million, including \$0.8 million from general revenues, \$2.6 million from federal funds, and \$0.1 million from restricted receipts for salaries and benefits for the enacted level of 32.0 positions. This is \$113,102 more than enacted, including \$23,412 more from general revenues, \$166,044 more from federal funds and \$76,354 less from restricted receipts. This primarily reflects a cost-of-living increase of \$0.2 million and turnover savings of \$0.1 million. The request shifts \$0.2 million of staffing costs from general revenues and restricted receipts to federal sources. The restricted receipts were budgeted to cover indirect cost recovery on federal grants. These have been shifted to operating expenses, but without corresponding general revenue savings.

As part of its constrained request, the Agency proposes shifting an additional \$0.1 million of general revenue staffing costs to federal Emergency Management Performance grant funds. It is unclear why the Agency does not include these savings as part of its unconstrained request.

The Governor recommends \$0.1 million less than the unconstrained request including \$0.2 million less from general revenues, \$0.1 million more from federal funds and \$0.1 million more from restricted receipts. This includes turnover savings for one vacant position and shifts funding for two positions from general revenues to restricted receipts and federal sources.

Disaster Funding. The Agency requests \$2.1 million, which is \$2.4 million less than enacted from federal funds, for reimbursements to entities in the state that have applied for federal disaster relief. The Federal Emergency Management Agency conducted audits on disaster grants and many grants will be awarded in FY 2015 with the remainder being awarded in FY 2016. This reflects actual reimbursements to be made in FY 2015 for entities affected by Hurricane Sandy, Tropical Storm Irene, and the blizzards in 2012 and 2013. *The Governor recommends \$2.0 million more than requested to reflect funds carried forward funds from FY 2014.*

Emergency Operations and Performance Grants. The Agency requests \$0.9 million from federal fund expenditures for emergency operations. This is \$0.4 million less than enacted and reflects an adjustment to available federal awards. Funds are used for construction and renovation of a state or local government's principal emergency management operations centers, and also provide support for emergency operations. *The Governor recommends \$2.6 million more than requested to reflect available funds carried forward from prior years.*

Other Federal Grants. The Agency requests \$0.8 million from federal funds for all other grant awards and related expenditures. The request is \$6.2 million less than enacted and includes changes to reflect funds carried forward from previous years, as well as updated expenditure plans. Reductions to grant funding involve the Federal Emergency Management Flood Clean Up reimbursements, staff training for emergency and Ebola response, and homeland security related upgrades throughout the state.

The Governor recommends \$1.1 million more than requested including \$1.0 million from federal Homeland Security grant funds for reimbursements to other state agencies including the Departments of Public Safety and Environmental Management. The increase also includes \$55,551 more than requested to reflect available Federal Emergency Management and Homeland Security grants to be dispersed to state and local entities.

All Other Operating. The Agency requests \$2.3 million from all funds, including \$0.1 million from general revenues, \$2.1 million from federal funds and \$0.1 million from restricted receipts for all other operating expenses. This is \$0.7 million more than enacted, including \$0.7 million from federal funds and \$7,546 more from general revenues for phone, internet, travel and other expenses and \$73,106 more from restricted receipts. The request includes minor adjustments to operating costs and adds \$0.1 million in miscellaneous expenditures from restricted receipts available from indirect cost recovery on federal funds. A larger value had been budgeted from this source for use on staffing. Because many of its grants are a pass through for municipal and state entities, an indirect rate is not permitted on them. The Agency is in the process of developing its own indirect cost policy that accurately reflects the grants that can be charged for administrative overhead.

The Agency's constrained request reduces unidentified operating expenditures by \$37,640 from general revenues and \$162,525 from federal funds and adds \$3,808 to reflect available restricted receipts. *The Governor recommends \$0.1 million less than requested for all other operating expenses, primarily reflecting reductions for updated travel and utility costs.*

Capital. The Agency's operating request does not include funding for capital projects. It should be noted that this is inconsistent with the funding requested in the Agency's capital request which includes \$6.7 million for six capital projects. *The Governor recommends funding as included in the operating request. These are described in greater detail in the Capital Budget section of this publication.*

Department of Public Safety

	FY 2015	FY 2015	FY 2016	FY 2016
	Enacted	Revised	Requested	Recommended
Expenditures by Program				
Central Management	\$ 5,292,389	\$ 5,186,788	\$ 5,835,573	\$ 5,095,429
E-911	5,428,479	5,288,026	5,806,741	5,377,414
Fire Marshal	5,331,144	5,086,827	7,215,748	5,702,217
Capitol Police	3,703,351	3,523,466	3,894,826	3,645,409
Sheriffs	18,048,299	18,222,645	19,134,926	19,034,895
Municipal Police Training Academy	642,779	470,752	400,699	399,087
State Police	88,108,405	85,569,789	93,991,633	83,653,721
Total	\$ 126,554,846	\$ 123,348,293	\$ 136,280,146	\$ 122,908,172
Expenditures by Category				
Salaries and Benefits	\$ 77,470,061	\$ 80,517,270	\$ 87,245,727	\$ 79,381,504
Contracted Services	327,400	762,439	339,617	663,721
Subtotal	\$ 77,797,461	\$ 81,279,709	\$ 87,585,344	\$ 80,045,225
Other State Operations	11,819,420	10,155,330	11,588,985	9,777,949
Aid to Local Units of Government	-	200,000	200,000	200,000
Assistance, Grants, and Benefits	28,461,110	20,990,672	20,762,666	19,805,672
Capital	8,476,855	10,722,582	16,143,151	13,079,326
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 126,554,846	\$ 123,348,293	\$ 136,280,146	\$ 122,908,172
Sources of Funds				
General Revenue	\$ 95,294,034	\$ 97,978,879	\$ 107,705,781	\$ 96,454,299
Federal Aid	6,894,275	8,110,857	5,724,339	6,346,357
Restricted Receipts	12,863,854	9,523,426	8,225,851	11,383,011
Other	11,502,683	7,735,131	14,624,175	8,724,505
Total	\$ 126,554,846	\$ 123,348,293	\$ 136,280,146	\$ 122,908,172
FTE Authorization	633.2	633.2	663.2	633.2

Summary. The Department of Public Safety requests expenditures of \$136.3 million, which is \$9.7 million more than enacted from all sources. This includes \$107.7 million from general revenues, \$5.7 million from federal funds, \$8.2 million from restricted receipts, and \$14.6 million from other fund sources. The Department requests authorization for 663.2 full-time equivalent positions, 30.0 more than authorized. The Department also submits a constrained request that totals \$128.6 million and includes \$7.6 million less from general revenues than the unconstrained request.

The Governor recommends \$122.9 million from all sources, which is \$3.6 million less than enacted and \$13.4 million less than requested. Recommended general revenues are \$1.2 million more than enacted and \$11.3 million less than requested. She includes the authorized level of full-time positions.

Staffing Authorization. The Department requests staffing authorization for 663.2 full-time equivalent positions, 30.0 more than authorized. This includes 7.0 new positions in the Department’s Central Management division, 3.0 new fire safety inspectors in the Office of the State Fire Marshal, and 20.0 new State Police trooper positions.

The Administration reached agreements with its largest unions for a new four-year contract effective July 1, 2013 through June 30, 2017 that includes 2.0 percent salary increases effective April 6, 2014, October 5, 2014, and October 4, 2015, offset by increased cost sharing measures for medical benefits. Based on the revised request, the combined FY 2016 cost for the increases is \$4.2 million from all funds, of which \$3.9 million is from general revenues.

The Governor recommends staffing consistent with the authorized level. However, her recommendation shifts 1.0 currently vacant position from the Division of State Police to Central Management to create the requested assistant administrator of financial management position.

Target Issues. The Budget Office provided the Department of Public Safety with a general revenue target of \$96.7 million. The amount includes current service adjustments of \$7.7 million, including staffing and operations costs associated with the 56th State Police Training Academy, and a 7.5 percent reduction of \$6.4 million.

FY 2016 Budget	Budget Office		DPS	Difference
FY 2015 Enacted	\$ 95,294,034	\$	95,294,034	\$ -
Current Service Adjustments	7,733,920		10,406,075	2,672,155
New Initiatives	-		2,005,672	2,005,672
Change to FY 2015 Enacted	\$ 7,733,920	\$	12,411,747	\$ 4,677,827
FY 2016 Current Service/Unconstrained Request	\$ 103,027,954	\$	107,705,781	\$ 4,677,827
Target Reduction/Initiatives*	(6,360,959)		(7,608,003)	(1,247,044)
FY 2016 Constrained Target/Request	\$ 96,666,995	\$	100,097,778	\$ 3,430,783
<i>Change to FY 2015 Enacted</i>	<i>\$ 1,372,961</i>	<i>\$</i>	<i>4,803,744</i>	<i>\$ 3,430,783</i>

The constrained budget submitted by the agency is \$3.4 million more than the target. The proposals to achieve the reductions are noted among the items described where appropriate. *The Governor’s recommendation is \$0.2 million below the target.*

E-911 Telephone System

Salaries and Benefits. The Department requests \$4.8 million, which is \$0.5 million more than enacted from general revenues for the authorized level of 50.6 full-time equivalent positions for E-911. The request includes \$248,806 to fund cost-of-living increases. The Department also requests \$210,990 for a full year of funding for 3.0 telecommunicator positions assumed vacant in the enacted budget.

As part of its constrained request, the Department proposes reversing the request for the 3.0 telecommunicator positions, however removes more funding than the value of the positions. The request notes that these vacancies would increase the number of calls in-queue and wait times for emergency callers; however, as the positions are currently vacant, it is likely that call processing would not be impacted as predicted.

The Governor recommends \$0.4 million less than the unconstrained request; the recommendation includes vacancies as proposed in the constrained request, and includes additional turnover savings consistent with filling vacant telecommunicator positions at the lowest step in FY 2015.

Communication Systems. The Department requests \$1.0 million, which is \$0.1 million less than enacted from general revenues for E-911 communication system expenses. The request is consistent with the completion of the first phase of Next Generation 911 installation and deployment included in the revised FY 2015 request. The request includes \$0.5 million, which is \$0.1 million less than enacted for software and information technology maintenance agreements, necessary for public safety answering point functionality. Also included is \$0.2 million, which is \$3,060 less than enacted for telephone systems, consistent with historical and anticipated expenses, and the enacted amount of \$240,000 for the Division's annual geographic information system contract, contracts with Qwest/CenturyLink for broadband services and with Language Line Communications for translation services. *The Governor recommends funding as requested.*

All Other Operations. The Department requests \$53,468, which is \$14,818 more than enacted from general revenues for all other E-911 operations. This includes \$20,518 more for utilities and general office expenses, consistent with FY 2014 expenditures and \$5,700 less for computer and information technology hardware purchases, consistent with FY 2014 expenditures and the revised FY 2015 request. *The Governor recommends funding as requested.*

Fire Marshal

Fire Safety Inspectors. The Department requests \$0.2 million from general revenues for a full year of funding for 3.0 new full-time fire safety inspector positions in the Office of the State Fire Marshal. The request reflects an anticipated significant increase in workload associated with planning and construction in the Interstate 195 Redevelopment District and an increase in requested inspections following budget cuts by municipalities. The Office anticipates plans for approximately \$400 million in Interstate 195 development projects will begin the review process in FY 2015. As of November 17, 2014, the Commission reports that it has approved one project for which a purchase and sales agreement has been signed.

As part of its constrained request, the Department excludes the positions. *The Governor does not recommend adding these positions.*

40 Hour Work Week. The Department requests \$424,600 from general revenues to increase the standard 35 hour work week to a 40 hour work week for all authorized positions in the Office of the State Fire Marshal. The request reflects the increase in workload experienced by the office following statutory changes to plan review standards and significant municipal cut-backs in local fire departments, including in the cities of Providence, Warwick, and Cranston. The Department reports that inspections staff appear to be undercompensated for its plan review and site visit workload. The increased work week will provide additional flexibility to inspections staff and provide sufficient compensation for hours worked.

As part of its constrained request, the Department excludes the change in work week. *The Governor does not recommend changing the work week.*

All Other Salaries and Benefits. The Department requests \$3.2 million, which is \$0.3 million more than enacted from all sources to fully fund the authorized number of 36.0 full-time equivalent positions in the Office of the State Fire Marshal. This includes \$0.3 million more from general revenues, \$61,043 more from restricted receipts, and \$11,649 more from Quonset Development Corporation funds. The request includes \$136,712 from all funds, of which \$118,500 is from general revenues to fund the cost-of-living increases and restores \$0.2 million of turnover savings included in the enacted

budget. The Department anticipates that all vacant positions will be filled as of July 1, 2015. As of December 13, 2014, the Office reported 33.0 filled positions, 3.0 less than authorized.

As part of its constrained request, the Department proposes maintaining 3.0 authorized full-time equivalent positions vacant for the fiscal year and includes \$0.2 million in savings from all funds, of which \$155,675 is from general revenues. The Department also proposes shifting 40.0 percent of costs associated with the Fire Marshal's salary and benefits to restricted receipts and includes \$42,194 of savings from general revenues. The enacted budget assumes 20.0 percent of this expense will be funded from Fire Training Academy receipts; the constrained request doubles that.

The Governor recommends \$141,902 less than the unconstrained request, including \$119,404 less from general revenues. Her recommendation includes holding 2.0 fire investigator positions vacant for the fiscal year and assumes 1.0 vacant fire safety inspector position will be filled at the lowest step in FY 2015. That position is anticipated to focus on plan review for I-195 redevelopment projects. Consistent with the enacted budget, the recommendation funds 20.0 percent of the Fire Marshal's salary from Fire Training Academy restricted receipts.

Leased Office Space. The Department requests \$0.6 million from general revenues for the lease of office space for the Office of the State Fire Marshal for FY 2016. The Fire Marshal's staff was moved from its previous location in the Cranston Street Armory in April 2014, due to reportedly hazardous and difficult working conditions in the building. Staff was relocated to the Department of Administration, the Fire Training Academy, and the E-911 secondary public safety answering point. A call for proposals was announced in September 2014; proposals were due by October 31, 2014. The Department's capital request includes funds for a feasibility study of the construction of new Fire Marshal office space at the Fire Training Academy. The Department reports that one proposal was received; however, the terms of the offered lease did not meet the Department's needs. The revised FY 2015 request includes \$0.3 million from general revenues for a half year of lease costs, beginning in January 2015.

The Governor does not recommend funding for a lease. The FY 2016 and revised FY 2015 recommendations include expenses related to the Office's temporary locations.

Bomb Disposal Unit Grants. Excluding salaries and benefits, the Department requests \$0.2 million, which is \$0.1 million more than enacted from federal funds for the purchase of equipment and fire safety supplies in support of the Fire Marshal's Bomb Disposal unit and for hazardous materials training programs held at the State Fire Training Academy. *The Governor recommends funding as requested.*

Fire Training Academy. Consistent with its capital budget request, the Department requests \$2.2 million, which is \$0.2 million more than enacted from Rhode Island Capital Plan funds for the second phase of construction at the Fire Training Academy, reflective of increased project costs and an updated project schedule. *The Governor recommends \$0.2 million less than requested to reflect an updated project schedule, as described in greater detail in the Capital Budget section of this analysis.*

All Other Operations. The Department requests \$0.4 million, which is \$44,862 less than enacted from all sources for all other Fire Marshal operations, including \$4,527 less from general revenues and \$40,335 less from restricted receipts associated with the Fire Training Academy. The request includes \$16,427 less than enacted from general revenues for fuel and utilities, reflective of the anticipated occupancy of leased office space. The requested decrease for utility costs is offset by \$16,436 more for

general office expenses and \$16,457 more than enacted for maintenance of the Fire Marshal fleet of vehicles, consistent with FY 2014 expenditures.

The request also includes \$40,335 less from Fire Training Academy restricted receipts for Training Academy operations, including utility costs, general office expenses, and payments to course instructors. The request appears to be essentially consistent with historical expenditures.

The Governor recommends \$39,550 more than requested from general revenues to reflect an increased payment to the state fleet revolving loan fund for an FY 2015 vehicle purchase to replace a vehicle that has reached the end of its useful life.

Capitol Police

Salaries and Benefits. The Department requests \$3.8 million, which is \$0.2 million more than enacted from general revenues for Capitol Police salaries and benefits. The request includes funding for 38.0 full-time equivalent positions and \$198,571 from general revenues to fund the cost-of-living increases. The request restores \$0.2 million of turnover savings included in the enacted budget, offset by a shift of \$0.2 million of personnel costs from general revenues to Capitol Police Internal Service or "Rotary" funds.

It should be noted that the current staffing authorization for the Capitol Police is 40.0 full-time equivalent positions funded from general revenues. The enacted budget assumes an additional 11.0 positions are funded from Rotary funds, which are made by other state agencies. Rotary funds are not reflected in the expenditure totals. The request includes the total authorization of 51.0 full-time positions; however, it shifts funding for 2.0 positions from general revenues to Rotary funds. The requested decrease in general revenues is not a reduction in expense, just a shift from where the expense appears.

As part of its constrained request, the Department proposes maintaining 2.0 full-time officer positions vacant for the fiscal year and includes \$157,741 of savings from general revenues.

The Governor recommends \$0.3 million less than the unconstrained request; she maintains the enacted level of turnover and includes funding reflective of statewide benefit savings. The recommendation includes the proposed shift of 2.0 positions to Capitol Police Rotary funds.

All Other Operations. The Department requests the enacted amount of \$142,097 from general revenues for all other Capitol Police operations. Consistent with FY 2014 expenditures, the request includes \$14,557 less for general office expenses offset by \$12,000 more for the Capitol Police fleet and \$1,985 more for equipment maintenance. *The Governor recommends \$3,208 more than requested to reflect the division's share of the Department's Microsoft 365 email account licenses.*

Sheriffs

Extended Work Week. The Department requests the enacted amount of \$0.1 million from general revenues for the extension of a 35 hour work-week to a 37.5 hour work week for 12.0 full-time equivalent positions in the Division of Sheriffs, effective in the current year. The change reflects a 2005 agreement between the Division of Sheriffs and the Department of Administration to increase the hourly work week of specific employees. In his recommended FY 2015 budget, the Governor included \$0.1 million to increase the work week from 35 hours to 40 hours for 6.0 positions. The Assembly concurred.

Documents supporting the Governor's FY 2015 recommendation reflected the intent to transition 6.0 positions to the extended work week each successive fiscal year after FY 2015. In the first quarter of FY 2015, the Department determined that the successive extension of 12.0 employees' work week from 35 to 37.5 hours each fiscal year would be more beneficial than the enacted extension, to fulfill staffing needs reported by the Judiciary.

The Department reports that it erroneously neglected to request funds sufficient to extend the work week of 12 additional employees in FY 2016. Position transfers will likely occur based on staff seniority; the Department cannot provide a specific amount required for FY 2016. *The Governor recommends funding consistent with the request and the enacted budget, but does not include funds to increase the work week for additional staff in FY 2016.*

All Other Salaries and Benefits. The Department requests \$17.9 million which is \$1.1 million more than enacted from general revenues for salaries and benefits for the authorized level of 180.0 full-time equivalent positions for the Division of Sheriffs. The request includes \$0.8 million from general revenues to fund the cost-of-living increases and includes turnover savings of \$0.3 million, equivalent to 3.1 vacant positions, assuming an average cost of \$96,071. The enacted budget includes \$0.4 million in turnover savings. The Department requests \$0.7 million, which is \$0.1 million more than enacted for Sheriffs overtime for shift details at hospitals, inmate transportation, and extraditions, reflective of FY 2014 expenditures.

The Governor recommends \$0.2 million less than requested; the recommendation includes turnover consistent with maintaining approximately 4.5 positions vacant to reflect historical staffing trends and statewide benefit savings.

All Other Operations. The Department requests \$1.2 million, which is \$26,858 more than enacted from general revenues for all other Sheriffs operations. The request includes \$60,418 more than enacted for maintenance of the Sheriffs fleet of vehicles, reflective of a revolving loan fund repayment for replacement vehicles that the Department anticipates purchasing in FY 2015. Also included is \$55,062 more than enacted for maintenance payments for Sheriffs locations in other Departments' facilities, including the Judiciary and the Department of Corrections, consistent with FY 2014 expenditures.

Increases are partially offset by \$95,960 less than enacted for staff uniforms and food. The Department requests \$44,600 less than enacted for uniform purchases, consistent with a change in Division policy regarding the annual replacement of members' uniforms. Also included is \$40,000 less than enacted for prisoners' food, reflective of the Department's purchase of meal replacement bars rather than premade, ready-to-eat meals. The request includes \$10,000 less than enacted for standard safety gear, consistent with the equipping of current staff in FY 2013 and FY 2014. *The Governor recommends \$0.1 million more than requested consistent with actual maintenance expenses for FY 2015.*

Municipal Police Training Academy

Personnel and Operations. The Department requests \$0.4 million, which is \$0.2 million less than enacted from all sources for Municipal Police Training Academy personnel and operations, including \$10,900 more from general revenues and \$252,980 less from federal funds. The request includes \$14,375 more than enacted from general revenues for salaries and benefits, including \$9,476 to fund the cost-of-living increases, and reflects funding for the authorized level of 2.0 full-time equivalent positions. Also included is \$256,455 less from all funds for Academy operations. This includes \$3,475 less than enacted from general revenues for classroom lectures and the Academy's lease

payment to the Community College of Rhode Island. Also included is \$0.2 million less than enacted from federal funds, reflective of available field sobriety test grant and school of community policing grant funding. *The Governor recommends \$1,612 less than requested from general revenues to reflect statewide benefit savings.*

State Police

56th State Police Training Academy. The Department requests \$1.7 million from general revenues for the 56th State Police Training Academy, anticipated to begin in September 2015 and run into calendar year 2016. The request includes \$0.8 million for salaries and benefits for 40.0 recruits for 22 weeks of Academy training. Also included is \$0.9 million for medical services, uniforms, supplies, equipment, laptops, and room and board. The Department began recruitment in the fourth quarter of FY 2014, funded from Google forfeiture funds.

The Department believes the potential retirement of sworn members in the next fiscal year could place the State Police at risk of having a significantly decreased staff size. There are 65 troopers eligible to retire between FY 2015 and FY 2016, 15 of whom are required to retire in calendar year 2015. Should all eligible sworn members choose to retire, the State Police reports that it would be unable to fulfill its responsibilities and obligations. It notes that a smaller staff of sworn members would prevent the Division from maintaining its current "Gold Standard" accreditation as a public safety agency.

[Staff Note: In December 2013, 36 new troopers graduated from the 55th Academy and were sworn in as members of the State Police. As of October 2014, the Department reported 247.0 sworn members of the State Police. Additionally, accreditation by the Commission on Accreditation for Law Enforcement Agencies is not a statutory or functionality requirement for the Department.]

As part of its constrained request, the Department includes the postponement of the Academy and excludes the requested funds.

The Governor recommends \$0.5 million less than requested, including \$0.8 million less from general revenues, for the Academy. Her recommendation includes postponing the Academy to February 2016, a decreased class size of 30.0 recruits to reflect historical graduation rates, and a shift of \$0.3 million of Academy supply purchases from general revenues to available Google forfeiture funds, as permitted by the Department of Justice.

40.0 New Troopers. The Department requests \$1.8 million from general revenues for costs associated with the hiring of 40.0 new troopers anticipated to graduate from the 56th Training Academy in January 2016. The request includes \$1.4 million for salaries and benefits and \$0.5 million for uniform and basic supply purchases, \$11,379 per new trooper.

As part of its constrained request, the Department proposes the postponement of the 56th Academy and includes savings of \$1.8 million from general revenues from salary and benefit and uniform purchase costs for the new troopers. *Consistent with her recommendation to postpone the Academy to February 2016, the Governor does not recommend funding for the new troopers. Her budget assumes that the 56th Academy class will be sworn in as members of the State Police in July 2016, which is FY 2017.*

Principal Confidential Transcriber. The Department requests \$76,332 from general revenues for a new civilian principal confidential transcriber position within the State Police. The Department reports that its current work load requires two transcribers; it has been authorized one transcriber position since FY 2011. Since April 2013, transcriptions are produced approximately two months behind schedule.

As a number of troopers were promoted in FY 2014 and early FY 2015 into the Detectives unit, the Department predicts a greater backlog will occur in the current year.

As part of its constrained request, the Department excludes the position. *The Governor does not recommend the position.*

Intelligence Analyst. The Department requests \$143,938 from general revenues for a new intelligence analyst civilian position within the State Police. The position is intended to increase Detectives unit efficiency and assist with data entry, case management, and other clerical and analytical functions.

As part of its constrained request, the Department excludes the position. *The Governor does not recommend the position.*

MIS Administrator. The Department requests \$150,704 from general revenues for a new civilian intelligence analyst position within the State Police. The position is intended to assist the Management Information Systems Unit meet the information technology demands of the Department's disparate divisions and to provide support to municipal public safety departments that rely on the Department's information technology infrastructure.

As part of its constrained request, the Department excludes the position. *The Governor does not recommend the position.*

Promotions. The Department's request includes the \$1.9 million from general revenues for expenses reflective of the promotion of 35 sworn members of the State Police in FY 2014, consistent with the revised FY 2015 request. The request includes 11 members promoted to the rank of corporal, 10 to the rank of sergeant, 8 to lieutenant, 4 to captain, 1 to major, and 1 to lieutenant colonel. Current law requires that there be at least one colonel, two lieutenant colonels, and three majors serving as superintendent and command staff of the State Police. The remainder of the force's composition is left to the superintendent's discretion. The Department reports that there were 18 more promotions in FY 2014 than in FY 2013. *The Governor recommends funding as requested.*

All Other Salaries and Benefits. Excluding the new posts already noted, the Department requests \$49.8 million, which is \$1.8 million more than enacted from all funds for all other State Police salaries and benefits, including \$1.9 million more from general revenues. The request includes \$2.4 million from all funds, including \$2.2 million from general revenues, to fund the cost-of-living increases. It should be noted that as of January 5, 2015, the Administration has not reached an agreement with the Troopers' Association regarding the actual cost of the increases. The Department reported that it anticipates an agreement will be reached by the end of January 2015. The request appears to reflect the general state employee retirement contribution rate of 23.64 percent for all employees; for FY 2016 the state contribution rate is 17.22 percent.

The request appears to reflect the retirement of at least 30.0 sworn members of the Division. As of December 2014, 65 sworn members are eligible to retire.

As part of its constrained request, the Department includes \$1.5 million in savings from general revenues associated with retirement of more eligible sworn members of the Division. The Department cannot accurately predict the total number of retirements; therefore, the suggested savings cannot be guaranteed.

The Governor recommends \$3.5 million less than the unconstrained request from all funds, including \$3.6 million less from general revenues. The recommendation includes \$1.8 million of savings to reflect the actual contribution rate for FY 2016. The recommendation includes \$1.4 million less than the unconstrained request for detectives' overtime payments and associated bonuses to reflect historical trends and the expectation that the Department will minimize those expenses to the best of its ability.

Pay-Go Pensions. The Department requests \$17.6 million, which is \$115,234 less than enacted from general revenues for State Police pay-go pension benefits. The request includes 198 regular pensions, 44 widows' pensions, and 15 disability pensions. Sworn members hired prior to July 1, 1987 were not required to contribute to their pensions, which are funded through an annual appropriation.

The Governor recommends \$1.0 million less than requested based on converting these payments from pay-go to a trust fund. Her FY 2016 budget includes Article 25 of 2015-H 5900 to establish a new trust fund to pay for State Police pay-go pensions, to be seeded with \$15.0 million of available Google forfeiture funds and \$16.6 million from general revenues. Future funding would be from general revenues.

Modernization. The Department requests \$7.3 million, which is \$4.2 million less than enacted from restricted receipts from forfeiture funds for State Police modernization programs including fleet purchases, staff training, and capital projects. The Department does not have a long-term spending plan for its share of forfeiture funds. Final FY 2014 expenditures from this source were \$3.3 million, which is \$9.6 million less than enacted. Final FY 2013 expenditures were \$2.7 million, \$9.5 million less than enacted. In FY 2014, the Department indicated that it would expend \$0.5 million in grants to local public safety agencies; however, no funds were spent.

In 2011, the Department of Public Safety was named as one of the five state agency recipients of funds forfeited by Google, Inc. due to the corporation's violation of the Federal Food, Drug and Cosmetic and Controlled Substances Acts. Part VIII, Section A(1)d of the Federal Guide to Equitable Sharing for State and Local Law Enforcement Agencies establishes permissible uses of forfeiture funds, including "law enforcement equipment." Per Rhode Island General Law Title 42, Chapter 41, Section 6, all expenditures of federal funds must be first appropriated or reappropriated by the Assembly and the Governor.

The Governor recommends \$2.9 million more than requested, reflective of a shift in fund source for three capital projects from Rhode Island Capital Plan funds to available Google forfeiture funds, discussed in greater detail in the Capital Budget section of this publication.

Forfeited Property. The request includes no expenses from restricted receipts from forfeited property resulting from closed cases. The enacted budget includes \$0.7 million from these funds resulting from shared cases with municipal law enforcement agencies and funds resulting from cases shared with the federal government.

The Department historically requests funds from these sources to share with municipal police departments and other public safety agencies that assisted in the investigation of specific cases. However, from FY 2009 through FY 2012, no funds were shared. In FY 2013, eight municipalities and the Rhode Island National Guard assisted the Division in multiple cases and shared forfeited funds. However, although the Department received \$0.2 million of forfeited property in FY 2014; it expended \$1,378 for the purchase of office supplies. No funds were shared with other agencies.

The Department reports that it does anticipate that cases resulting in forfeited property will be closed in FY 2016. However, as of December 2014, the Department does not have a spending plan in place. It has requested equipment and information technology purchases from general revenues, which would appear to be an appropriate use of the anticipated revenues. *The Governor recommends funding as requested.*

State Fleet. The Department requests \$2.4 million from all funds for costs associated with the Division's fleet of vehicles. This is \$0.4 million more than enacted from general revenues. The request includes \$0.8 million more than enacted for state fleet revolving loan fund payments and \$0.4 million less for maintenance costs consistent with vehicle purchases in FY 2013 and FY 2014. The Division has purchased new vehicles in each fiscal year since FY 2011; this includes expenditures from Google forfeiture funds for vehicles in FY 2013 and expenditures from federal CVSIN funds to purchase vehicles in FY 2014. As of October 2014, the Division has a fleet totaling 343 vehicles. It anticipates that seven Chevrolet Tahoes will be added to the fleet in the current year, necessitating the increase in loan repayment. Seven of the oldest vehicles, those that have reached the end of their useful life, will be retired from the Division fleet upon receipt of the Tahoes.

The Governor recommends \$0.8 million less than requested from general revenues and includes funding for the State Police fleet consistent with her revised FY 2015 recommendation, to reflect vehicle purchases made over the past five fiscal years and a corresponding decrease in fleet maintenance costs.

Information Technology Contracts. The Department requests \$1.5 million, which is \$0.4 million more than enacted from general revenues for contracts for State Police information technology and computer systems, reflective of FY 2014 expenditures and the necessary renewal of multi-year contracts. The Department last renewed maintenance and remediation contracts for headquarters facility information technology and equipment in FY 2013. The contracts have expired.

As part of its constrained request, the Department proposes reductions to cellular communications use and includes \$0.2 million of savings from general revenues. The Department's constrained request appears consistent with FY 2014 expenditures for Division telephone and cellular usage. *The Governor recommends funding consistent with the constrained request.*

Grants. The Department requests \$0.7 million, which is \$0.2 million less than enacted from federal funds for State Police grant programs. The request reflects anticipated expenditures for travel, training and equipment purchases, predominantly for Homeland Security anti-terror programs. *The Governor recommends \$0.4 million more than requested to reflect available Internet Crimes Against Children and State Homeland Security grant funds.*

Capital. The Department requests \$7.5 million from Rhode Island Capital Plan funds for unspecified asset protection projects at the headquarters building, expansion and renovation of ancillary buildings at the Department's headquarters facility in North Scituate, repair and renovations to the Hope and Wickford Valley barracks, and the construction of a Consolidated Training Academy. This is \$2.7 million more than enacted and is consistent with the Department's capital budget request. *The Governor recommends \$5.6 million less than requested to reflect a shift to available Google forfeiture funds for three projects, updated project schedules, and updated project costs. The recommended changes are discussed in greater detail in the Capital Budget section of this publication.*

Other Operations. The Department requests \$1.6 million, which is \$15,068 less than enacted from all sources, including \$6,712 more from general revenues, for all other State Police operations. The request includes \$0.5 million, which is \$3,690 more than enacted from general revenues for fuel and

electricity costs; \$0.5 million, which is \$45,053 less than enacted from general revenues for office supplies and equipment, consistent with FY 2014 expenditures for postage, insurance costs, travel and staff training costs; \$0.2 million from general revenues for ammunition and other military equipment; and \$0.3 million for office expenses including records storage and stenographic services. The request is essentially consistent with FY 2014 expenditures. Also included is \$18,780 less from restricted receipts for polygraph testing. The request eliminates \$3,000 from federal municipal police traffic enforcement training funds, reflective of the exhaustion of these funds in FY 2014. *The Governor recommends \$0.1 million more than requested for uniform purchases to reflect an anticipated increase in the cost of materials.*

Central Management

Legal Positions. The Department requests \$213,604 from general revenues to fund a new general counsel position and a new paralegal position within its Central Management division. The transfer of the Sheriffs has increased the Department's responsibilities for labor negotiations and disputes, regarding individual officers and the Sheriffs as a division. The positions are requested to relieve some of the burden on the Department's current general counsel and paralegal.

It should be noted that the Department included the positions in its FY 2015 operating request. The Governor did not recommend the positions and the Assembly concurred.

As part of its constrained request, the Department excludes the positions. *The Governor does not recommend the positions.*

Public Information Officer. The Department requests \$125,268 from general revenues for the creation of a public information officer position within its Central Management division to assist State Police staff with media inquiries and public relations. It should be noted that the Department included this position in its FY 2015 operating budget request. The Governor did not recommend the position and the Assembly concurred.

As part of its constrained request, the Department excludes the position. *The Governor does not recommend the position.*

Financial Positions. The Department requests \$0.3 million from general revenues for three new financial administration positions within its Central Management division, including an assistant administrator of financial management, a supervising clerk, and a fiscal clerk. The positions are intended to assist the Department's finance director with budget development and review, expenditure forecasting and to provide additional fiscal supervision within the department.

As part of its constrained request, the Department excludes the positions. *The Governor recommends the creation of the assistant administrator position and includes \$62,822; the budget assumes the position will be filled as of December 1, 2015. The recommendation does not increase the Department's full-time equivalent position authorization, as it includes the shift of a State Police vacancy to Central Management. The Governor does not recommend either clerk position.*

Case Management Coordinator. The Department requests \$98,871 from general revenues for the creation of a case management coordinator position within its Central Management division to assist the administrative assistant currently performing the human resources function for the department with Injured on Duty and disability claims unique to the Department.

As part of its constrained request, the Department excludes the position. *The Governor does not recommend the position.*

All Other Salaries and Benefits. The Department requests \$142,353 more than enacted from all sources for salaries and benefits for the authorized remaining 15.6 full-time positions for its Central Management division. This includes \$140,455 more from general revenues and \$1,898 more from federal funds. The request includes \$0.1 million of turnover savings, equivalent to 0.8 vacant positions, assuming an average annual salary of \$73,481. The enacted budget includes turnover savings equivalent to 0.4 vacant positions. As of December 13, 2014, the Department reported 13.0 filled full-time positions in the Central Management division, 2.6 less than authorized.

The Governor recommends \$66,441 less than requested from all funds, including \$57,662 less than requested from general revenues; the recommendation includes turnover savings reflective of historical expenditures.

Grants. The Department requests \$3.2 million, which is \$0.3 million less than enacted from federal funds for federal Department of Justice grant programs administered by the Public Safety Grant Administration Office. The request is reflective of current grant awards and of FY 2014 expenditures. *The Governor recommends funding as requested.*

All Other Operations. The Department requests \$16,296 less than enacted from all sources for all other Central Management operations. This includes \$2,960 more from general revenues for records storage and office supplies and \$19,256 less from restricted receipts reflective of anticipated interest from Judge Advocate General program receipts.

As part of its constrained request, the Department proposes the elimination of \$744 of grants to other agencies from Judge Advocate General program receipts. It should be noted that the target provided to the Department only applies to funding from general revenues.

The Governor recommends \$427 more than recommended from general revenues, reflecting the division's share of the Department's Microsoft 365 email account licenses.

Office of the Public Defender

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 9,997,617	\$ 9,861,442	\$ 10,502,706	\$ 10,391,716
Contracted Services	319,188	262,931	226,363	221,363
Subtotal	\$ 10,316,805	\$ 10,124,373	\$ 10,729,069	\$ 10,613,079
Other State Operations	959,125	974,088	983,512	979,768
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	60,000	60,000	60,000	60,000
Capital	43,750	43,750	47,500	47,500
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 11,379,680	\$ 11,202,211	\$ 11,820,081	\$ 11,700,347
Sources of Funds				
General Revenue	\$ 11,130,816	\$ 11,048,671	\$ 11,741,711	\$ 11,621,977
Federal Aid	248,864	153,540	78,370	78,370
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 11,379,680	\$ 11,202,211	\$ 11,820,081	\$ 11,700,347
FTE Authorization	93.0	93.0	93.0	93.0

Summary. The Office of the Public Defender requests FY 2016 expenditures of \$11.8 million, which is \$0.4 million more than the enacted budget. The request includes \$0.6 million more from general revenues and \$0.2 million less from federal funds. Consistent with the enacted budget, the Office requests 93.0 full-time equivalent positions. *The Governor recommends \$11.7 million from all sources, including \$11.6 million from general revenues and the enacted level of authorized positions. This is \$0.3 million more than enacted, and \$0.1 million less than requested.*

Target Issues. The Budget Office provided the Office with a general revenue target of \$10.8 million. The amount includes current service adjustments of \$0.5 million and a 7.5 percent target reduction of \$0.8 million.

	Budget Office	Office of the Public Defender	Difference
FY 2016 Budget			
FY 2015 Enacted	\$ 11,130,816	\$ 11,130,816	\$ -
Current Service Adjustments	513,736	318,420	(195,316)
Change to FY 2015 Enacted	\$ 513,736	\$ 610,895	\$ (195,316)
FY 2016 Current Service/Unconstrained Request	\$ 11,644,552	\$ 11,741,711	\$ (195,316)
Target Reduction/Initiatives	(829,571)	(1,070,532)	(240,961)
FY 2016 Constrained Target/Request	\$ 10,814,981	\$ 10,671,179	\$ (143,802)
<i>Change to FY 2015 Enacted</i>	<i>\$ (315,835)</i>	<i>\$ (459,637)</i>	<i>\$ (143,802)</i>

The constrained budget submitted by the Office is \$0.1 million less than the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's budget recommendation is \$0.8 million above the Budget Office target.*

Salaries and Benefits. The Office requests \$10.5 million from general revenues for all salaries and benefits for 93.0 full-time positions. This is \$0.5 million more than enacted and primarily reflects the cost-of-living increase for state employees. The request also reflects updated benefit rates essentially consistent with Budget Office planning values and includes step increases. The request includes a shift of \$35,212 of federally funded payroll expenses to general revenues to reflect the expiration of a federal juvenile response grant.

The Office's constrained request proposes eliminating 11.0 full-time positions for savings of \$1.0 million. The Office indicates that its current caseload would prevent the ability to absorb additional cases for FY 2016, if this proposal is approved. As a result, cases referred by the Judiciary would not be accepted. The Office's proposal offered the following three options to achieve the proposed savings.

The Governor recommends \$10.4 million, all from general revenues. This is \$0.4 million more than enacted, and \$0.1 million less than the unconstrained request to reflect additional turnover savings.

Target Option 1. The first option would eliminate misdemeanor representation in district courts statewide. In FY 2014, the Office disposed of approximately 10,750 misdemeanor cases statewide. This proposal assumes approximately 977 misdemeanor cases per attorney per fiscal year. In accordance with state law, the Office is obligated to represent indigent defendants only in criminal and parental rights cases. *The Governor's recommendation does not include this proposal.*

Target Option 2. The second option would prevent the Office from accepting and providing representation services for juvenile cases in family courts statewide. In FY 2014, the Office entered as counsel in 1,388 juvenile cases statewide. This proposal assumes 126 juvenile cases per attorney per fiscal year for which the Office entered as counsel. To achieve the desired savings, this proposal would require changes to current law to exempt the state from its obligation to provide legal representation to indigent defendants in parental rights cases. *The Governor's recommendation does not include this proposal.*

Target Option 3. The third and final option would close branch offices in Newport and Washington Counties as well as eliminate the requirement to provide representation on felony violation cases in Providence. In FY 2014, the Office provided representation in 1,900 misdemeanor cases, 981 felony cases, and 576 parental rights cases in Newport and Washington counties. This proposal assumes a caseload per attorney of 172 misdemeanor cases, 89 felony cases, and 52 parental rights cases per fiscal year. The Office has indicated that the bulk of its cases are in Providence.

It appears that this proposal would require both state and federal law changes to achieve the desired savings since it would conflict with them, as constructed. Federal and state requirements mandate the assistance of counsel to indigent defendants in criminal cases pursuant to the United States Supreme Court's *Gideon v. Wainwright* decision. Also, current state law requires legal representation to indigent defendants in parental rights cases. *The Governor's recommendation does not include this proposal.*

Intake Interviewers and Case Management. The Office requests \$145,968 from all sources, including \$130,968 from general revenues and \$15,000 from federal funds for intake interviewers and case management services. The requested changes include \$127,425 less from federal funds to reflect

the reduction of a grant for case management services, including the utilization of community resources to assist adult offenders with substance abuse and mental health issues. The request assumes use of \$30,329 from general revenues to partially offset the lost federal funds.

The Office's constrained budget request reduces general revenues for case management services for a savings of \$49,804. The savings would be achieved through the elimination of two temporary part-time positions, including a paralegal and a juvenile social worker, resulting in a reduction of the 5.5 percent surcharge for vendors providing qualified expert services. The Office indicates that the proposed change would further limit its ability to provide these services to a population that is disproportionately homeless and in need of substance abuse treatment and mental health services.

The Governor recommends funding consistent with the unconstrained request.

Trial Related Expenses. The Office requests \$128,043, or \$4,271 more than enacted from all sources for contracted trial related expenses. The Office requests the enacted level of general revenues for stenographers, interpreters, legal experts, and security services. The requested change from federal funds reflects a \$4,271 increase for the 5.5 percent state surcharge on vendors providing qualified expert services, to be paid to the retirement system according to state law. *The Governor recommends \$5,000 less than requested based on historical spending.*

All Other Operations. The Office requests \$1.0 million, nearly all from general revenues for all other operations. This includes \$0.5 million for rent. The request is \$28,137 more than enacted, including \$11,293 more to reflect an anticipated increase to renew the lease at its Providence headquarters and \$15,120 more for court overhead based on updated charges issued by the Judiciary. *The Governor recommends \$3,744 less than requested primarily to reflect an updated estimate of rent and minor adjustments to office supplies.*

Department of Environmental Management

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Program				
Office of the Director	\$ 8,087,939	\$ 8,737,953	\$ 7,946,695	\$ 7,963,281
Bureau of Natural Resources	65,042,601	67,522,802	59,928,316	54,683,994
Bureau of Environmental Protection	30,680,987	31,052,679	31,287,099	30,835,528
Total	\$ 103,811,527	\$ 107,313,434	\$ 99,162,110	\$ 93,482,803
Expenditures by Category				
Salaries and Benefits	\$ 47,050,632	\$ 47,906,219	\$ 50,017,245	\$ 48,851,802
Contracted Services	7,616,259	8,504,484	6,620,958	6,620,958
Subtotal	\$ 54,666,891	\$ 56,410,703	\$ 56,638,203	\$ 55,472,760
Other State Operations	11,592,660	12,373,745	12,488,556	12,379,692
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	6,555,017	10,428,041	6,501,661	6,501,661
Capital	30,946,959	28,050,945	23,483,690	19,078,690
Capital Debt Service	-	-	-	-
Operating Transfers	50,000	50,000	50,000	50,000
Total	\$ 103,811,527	\$ 107,313,434	\$ 99,162,110	\$ 93,482,803
Sources of Funds				
General Revenue	\$ 35,540,105	\$ 36,105,322	\$ 37,860,047	\$ 36,505,567
Federal Aid	31,859,611	34,034,773	29,307,477	29,307,477
Restricted Receipts	15,934,989	16,478,862	18,374,364	18,454,537
Other	20,476,822	20,694,477	13,620,222	9,215,222
Total	\$ 103,811,527	\$ 107,313,434	\$ 99,162,110	\$ 93,482,803
FTE Authorization	399.0	399.0	399.0	399.0

Summary. The Department requests \$99.2 million, which is \$4.6 million less than enacted. This includes \$2.3 million more from general revenues, \$2.6 million less from federal funds, \$2.4 million more from restricted receipts and \$6.9 million less from other funds, primarily Rhode Island Capital Plan funds.

The Department also submitted a constrained request that totals \$95.7 million and includes \$3.5 million less from general revenues than the unconstrained request. The savings in the constrained request would primarily be achieved through the elimination of 26.0 full-time equivalent positions. *The Governor recommends \$93.5 million from all sources, which is \$10.3 million less than enacted and \$5.7 million less than requested. General revenues are \$1.0 million more than enacted and \$1.4 million less than requested. The Budget includes Article 16 of 2015-H 5900, which would abolish the Bays, Rivers and Watersheds Coordination Team.*

Target Issues. The Budget Office provided the Department of Environmental Management with a general revenue target of \$34.4 million. The amount includes current service adjustments of \$1.4

million and a 7.5 percent target reduction of \$2.5 million. The Department's constrained budget is \$40,968 below the target.

FY 2016 Budget	Budget Office	DEM	Difference
FY 2015 Enacted	\$ 35,540,105	\$ 35,540,105	\$ -
Current Service Adjustments	1,373,522	2,319,942	946,420
Change to FY 2015 Enacted	\$ 1,373,522	\$ 2,319,942	\$ 946,420
FY 2016 Current Service/Unconstrained Request	\$ 36,913,627	\$ 37,860,047	\$ 946,420
Target Reduction/Initiatives	(2,489,269)	(3,476,657)	(987,388)
FY 2016 Constrained Target/Request	\$ 34,424,358	\$ 34,383,390	\$ (40,968)
<i>Change to FY 2015 Enacted</i>	<i>\$ (1,115,747)</i>	<i>\$ (1,156,715)</i>	<i>\$ (40,968)</i>

The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's budget is \$2.1 million above the target.*

Administration

The Office of the Director is the Department's administrative program which develops and implements a wide range of programs to protect Rhode Island's environment; protects the citizens of the state from public health threats resulting from pollution; and provides facilities that support a diversity of outdoor recreational opportunities. The administrative program includes the offices of management services, legal services, administrative adjudication, the human resources services center, and the information technology service center. The Department has noted that there is a great deal of overlap between these areas. The personnel for the administrative program is discussed in greater detail in the item below.

Regional Greenhouse Gas Initiative. Prior to FY 2015, Rhode Island General Law allowed the Department of Environmental Management and the Office of Energy Resources to use \$0.3 million or 5.0 percent, whichever is less, of the receipts from the Regional Greenhouse Gas auctions for administrative purposes. Article 7 of 2014-H 7133 increased the administrative percentage to 10.0 percent or \$0.3 million, whichever is greater.

The Department's request includes \$136,191 more from restricted receipts to reflect this change. The Department indicates that it is utilizing existing staff for this purpose, and the change allows it to shift staffing costs from general revenues to restricted receipts. *The Governor recommends funding as requested.*

Salaries and Benefits. The Department requests \$4.4 million, or \$0.3 million more than enacted for salaries and benefits in the Office of the Director, including \$0.3 million more from general revenues and \$20,968 more from restricted receipts. The request is for the enacted level of 34.0 full-time equivalent positions, and the proposed increase primarily reflects the cost-of-living adjustment for state employees, updated benefit rates consistent with Budget Office planning values, and additional funding to reflect anticipated staffing costs. *The Governor recommends \$50,000 more than requested from all sources to better reflect the anticipated staffing needs for the Office of the Director.*

Foundry Lease Payment. The Department requests \$2.5 million, or \$23,418 more than enacted from general revenues for lease-related expenses at its headquarters facility, located at the Foundry Building in Providence. This includes \$582 less for property taxes and \$24,000 more for utilities to reflect the anticipated payments. In March 2005 the Department entered a ten year lease agreement with Foundry Associates, which is in effect from July 8, 2006 through July 7, 2016. *The Governor recommends funding as requested.*

Bays, Rivers and Watersheds. The Department requests \$0.2 million, or \$29,393 less than enacted from the Bays, Rivers and Watersheds restricted receipt account to more accurately reflect the anticipated funding for FY 2016. The funding is derived from a \$1 per hundred gallons charge on septage disposal in the state, and is used to fund the Bays, Rivers and Watersheds Coordination Team, which is responsible for the coordination of the environmental agencies in the state to restore and develop both freshwater and marine waters and watersheds.

The Governor includes Article 16 of 2015-H 5900, which would abolish the Bays, Rivers and Watersheds Coordination Team. Under this proposal, the restricted receipts would now be utilized by the Department of Environmental Management for efforts relating to watershed and marine monitoring, water pollution abatement, and climate change. The Governor recommends total funding of \$0.2 million as requested, but the Department would instead use the funding toward the efforts specified in Article 16.

Community Service Grants. The Department requests \$71,428, or \$500,000 less than enacted for the community service grants it administers. The 2014 Assembly added two new community service grants, including \$250,000 for Johnston Dams and \$250,000 for the City of Woonsocket athletic field improvements. The Department's request assumes that these will be one-time grants. *The Governor recommends funding as requested.*

Administration Other Operations. The Department requests \$0.2 million, or \$37,745 more than enacted for all other expenditures in the Office of the Director, including increases for information technology expenditures. The request includes \$29,545 more from general revenues and \$8,200 more from restricted receipts. The general revenue funding is for various information technology, legal, and management services, while the federal funds reflect \$150,000 for the one-stop reporting program that provides consulting and technology to the Department to upgrade its communication technology as well as ensuring it is capable of uploading air quality information to the national system. The restricted receipts primarily reflect \$100,000 for the abandoned vessel removal account which was created to reimburse public entities for their costs related to removal or disposal of an abandoned or derelict vessel, pursuant to Chapter 389 of the Public Laws of 2012. *The Governor recommends \$33,414 less than requested from general revenues to adjust for actual spending.*

Bureau of Environmental Protection

The Bureau of Environmental Protection is composed of regulatory and assistance programs and includes the divisions of water resources, waste management, air resources, compliance and inspection, customer and technical assistance, and emergency response. The Department has noted that there is a great deal of overlap between these areas. The personnel for each of the divisions in the bureau are discussed in greater detail in the items below.

Water Resources Staffing. The Department requests \$6.7 million, or \$0.5 million more than enacted for salaries and benefits for 71.0 full-time equivalent positions for the Division of Water Resources. The division is responsible for the state's water resources that are used for recreation, habitat and commerce. The request primarily reflects the cost-of-living adjustment for state employees, updated benefit rates consistent with Budget Office planning values, and other changes to reflect anticipated costs.

The Department's constrained request includes general revenue savings of \$0.4 million, which would be achieved by eliminating 12.0 positions in the Bureau of Environmental Protection, but it did not specifically identify all of the positions that would be eliminated. The reduction requested for this division appears to equate to approximately four positions. The Department indicates that there are two

currently funded vacancies in the Division. It is unclear whether or not all of the positions the Department intends to eliminate are filled or unfilled. *The Governor's recommendation does not include the Department's proposed position eliminations. She recommends \$0.2 million less from general revenues than the unconstrained request primarily to reflect additional turnover savings.*

Waste Management Staffing. The Department requests \$3.1 million, or \$0.1 million more than enacted for salaries and benefits for 38.0 full-time equivalent positions for the Division of Waste Management. The division is responsible for providing fair, comprehensive and consistent regulation of the investigation and remediation of hazardous waste and hazardous material releases. The request primarily reflects the cost-of-living adjustment for state employees, updated benefit rates consistent with Budget Office planning values, and other changes to reflect anticipated costs.

The Department's constrained request includes general revenue savings of \$0.2 million in the Division of Waste Management, which would be achieved by staffing reductions. The Department did not specifically identify the positions that would be eliminated. The reduction requested for this division appears to equate to approximately two positions. The Department indicates that there is currently only one funded vacancy in the Division. It is unclear whether or not all of the positions the Department intends to eliminate are filled or unfilled. *The Governor's recommendation does not include the Department's proposed position eliminations. She recommends \$7,449 less from general revenues than the unconstrained request primarily to reflect additional turnover savings.*

Air Resources Staffing. The Department requests \$3.5 million, or \$0.2 million more than enacted for salaries and benefits for 24.0 authorized full-time equivalent positions for the Division of Air Resources. The division is responsible for the preservation, protection and improvement of air quality in Rhode Island. The request primarily reflects the cost-of-living adjustment for state employees, updated benefit rates consistent with Budget Office planning values, and other changes to reflect anticipated costs.

The Department's constrained request includes general revenue savings of \$0.1 million in the Division of Air Resources, which would be achieved by staffing reductions. The Department did not specifically identify the positions that would be eliminated. The reduction requested for this division appears to equate to approximately one position. The Department indicates that all of the funded positions in the division are currently filled. *The Governor's recommendation does not include the Department's proposed position eliminations. She recommends \$63,380 less from general revenues than the unconstrained request primarily to reflect additional turnover savings.*

Compliance and Inspection Staffing. The Department requests \$3.6 million, or \$35,273 more than enacted for salaries and benefits for 24.0 full-time equivalent positions for the Division of Compliance and Inspection, which is responsible for regulatory enforcement activities related to air, waste and water resources. The request primarily reflects the cost-of-living adjustment for state employees, updated benefit rates consistent with Budget Office planning values, and other changes to reflect anticipated costs.

The Department's constrained request includes general revenue savings of \$0.1 million in the Division of Compliance and Inspection, which would be achieved by staffing reductions. The Department did not specifically identify the positions that would be eliminated. The reduction requested for this division appears to equate to approximately one position. The Department indicates that there is currently only one funded vacancy in the Division. It is unclear whether or not all of the positions the Department intends to eliminate are filled or unfilled. *The Governor recommends funding as requested.*

All Other Salaries and Benefits. The Department requests \$4.6 million, or \$0.3 million more than enacted for all other salaries and benefits for the 24.0 remaining positions in the Bureau of Environmental Protection, including the division of environmental protection, the environmental response fund, the Rhode Island Pollutant Discharge Elimination System and the Office of Customer and Technical Assistance. The request primarily reflects the cost-of-living adjustment for state employees, updated benefit rates consistent with Budget Office planning values, and other changes to reflect anticipated costs.

The Department's constrained request includes general revenue savings of \$0.5 million in all other divisions in the Bureau, which would be achieved by staffing reductions. The Department did not specifically identify the positions that would be eliminated. The reduction requested for these divisions appear to equate to at least four positions. The Department indicates that all of the funded positions in these divisions are currently filled. *The Governor's recommendation does not include the Department's proposed position eliminations. She recommends \$0.1 million less from general revenues than the unconstrained request primarily to reflect additional turnover savings.*

Rose Hill Landfill. The Department requests \$0.2 million, or \$17,500 more than enacted from general revenues for maintenance and monitoring activities at the state's Superfund site located at the former Rose Hill Landfill in South Kingstown. The requested increase primarily reflects a \$20,000 fee for an Environmental Protection Agency audit.

The Comprehensive Resource Conservation and Liability Act, known as the Superfund law, mandates that for fund financed remedial actions, the state is required to share a minimum of 10.0 percent and up to 50.0 percent for municipal or state-operated facilities. As part of the regulations, states must agree to assume responsibility for operation and maintenance of the implemented remedial action for the expected life of such action and states must ensure that any institutional controls implemented as part of the remedial action at a site are sustained. *The Governor recommends funding as requested.*

Brownfields. The Department requests \$0.6 million, or \$0.1 million more from federal funds for brownfields rehabilitation projects throughout the state. Properties classified as brownfields include any property that cannot be developed, expanded or reused due to the presence of an environmental hazard. The state currently receives funding from federal sources as part of its ongoing program, and the additional funds requested reflect the Department's anticipated FY 2016 award. *The Governor recommends funding as requested.*

Other Federal Grants. The Department requests \$4.0 million, or \$0.6 million less than enacted from federal funds to more accurately reflect the Department's anticipated award for 24 grants in the Bureau of Environmental Protection. The grants relate to, for example, air pollution monitoring and control, dam incident reporting, Department of Defense sites cleanup, diesel emissions reduction, and water pollution control. Major changes include reductions of \$0.2 million for the Narragansett Bay study, \$0.2 million for underground storage tank programs, \$0.1 million for non-point source pollution management, and \$0.1 million for the diesel emissions program. *The Governor recommends funding as requested.*

Oil Spill Prevention, Administration and Response Fund. The Department requests \$2,300 less than enacted from the Oil Spill Prevention, Administration, and Response Fund, which is derived from a \$0.05 per barrel fee on petroleum products received at marine terminals in Rhode Island. The funding is used to promptly respond to, contain and remediate oil spills; maintain a state of emergency response readiness through responder training and equipment acquisition; and pay emergency loans to workers

affected by a spill as well as damage compensation for legitimate claims that cannot otherwise be compensated by responsible parties or the federal government.

The Department spent \$0.8 million in FY 2012, \$0.5 million in FY 2013, and \$1.0 million in FY 2014. The Department indicates that the amount requested under environmental services is always an estimate and it can only predict how many oil spills will need contractual services in a given fiscal year. *The Governor recommends funding as requested.*

Environmental Protection - All Other. The Department requests \$3.6 million from general revenues, restricted receipts, and other funds for all other operating expenditures in the Bureau of Environmental Protection. This is \$0.1 million less than enacted and primarily reflects \$80,743 less from clean water and drinking water state revolving funds. The restricted receipts amount includes \$0.1 million less for the Environmental Response Fund II to better reflect anticipated revenues derived from fines which are levied against entities found in violation of the state's environmental regulations and used for expenses related to environmental emergency response and preparedness. The request also includes funding for underground storage tank reimbursement to reflect anticipated revenues derived from a \$0.01 motor fuel surcharge and used to reimburse responsible parties for costs associated with the clean-up of leaking underground storage tanks.

The Department's constrained request includes general revenue savings of \$27,408 for equipment, printing costs, and staff training which corresponds to the proposed staffing reductions in the Division of Water Resources discussed previously. *The Governor recommends funding as requested.*

Bureau of Natural Resources

The Bureau of Natural Resources provides stewardship of the state's finite water, air, land, agricultural and forest resources; conserves the state's aquatic resources; and provides people with well-maintained, scenic, and accessible recreational opportunities. The bureau includes the divisions of fish and wildlife, agriculture and marketing, enforcement, parks and recreation, forest environment, and planning and development. The Department has noted that there is a great deal of overlap between these areas. The personnel for the bureau are discussed in greater detail in the items below.

Minimum Wage Increase. The Department requests \$319,025 to reflect the increase in the state minimum wage from \$8.00 per hour to \$9.00 per hour, effective on January 1, 2015. The requested increase assumes that all seasonal employees would receive a raise of \$0.50 per hour or \$1.00 per hour, which the Department indicates would keep the pay for all seasonal positions competitive. *The Governor recommends \$453,734 more than enacted, which is \$134,709 more than requested. The changes include the \$319,025 requested by the Department to reflect the minimum wage increase from \$8.00 to \$9.00 per hour. The remaining increase of \$134,709 assumes the minimum wage will be increased from \$9.00 to \$10.10 per hour, but the Governor's budget does not propose or include any associated legislation.*

Seasonal Program Additional Hours. The Department requests \$0.1 million more than enacted to reflect anticipated additional hours worked in the seasonal recreation program. The Department of Environmental Management has approximately 426 temporary employees that perform seasonal work in the Division of Parks and Recreation. These temporary employees complement the work of the Department's full-time staff at the state's parks and beaches. *The Governor does not include the requested increase.*

Other Salaries and Benefits. The Department requests \$20.3 million, or \$1.0 million more than enacted for other salaries and benefits to fund the 185.0 full-time equivalent positions in the Bureau of Natural Resources. The changes include \$0.8 million more than enacted from general revenues, \$0.2 million more from federal funds, \$20,505 less from restricted receipts and \$661 less from other funds. This includes an estimated \$1.1 million to fund the cost-of-living adjustment, including \$0.8 million from general revenues. The request primarily reflects the cost-of-living adjustment, updated benefit rates consistent with Budget Office planning values, and a reduction to reflect anticipated costs.

The Department's constrained request includes general revenue savings of \$1.3 million in the Bureau of Natural Resources, which would be achieved by reducing 14.0 positions. The Department did not specifically identify all of the positions that would be eliminated. The Department indicates that there are currently eight funded vacancies in the Bureau. It is unclear whether or not all of the positions the Department intends to eliminate are filled or unfilled. *The Governor's recommendation does not include the Department's proposed position eliminations. She recommends \$0.8 million less from general revenues than the unconstrained request primarily to reflect additional turnover savings.*

Other Parks and Recreation. The Department requests \$3.1 million, or \$0.4 million more than enacted from general revenues for its Division of Parks and Recreation, excluding salaries and benefits. The Department's proposed increases are primarily for building maintenance, groundskeeping services, state vehicles and other areas to reflect the actual spending in recent fiscal years.

The Department's constrained request of \$2.6 million is \$0.1 million less than its FY 2014 spending and \$0.3 million less than its FY 2011, FY 2012 and FY 2013 spending levels. The Department notes that its spending in recent fiscal years was impacted by the extraordinary storm events of the March 2010 floods, Tropical Storm Irene, and Hurricane Sandy. The Department's constrained request does not contemplate any such events. *The Governor recommends funding as requested.*

World War II State Park Transition to Woonsocket. The 2014 Assembly provided the City of Woonsocket with \$250,000 from general revenues for FY 2015 as the first year of a five-year initiative to transfer maintenance and operation of the World War II State Park from the state to Woonsocket following the completion of a capital project to revitalize the currently closed park. This assumes the Department of Environmental Management will enter into an agreement with the city to ensure support is available over the five-year period.

The Department indicates that the capital project currently has an estimated start date of April 2015 and will take approximately one year to complete. Given the expected timeline, the Department requests to delay the first \$250,000 of funding until FY 2016. *The Governor recommends funding as requested.*

Capital Projects. The Department requests \$13.3 million from Rhode Island Capital Plan funds for 11 capital projects. This includes funding for repairs to state owned dams, improvements to Fort Adams State Park, repairs and improvements to the state-owned piers in Galilee and Newport, construction of a new office facility for the natural resources division in the Arcadia Management Area, and improvements to the state's recreational facilities. The request is \$3.7 million less than enacted to reflect the project schedules and revised construction cost estimates.

The operating request is consistent with the Department's FY 2016 through FY 2020 capital request. *The Governor recommends \$8.9 million for nine capital projects, which is \$4.4 million less than requested. A detailed analysis of the projects is included in the Capital Budget section of this publication.*

Federal Grants. The Department requests \$13.3 million for federal grants throughout the Bureau of Natural Resources. The request is \$2.4 million less than enacted, and reflects planned work and anticipated receipts for these grants in the Divisions of Agriculture and Marketing, Enforcement, Fish and Wildlife, Forest Environment, and Planning and Development. The funds are used for boating safety, enforcement of pesticide rules and regulations, forest fire protection on state lands, outdoor recreational programs, and wildlife habitat development.

Major changes include \$1.0 million less for public access projects as part of the fish and wildlife construction program, \$0.7 million less for providing public access and conducting habitat management in wildlife management areas, and \$0.5 million less to purchase additional land for management areas. *The Governor recommends funding as requested.*

Payments to Host Beach Communities. The Department requests \$403,884, or \$9,384 more than enacted from general revenues for payments to host beach communities. The request reflects the anticipated payments to the host beach communities, consistent with the FY 2015 revised budget changes. The Department collects fees for daily and seasonal parking at seven facilities across the state and reimburses the four host communities of Charlestown, Westerly, Narragansett and South Kingstown 16.0 percent of all daily parking fees collected from Memorial Day to Labor Day. Total payments to the host beach communities have averaged \$0.4 million over the last five fiscal years.

The Department also submitted a constrained budget request which would eliminate the payments to host beach communities. This would require eliminating the language in Rhode Island General Law, Section 42-17.1-9.1 that mandates the percentage share for municipalities. *The Governor recommends funding consistent with the unconstrained request.*

Department of Transportation Recreational Projects. The Department requests \$0.1 million, or \$0.9 million less than enacted from other funds for recreational projects funded by a transfer of federal funds from the Department of Transportation. These include maintenance of state trails, purchases of equipment and materials, and funding for materials for local communities to maintain state trails. The request reflects the final work planned for FY 2016. *The Governor recommends funding as requested.*

Natural Resources - All Other. The Department requests \$5.9 million, or \$0.1 million more than enacted from all sources for all other expenses in the Bureau of Natural Resources. The request includes \$1.0 million from general revenues, \$2.8 million from restricted receipts and \$2.0 million from other funds. The general revenue funding is used primarily for enforcement activities, agriculture programs and development, and management and maintenance of the state piers. The restricted receipts are used primarily for open space preservation, wildlife development, and maintaining state-owned management areas, fishing areas, and boat ramps.

The requested increase better reflects anticipated funding for the coastal resources, enforcement, and forestry programs. The request includes the enacted level of \$0.2 million from restricted receipts for capital costs related to operations of the state's saltwater fishing license program. The funding also includes \$0.1 million from restricted receipts for the Local Agriculture and Seafood Fund, which was created by Chapter 37 of the Public Laws of 2012 and used to administer a new program to promote the marketing of Rhode Island seafood and farm products.

The Department's constrained request includes \$0.1 million less from general revenues for various operating reductions in the divisions of agriculture, coastal resources, and enforcement. *The Governor recommends \$75,450 less than requested from general revenues to better reflect historical expenditures in the divisions of agriculture, coastal resources, enforcement, and fish and wildlife.*

Coastal Resources Management Council

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 3,176,076	\$ 3,481,435	\$ 4,177,075	\$ 3,482,033
Contracted Services	660,723	2,379,995	887,685	761,645
Subtotal	3,836,799	\$ 5,861,430	5,064,760	4,243,678
Other State Operations	110,532	126,578	101,989	101,589
Assistance, Grants, and Benefits	200	251,700	250,200	250,000
Capital	1,012,150	4,266,518	1,056,000	752,141
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 4,959,681	\$ 10,506,226	\$ 6,472,949	\$ 5,347,408
Sources of Funds				
General Revenue	\$ 2,185,538	\$ 2,312,843	\$ 3,129,742	\$ 2,433,260
Federal Aid	1,774,143	7,110,951	1,918,207	2,614,348
Restricted Receipts	250,000	250,000	250,000	250,000
Other	750,000	832,432	1,175,000	50,000
Total	\$ 4,959,681	\$ 10,506,226	\$ 6,472,949	\$ 5,347,608
FTE Authorization	29.0	29.0	35.0	29.0

Summary. The Coastal Resources Management Council requests \$6.5 million from all funds, which is \$1.5 million more than enacted including increases of \$0.9 million from general revenues, \$0.1 million from federal funds, and \$0.4 million from other funds. The Council requests 35.0 full-time equivalent positions, which is 6.0 more than authorized. The Council also submitted a constrained request that excludes the new positions and eliminates five currently authorized positions at an estimated savings of \$0.5 million. *The Governor recommends \$5.3 million, which is \$0.4 million more than enacted and \$1.1 million less than requested. She does not recommend the new positions.*

Target Issues. The Budget Office provided the Coastal Resources Management Council with a general revenue target of \$2.1 million. The amount includes current service adjustments of \$0.1 million and a 7.5 percent target reduction of \$0.2 million. The Council's constrained budget is \$34,044 below the target. *The Governor's recommendation is \$0.3 million above the target.*

FY 2016 Budget	Budget Office	CRMC	Difference
FY 2015 Enacted	\$ 2,185,538	\$ 2,185,538	\$ -
Current Service Adjustments	102,154	368,861	266,707
New Initiatives	-	575,343	575,343
Change to FY 2015 Enacted	\$ 102,154	\$ 944,204	\$ 842,050
FY 2016 Current Service/Unconstrained Request	\$ 2,287,692	\$ 3,129,742	\$ 842,050
Target Reduction/Initiatives	(171,577)	(1,047,671)	(876,094)
FY 2016 Constrained Target/Request	\$ 2,116,115	\$ 2,082,071	\$ (34,044)
<i>Change to FY 2015 Enacted</i>	<i>\$(69,423)</i>	<i>\$(103,467)</i>	<i>\$(34,044)</i>

New Positions. The Council requests \$0.6 million from general revenues for 6.0 new positions for FY 2016. This includes a supervising coastal policy analyst and coastal policy analyst who would develop and implement a series of special area management plans to address specific regional issues for the marine resources development plan team. A principal civil engineer and principal environmental scientist would act as an advanced permit review team for expected new projects for the permitting team, an environmental scientist who would enforce the Council's management program and issue notices of violation as well as cease and desist orders for the enforcement section. A coastal policy analyst would coordinate work associated with disbursement of habitat restoration funds, provide expert services and technical support on habitat restoration issues and projects, and advise the Council and the agency's technical staff for the coastal and estuary habitat restoration program.

The Council also submitted a constrained request that does not include the six new positions. *The Governor does not recommend the funding or positions.*

Other Salaries and Benefits. The Council requests \$3.6 million, or \$0.4 million more than enacted from all sources, for salaries and benefits to fund its 29.0 authorized positions. The request includes an estimated \$0.2 million to fund the cost-of-living adjustment for state employees. The Council, which currently has two vacancies, a principal civil engineer and a technical support specialist, includes no turnover savings in its request to reflect that it expects to fill both vacant positions before the end of FY 2015. The Council is requesting to fund the principal civil engineer from general revenues, but the enacted budget assumes the position will be funded from federal sources, as in previous years. The Council attributes the shift to a potential reduction in federal funds, but it is uncertain whether a federal funds reduction will occur.

The Council's constrained budget request eliminates four positions for savings of \$472,328. The Council declined to publicly identify the positions it proposes to eliminate or the potential impact.

The Governor recommends \$0.1 million less than the unconstrained request from general revenues primarily to reflect additional turnover savings. She includes the shift from federal sources to general revenues for the principal civil engineer.

Narragansett Bay Restoration. The Council requests no funding for FY 2016 for restoration projects in Narragansett Bay. The restoration was completed by using living and organic materials to restore the habitat along areas of the coast that have been hardened with bulkheads and seawalls. The Council indicates the Narragansett Bay Habitat Restoration project's end date was August 31, 2014, and it is in the process of paying final invoices to the vendors and closing out the project. *The Governor concurs.*

Aquatic Invasive Species. The Council requests \$9,117, which is \$12,413 less than enacted from federal funds to reflect its anticipated award for the aquatic invasive species management program. Funding is used to coordinate and communicate early detection and rapid response strategies to prevent the spread of aquatic invasive species. *The Governor recommends funding as requested.*

Coastal Ecosystems Adaptation to Sea Level Rise. The Council requests no funding for FY 2016 for a project to analyze potential impacts to coastal wetland ecosystems from climate change-induced accelerated sea level rise in the 21 Rhode Island coastal communities. The enacted budget includes \$25,013 from federal funds awarded by the National Oceanic and Atmospheric Administration. The Council indicates that this project has been extended until December 31, 2014, and it expects to complete the work in FY 2015. *The Governor concurs.*

Capital Projects. The Council requests \$1.7 million, including \$0.4 million from federal funds, \$0.3 million from restricted receipts from the Oil Spill Prevention, Administration and Response Fund, and \$1.1 million from Rhode Island Capital Plan funds and other fund sources to fund three projects in FY 2016. This is \$1.0 million more than enacted. Included in the total is \$125,000 for a permit application and enforcement system, for which the Council may apply for available resources from the Information Technology Investment Fund, but this project does not appear to meet the definition of a capital expense and it appears the Council's request might be unnecessary. Additionally, the operating request includes the anticipated federal funds for the South Coast Restoration Project which were excluded from the Council's FY 2016 through FY 2020 capital request and restricted receipts for the Coastal and Estuary Habitat Restoration Program and Trust Fund.

The Governor recommends \$0.4 million less than requested to reflect a revised project schedule for the South Coast Restoration Project. A detailed analysis of the projects is included in the Capital Budget section of this publication.

Shoreline Change Beach Special Area Management Plans. The Council requests \$0.2 million, or \$0.1 million less than enacted for three special area management plans to address erosion issues along the Rhode Island shoreline. The funding includes \$193,090 from federal sources for two new projects and another \$50,000 from other funds for a shoreline protection initiative that was included in the enacted budget and recommended in 2012-S 2922, Substitute A, a resolution passed by the Senate. The funds would be used to identify at risk areas and infrastructure based on coastal hazard overlay, develop shoreline change mapping and analysis, and research storm surge inundation and wave analysis. *The Governor recommends funding as requested.*

All Other Operations. The Council requests \$0.3 million, or \$16,512 less than enacted including \$1,440 more from general revenues and \$17,952 less from federal funds for all other expenditures. The changes include \$6,150 less for computer equipment, \$5,150 less for printing expenses and \$3,000 less for repairing state vehicles. The Council anticipates fewer computer purchases in FY 2016 because it recently replaced several computers, and its request for printing and state vehicle expenditures is largely consistent with its FY 2014 spending.

The Governor recommends \$1,440 less than requested primarily to reflect a further reduction in printing expenses.

Department of Transportation

	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Expenditures by Program				
Central Management	\$ 10,970,706	\$ 11,227,305	\$ 10,847,031	\$ 10,722,215
Management and Budget	2,242,961	3,002,618	3,018,791	4,530,251
Infrastructure Program	511,906,879	433,709,804	445,217,228	443,615,534
Total	\$ 525,120,546	\$ 447,939,727	\$ 459,083,050	\$ 458,868,000
Expenditures by Category				
Salaries and Benefits	\$ 73,098,739	\$ 71,333,545	\$ 75,341,625	\$ 74,885,997
Contracted Services	39,168,300	35,092,300	30,903,300	30,898,800
Subtotal	\$ 112,267,039	\$ 106,425,845	\$ 106,244,925	\$ 105,784,797
Other State Operations	27,378,773	30,981,478	30,080,931	29,885,431
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	42,801,267	28,191,617	33,949,795	33,949,795
Capital	226,551,181	164,423,518	166,707,864	166,397,751
Capital Debt Service	-	-	-	-
Operating Transfers	116,122,286	117,917,269	122,099,535	122,850,226
Total	\$ 525,120,546	\$ 447,939,727	\$ 459,083,050	\$ 458,868,000
Sources of Funds				
General Revenue	\$ -	\$ -	\$ -	\$ -
Federal Aid	352,114,755	271,020,767	263,615,422	263,615,422
Restricted Receipts	12,352,761	1,000,000	1,000,000	1,000,000
Other	160,653,030	175,918,960	194,467,628	194,252,578
Total	\$ 525,120,546	\$ 447,939,727	\$ 459,083,050	\$ 458,868,000
FTE Authorization	752.6	752.6	752.6	752.6
FTE Average				

Summary. The Department of Transportation requests \$459.1 million from all sources, including \$263.6 million from federal funds, \$194.5 million from other funds and \$1.0 million from restricted receipts. The request is \$66.0 million less than enacted, primarily from federal funds, which reflects a revision to the Department's projected expenditures from Federal Highway Administration funds and the inclusion of GARVEE bond proceeds that are not typically shown in the Department's operating budget.

The Governor recommends \$66.3 million less than enacted, which is \$0.2 million less than requested. Although the recommendation is consistent with total funding included in the request, it excludes \$13.2 million of general revenues that would be deposited into the Highway Maintenance Account, and replaces it with \$20.0 million from Rhode Island Capital Plan funds. Current law provides that 25 percent of transportation related fees collected by the Division of Motor Vehicles, currently estimated at \$52.8 million, are transferred in FY 2016, with 75 percent in FY 2017, and all fees transferred in FY 2018. The FY 2016 transfer would be eliminated, with the remaining transfers made pursuant to current law. These changes are included in Article 21 of 2015-H 5900.

Staffing. The Department’s request includes the enacted level of 752.6 positions. As of the final pay period in January, the Department had 660.0 filled positions or 92.6 less than enacted. The number of filled positions has steadily declined throughout the first half of FY 2015, which the Department began with 680.0 filled positions. The Administration reached agreements with its largest unions for a new four-year contract effective July 1, 2013 through June 30, 2017 that includes 2.0 percent salary increases effective April 6, 2014 and October 5, 2014. Based on the request, the cost for the increase is \$3.6 million from all sources. *The Governor recommends the authorized level of positions.*

Transportation Funding Reform

Transportation funding on the state and national levels began to pose greater problems to governments as the cost of maintaining and replacing infrastructure outpaced the revenue sources historically used to support them. Rhode Island’s transportation funding plan relied heavily on debt and federal funds. Additionally, the state’s gas tax was the primary source to repay debt costs, with the remainder available for all maintenance activities, including winter operations and highway preservation.

Another issue with the state’s transportation funding is that the gasoline tax is a declining source of revenue. The state gas tax is currently 33.0 cents, with 32.5 cents of that going towards transportation. The Department receives 21.75 cents of the tax, with 2 cents automatically dedicated to debt service for Motor Fuel Tax Revenue bonds that were issued in 2003. As the following table illustrates, the per penny gasoline tax yield and the total funding available to the Department has steadily declined over the period. Even with the transfer of one additional penny in FY 2010, available funding through FY 2013 had decreased \$10.3 million, or approximately 10 percent. Although there was a small uptick in the per penny yield experienced in FY 2014, the overall downward trend in gasoline tax yield does not appear to be reversing.

Fiscal Year	Per Penny Yield	Pennies	DOT Share
2005	\$ 4,834,986	\$ 20.75	\$ 100,325,960
2006	\$ 4,805,619	\$ 20.75	\$ 99,716,594
2007	\$ 4,707,603	\$ 20.75	\$ 97,682,762
2008	\$ 4,513,744	\$ 20.75	\$ 93,660,188
2009	\$ 4,327,710	\$ 20.75	\$ 89,799,983
2010*	\$ 4,289,568	\$ 21.75	\$ 93,298,104
2011	\$ 4,210,324	\$ 21.75	\$ 91,574,547
2012	\$ 4,205,959	\$ 21.75	\$ 91,479,608
2013	\$ 4,137,712	\$ 21.75	\$ 89,995,236
2014	\$ 4,236,402	\$ 21.75	\$ 92,141,744

*Assembly transferred one cent from General Fund to DOT.

Although declining gasoline tax revenue is a contributing factor to stagnant transportation funding, there were also other problems affecting Rhode Island. Beginning in 2011, the Assembly identified and addressed two of the major issues affecting the Department of Transportation: over reliance on debt and a limited amount of funding sources. In order to increase the amount of revenue for use by the Department, the state moved from its traditional financing model for matching federal funds to a pay-go model by establishing motor vehicle fee surcharges that would be transferred to a highway maintenance account for use as a portion of the state’s match. These funds, combined with Rhode Island Capital Plan funds, will provide the approximate \$40 million of annual match for federal funds, which was historically generated through borrowing.

Fiscal Year	Biennial Registrations	Annual Registrations	Licenses	RICAP	Previous G.O. Bonds	Total*
2014	\$ 3,817,669	\$ 791,140	\$ 1,260,140	\$21,131,051	\$13,000,000	\$40,000,000
2015	\$ 7,384,812	\$ 1,530,362	\$ 2,437,586	\$27,650,000	\$ 7,000,000	\$46,002,760
2016	\$ -	\$ -	\$ -	\$47,560,000	\$ -	\$47,560,000

**State match fluctuates annually based on apportionments and timing with the federal fiscal year.*

It should be noted that no new borrowing was necessary in November of 2012 for transportation. As the above table indicates, all previously approved debt will be issued by FY 2015 and by FY 2016 the Department's state match will be entirely pay-go.

The 2014 Assembly made several additional changes to transportation funding in order to address concerns regarding the use of tolls, gasoline tax and Division of Motor Vehicles fees, while meeting the infrastructure needs of the state. The most recent changes to transportation funding were a culmination of efforts which began when the 2013 Assembly created the Joint Commission to Study Transportation Funding. The Commission met from September through December of 2013, and submitted its findings in January of 2014. During the 2014 session, both chambers of the Assembly proposed legislation that combined many elements discussed during the Commission meetings, including changes to funding sources and the governance of statewide transportation.

The Assembly included Article 21 of 2014-H 7133, Substitute A, as amended, which transfers new revenue sources, as well as existing sources currently deposited into general revenues, into the Highway Maintenance account for the Department of Transportation to use for costs related to maintenance and repairs to highways, roads and bridges. The new sources of funding include an increase in the inspection fee from \$39 to \$55 and the addition of a \$25 surcharge to the good driving dismissal fee. The legislation also establishes a schedule to transfer the majority of all other transportation related fees that are currently deposited as general revenues. Inspection fees and good driver dismissals were transferred beginning in FY 2015, and the remaining revenues will be transferred incrementally beginning with 25 percent in FY 2016 and 75 percent in FY 2017, with all of the funds being transferred in FY 2018.

The legislation also indexes the gasoline tax to the Consumer Price Index every other year, rounded to the nearest cent. Additional sources include the utilization of \$25 million of unallocated bond proceeds to bridge the funding gap that occurs as increasing amounts of Division of Motor Vehicle fee transfers from general revenues are increased. The unallocated proceeds are from previously authorized general obligation bond proceeds that date back to before FY 2000, but had not been programmed by the Department. These were revealed by a review of bond proceeds during FY 2014 as their use as federal matching was ending. The account will also be allocated additional Rhode Island Capital Plan funds to stabilize the annual balance of the account.

The Assembly also transferred 3.5 cents of gasoline tax to the Turnpike and Bridge Authority to be used in lieu of tolls that would have been used for operations and maintenance of the Sakonnet River Bridge. The Authority will also maintain ownership of the four bridges it currently operates. The legislation also transfers 5.0 percent of funding from the surcharges enacted in 2011 and motor vehicle fees to the Public Transit Authority to support its operations beginning in FY 2016. This amount was initially projected to be approximately \$2.7 million in FY 2016 and grow with increasing amounts of revenue into the fund.

The following table summarizes the elements of the funding plan, with a focus on the increased resources.

Transportation Funding Plan	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Resources Changes from Previous Plans					
New Fines/Fees: <i>Inspection, Good Driving</i>	\$ 5.4	\$ 5.4	\$ 5.4	\$ 5.4	\$ 5.4
Gas Tax: <i>Index to inflation every 2 years</i>	-	4.2	4.1	8.2	8.2
General Revenues: <i>Transfer of MV Fines & Fees, Net of Current GR Debt Service Plan</i>	(1.7)	0.4	14.8	23.4	25.2
DOT: Gas Tax Freed Up from Debt Service Plan: <i>Beyond DOT Structural Budget Fix</i>	2.9	9.8	20.5	28.4	29.7
Other Capital Sources: <i>Unallocated Prior GO Bonds, New RICAP Allocations</i>	23.0	13.0	4.0	4.0	4.0
Subtotal	\$ 29.6	\$ 32.7	\$ 48.9	\$ 69.4	\$ 72.5
Expenditure Changes from Previous Plans					
RI Turnpike and Bridge: <i>Dedicate 3.5 cents of gas tax</i>	\$ 14.7	\$ 14.6	\$ 14.6	\$ 14.5	\$ 14.4
RI Public Transit Authority: <i>5% All Fines and Fees deposited</i>	-	2.6	3.8	4.5	4.5
Subtotal	\$ 14.7	\$ 17.2	\$ 18.4	\$ 18.9	\$ 18.9
Net New Infrastructure Funding for DOT	\$ 14.9	\$ 15.5	\$ 30.5	\$ 50.5	\$ 53.7

In millions

The state also reduced the amount of debt service paid by the Department through the targeted use of general revenues in lieu of gasoline tax revenues, as well as the restructuring of debt in order to adjust the upcoming debt service payments to a more consistent amount. As part of the debt restructuring, \$9.3 million of general revenues was used to pay a portion of the Department's debt service in FY 2014. For each year thereafter, the amount of general revenue used for this purpose was to be increased in \$10 million increments until no more gasoline tax is used for debt service, which is projected to occur in FY 2018.

Fiscal Year	Build America			
	Outstanding Debt Service	Bonds Reimbursement	Restructuring Savings	Debt Service
2015	\$ 54,580,237	\$ (1,870,830)	\$ (6,630,740)	\$ 46,078,667
2016	\$ 50,237,900	\$ (1,870,830)	\$ 393,114	\$ 48,760,184
2017	\$ 49,933,531	\$ (1,870,830)	\$ 254,612	\$ 48,317,313
2018	\$ 41,392,238	\$ (1,870,830)	\$ 227,605	\$ 39,749,013
2019	\$ 40,396,506	\$ (1,870,830)	\$ 183,245	\$ 38,708,921
2020	\$ 36,445,414	\$ (1,870,830)	\$ (12,936)	\$ 34,561,648
2021	\$ 43,706,060	\$ (1,870,830)	\$ (114,505)	\$ 41,720,725
2022	\$ 39,758,229	\$ (1,870,830)	\$ (136,997)	\$ 37,750,402
2023	\$ 38,969,053	\$ (1,870,830)	\$ (135,396)	\$ 36,962,827
2024	\$ 34,172,285	\$ (1,870,830)	\$ 82,795	\$ 32,384,250
2025	\$ 31,042,260	\$ (1,870,830)	\$ (332,024)	\$ 28,839,406
2026	\$ 30,881,740	\$ (1,870,830)	\$ (857,883)	\$ 28,153,027
2027	\$ 27,331,961	\$ (958,514)	\$ (1,422,286)	\$ 24,951,161
2028	\$ 25,529,306	\$ (730,480)	\$ (1,960,404)	\$ 22,838,422
2029	\$ 18,763,869	\$ (494,898)	\$ (1,860,590)	\$ 16,408,381
2030	\$ 18,515,394	\$ (251,496)	\$ (1,860,132)	\$ 16,403,766
2031	\$ 8,726,730	\$ -	\$ (1,860,270)	\$ 6,866,460
2032	\$ 8,724,622	\$ -	\$ (1,860,268)	\$ 6,864,354
2033	\$ 1,604,852	\$ -	\$ 1,450,998	\$ 3,055,850
2034	\$ 481,456	\$ -	\$ 1,090,761	\$ 1,572,217

The 2014 Assembly shifted debt service expenditures from general revenues to funds available in the Highway Maintenance account. This was part of the plan to align spending on transportation related

costs with revenue raised from transportation sources. The remaining debt service from the Department's general obligation bonds are shown in the previous table.

Fund Sources

Due to the recent changes in transportation funding, it is important to distinguish which sources, both state and federal, are being used for infrastructure. The Department of Transportation receives funding through five major sources: federal funds, general obligation bond proceeds, gasoline tax proceeds, Rhode Island Capital Plan funds and transportation related fees collected by the Division of Motor Vehicles. General obligation bond proceeds have been historically used as the state's match for federal funds; however, increasing amounts of motor vehicle fees and Rhode Island Capital Plan funds are being transferred to the Department to be used as the state match in lieu of future bonding. It should be noted that FY 2015 will be the last year in which general obligation bonds will be used for the state match. Although no new bonds have been authorized since 2010, the Department will be using \$7.0 million of unissued proceeds in FY 2015. The Department also receives funding from other sources, such as restricted receipts and funding derived from the sale of Department owned land. This analysis will explain the individual fund sources as well as expenditures from these sources. The following table illustrates the fund sources included in the recommendation.

Source	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Federal Highway Admin. Funds	\$ 256,753,974	\$ 175,620,135	\$ 156,225,143	\$ 156,225,143
Other Federal Funds	106,999,687	92,507,704	105,167,068	95,512,090
Gasoline Tax*	68,290,950	93,505,403	95,201,174	101,529,160
General Obligation Bonds**	[7,000,000]	[7,000,000]	-	-
Unallocated Bond Proceeds	[17,000,000]	[17,000,000]	[8,000,000]	[8,000,000]
Land Sale Revenue	1,500,002	1,500,000	1,500,000	1,500,000
Interstate 195 Land Sales	19,800,000	16,200,000	9,300,000	9,300,000
Rhode Island Capital Plan Funds	36,323,529	32,447,370	38,531,000	52,300,000
Restricted Receipts	1,000,000	1,000,000	1,000,000	1,000,000
Motor Vehicle Fee Transfer	34,292,404	35,034,115	52,048,665	41,391,607
Other Funds	160,000	125,000	110,000	110,000
Total	\$ 525,120,546	\$ 447,939,727	\$ 459,083,050	\$ 458,868,000

*Excludes gasoline tax debt service for the Department and the Rhode Island Public Transit Authority.

**Bond proceeds are not reflected as a fund source in the Department's budget, but are included for illustrative purposes.

Federal Funds - Highway Administration. The Department receives an average of \$200.0 million annually from the Federal Highway Administration. The Department's annual allotment of funds is based on existing and prior year contracts for projects, anticipated new construction, design and engineering costs, and other planning activities such as traffic studies. These funds appear in both the Department's capital budget and operating requests. In the Department's capital plan, funds appear in the project labeled Highway Improvement Program. This plan is prepared seven to nine months in advance of actual receipt of federal funds, which the Department notes can lead to increases or decreases in funding during the state fiscal year.

These federal funds are apportioned to states according to authorizations contained in federal law. The Moving Ahead for Progress in the 21st Century Act (MAP-21) is the most recent authorization for highway and transit programs; however, it was set to expire on September 30, 2014. Before the expiration, Congress provided a short term fix in July by transferring \$10.8 billion to the fund. This transfer was offset by new revenues of \$6.4 billion from pension smoothing, \$3.5 billion from customs users' fees and \$1.0 billion from excess funding in the Leaking Underground Storage Tank Fund. This transfer into the fund continues to fund all state apportionments at the enacted level through May 31,

2015, which is two-thirds of the federal fiscal year. If Congress takes no additional action before the deadline, federal apportionments will be discontinued for the four months remaining in the federal fiscal year, which ends September 30, 2015. This would mean that states would not have the ability to obligate contracts for the June through September period. For many northeastern states, this represents the bulk of the construction season.

The Highway Improvement Program represents those highway and intermodal projects that utilize federal funds administered by the Federal Highway Administration. The program utilizes state funds for matching purposes in the form of proceeds from general obligation bonds. Federal funds earmarked for the Department's transit projects administered by the Federal Transit Administration are not included under this project, but are included in the Fixed Guideway Project. Rhode Island Public Transit Authority projects using transit funds are included in the Authority's capital budget submission. The Highway Improvement Program is directed towards implementing the Department's capital program as identified in the Transportation Improvement Program. This is adopted by the State Planning Council and approved by the Governor and establishes priorities for planning, design, and project implementation. The Department, in conjunction with the State Planning Council, has recently completed the 2013 through 2016 program. The following table illustrates the proportion of funding allotted to each program area in the FY 2016 budget.

Program Area	FY 2016 Recommended	Share of Total
Administrative Program	\$ 4,277,549	3%
Bike/Pedestrian Program	3,912,968	3%
Bridge Program	18,009,377	14%
CMAQ Program	3,898,941	3%
Highway Program	11,013,455	8%
Interstate Program	7,157,034	5%
GARVEE Projects	19,637,264	15%
Federal Highway Earmark Projects	13,020,054	10%
Pavement Management Program	12,228,131	9%
Traffic Safety Program	13,828,813	11%
Transit	19,203,496	15%
Other Programs	4,013,461	3%
Total	\$ 130,200,542	100%

Other Federal Funds. This source is comprised of the federal funds the Department receives that are not for capital improvement projects. A majority of this funding comes from the National Highway Transportation Safety Administration, and is used to fund safety activities such as enforcement, traffic studies, signage and research. Other federal funding comes from the Federal Transit Authority, which is being used for the development of commuter rail in the southern part of the state. This source has increased recently due to more available funds from the National Highway Transportation Safety Administration for grants to states, as well as the increase from Federal Transit Authority funds to reflect the Commuter Rail Project. The Department's revised request includes \$105.2 million from these funds. *The Governor recommends \$95.5 million to reflect updated awards and expenditures from these grants.*

General Obligation Bond Proceeds. The state has utilized general obligation bonds to provide a match totaling \$40 million for federal funds in addition to the match used for GARVEE projects, which is provided by the Motor Fuel Tax Revenue bonds. General Obligation bond debt service is paid with gasoline tax revenue and the Motor Fuel Tax Revenue Bonds' debt service is paid by \$0.02 cents of the

gasoline tax. Gasoline tax proceeds are used by the Department for operations; however, the amount of funding is not sufficient as a state match for capital expenditures, as it continues to be absorbed for increasing costs related to operations and debt service. The voters approved a \$60.0 million general obligation referendum in November 2002 that matched federal highway funds and was programmed for FY 2004 and FY 2005. The voters also approved a \$60.0 million general obligation referendum in November 2004 to match federal highway funds that were programmed in FY 2006 and FY 2007. The voters approved \$80.0 million in November 2006, 2008 and 2010 of \$40.0 million each year of the two year period between referenda, with funding programmed through FY 2014.

With the changes to transportation funding taking effect, the current capital request excludes any new bonding authority for state matching funds, which were historically presented to the voters on the November ballot. This reflects an initiative by the 2011 Assembly to replace borrowing with pay-go sources, which would be accomplished by eliminating new general obligation bonds for the state match, and replacing them with transportation related fees.

The Assembly enacted legislation that established a transportation trust fund which provides that incremental increases of transportation related surcharges will be dedicated to the fund, with the purpose of reducing the Department of Transportation's reliance on borrowing while transitioning to a pay-go system. The incremental increases began in FY 2014 and will end in FY 2016, where they will generate approximately \$20 million annually. These funds will be combined with a dedicated annual stream of approximately \$20 million from Rhode Island Capital Plan funds, which will, together, provide the \$40 million of state matching funds for transportation funding that is currently generated through debt issuance. The FY 2015 enacted budget includes the use of \$7.0 million of general obligation bonds remaining from the \$80.0 million authorized by the voters on the November 2010 ballot. The Department's FY 2016 request does not include any additional amounts, and reflects the end of previously approved general obligation bond proceeds being used for state match. *The recommendation does not include general obligation bonds for the Department.*

Unallocated Bond Proceeds. Until recently, the Department utilized \$80 million of biennial general obligation bond authorizations for the annual \$40 million state match for the Federal Highway Administration funds described above. During previous debt authorizations, the actual state match fluctuated based on the amount of federal funds received in a given fiscal year. In these cases, the bond proceeds were kept in a separate account and remained unallocated. Over several years, the funds accumulated to a level of approximately \$25 million, which the Department has used as "working capital" during the year to make payments to vendors.

In his FY 2015 recommendation, the Governor included a portion of these funds to be used for maintenance related activities by the Department. As part of the transportation funding reforms previously described, the Assembly programmed these funds to be used as the state match for federal funding, including \$17.0 million in FY 2015 and \$8.0 million in FY 2016. The Department is able to use other state sources for vendor payments during the year. It should be noted that as with all general obligation bonds, these sources are not shown in the Department's budget. *The Governor recommends funding as requested.*

Land Sale Revenue. This fund source is comprised of land sales from Department owned land. These proceeds can be used by the Department to purchase land and equipment, or to offset operating costs throughout the Department, including personnel expenses. Funding is being used for purchases related to the Department's materials testing facility on Jefferson Boulevard, which is currently being built out. The Department requests \$1.5 million from this source in its FY 2016 request, which is based on projected land sales and anticipated purchases. *The Governor recommends funding as requested.*

Interstate 195 Land Sales. The Department requests \$9.3 million in its FY 2016 request to reflect updated payments for the relocation of Interstate 195. The Department sold the land made available from the relocation to finance approximately \$40.0 million of project expenses. The 2011 Assembly enacted 2011-H 5994, Substitute A, as amended, which provided that after the appraisal of the parcels, they would be purchased by the Commerce Corporation through the issuance of bonds. The payment of the bond proceeds to the Department has allowed it to complete the relocation project, while the Corporation is eligible to sell the parcels at its own pace.

The principal amount for the bonds is \$38.4 million, amortized over a ten-year period. The Department requests \$9.3 million, \$8.6 million less than its revised request to reflect projected expenses during FY 2016. *The Governor recommends funding as requested.*

Rhode Island Capital Plan Funds. These funds are appropriated according to the Department's capital budget request, and appear as other funds in the Department's operating budget. Funds are used for projects such as the building of storage and maintenance facilities, as well as upgrades to Department owned property, such as roof repairs or fire alarm installation. Beginning in FY 2013, approximately \$20 million from this source was included to be used as a portion of the state match for federal highway funds. The Department requests \$38.5 million from this source in its FY 2016 request. This is \$1.7 million more than enacted, including \$2.8 million more for heavy equipment purchases, with the remainder of the increases included to reflect revisions to the Department's capital plan. *The Governor recommends \$52.3 million, \$16.0 million more than enacted, which reflects the addition of \$20.0 million to offset the reduction of \$13.2 million of general revenue that was to be transferred to the Highway Maintenance Account, as well as reductions to Departmental infrastructure projects.*

Restricted Receipts. This source is comprised of funds the Department receives when it performs work for municipalities, and is used to fund personnel costs for employees who perform work on the projects. This source contributes \$1.0 million to the Department, and is based on projected municipal work. *The Governor recommends funding as requested.*

Motor Vehicle Fee Transfers. The enacted budget includes a total of \$11.4 million of revenue derived from transportation related fees and surcharges collected by the Division of Motor Vehicles. This includes two separate initiatives established by the 2013 and 2014 Assemblies. The surcharges are being phased in from FY 2014 through FY 2016. As the surcharges are increased, more funding is transferred to the Department. The Department's FY 2016 request includes \$52.0 million of transportation related fees and surcharges collected by the Division of Motor Vehicles and transferred to the Department. This is \$17.7 million more than enacted to reflect the next increments of surcharge and fee transfers.

Fiscal year 2014 was the first year of the phased in vehicle surcharge fees, including a \$10.00 surcharge on biennial vehicle registrations, a \$5.00 surcharge on annual vehicle registrations and a \$10.00 surcharge on operator licenses purchased on a five year basis. The biennial registration surcharge will increase in \$10.00 increments to a total of \$30.00, the annual registration surcharge will increase in \$5.00 increments to a total of \$15.00, and the license surcharge will increase in \$10.00 increments to a total of \$30.00 beginning in FY 2014 and ending in FY 2016.

The following table summarizes the incremental fee increases:

Fiscal Year	Biennial Registration Fee	Annual Registration Fee	License Fee
2013	\$ 60.00	\$ 30.00	\$ 30.00
2014	\$ 70.00	\$ 35.00	\$ 40.00
2015	\$ 80.00	\$ 40.00	\$ 50.00
2016	\$ 90.00	\$ 45.00	\$ 60.00

These fees will be transferred to the Department for use as a portion of the state match for federal funds. These fees account for \$16.8 million in FY 2016. The table below shows the estimated revenue derived from the surcharge through FY 2016. Of the total \$17.7 million above the enacted budget, these increases account for \$5.4 million.

Fiscal Year	Biennial Registrations	Annual Registrations	Licenses	Total
2014	\$ 4,015,655	\$ 591,140	\$ 1,260,140	\$ 5,868,949
2015	\$ 7,384,812	\$ 1,530,362	\$ 2,437,586	\$ 11,354,775
2016	\$10,945,319	\$ 2,268,210	\$ 3,612,842	\$ 16,828,387

The requested level of \$16.8 million reflects the last phase for these increases, and represents the approximate level of funding for future years. *The Governor recommends funding as requested.*

In addition to the surcharges, portions of other fees collected by the Division of Motor Vehicles will be transferred to the Department. The Assembly included Article 21 of 2014-H 7133 Substitute A, as amended, which allocates new revenue sources, as well as transferring existing sources currently deposited into general revenues, into the Highway Maintenance account for the Department of Transportation to use for costs related to maintenance and repairs to highways, roads and bridges.

The new sources of funding include an increase in the vehicle emission inspection fee from \$39 to \$55, the transfer of rental car surcharges, and the addition of a \$25 surcharge for good driving dismissals. The legislation also establishes a schedule to transfer the majority of all other transportation related fees currently collected by the Division of Motor Vehicles to the Highway Maintenance Account. These fees were initially estimated at \$50 million per year and are deposited as general revenues. The inspection fee, the good driver dismissal surcharge and car rental surcharges are transferred as of FY 2015, and the remaining revenues will be transferred incrementally beginning with 25 percent in FY 2016 and 75 percent in FY 2017, with all of the funds being transferred in FY 2018.

The new funds were established in the Highway Maintenance account, which is within the Intermodal Surface Transportation Fund, and account for \$37.1 million in FY 2016. This is \$14.2 million more than enacted to reflect the transfer of 25 percent of license and registration fees collected by the Division of Motor Vehicles and passed along to the Department.

The funds included in the Governor's recommendation are illustrated in the following table:

Source	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Inspection Sticker Increase	\$ 10,504,800	\$ 11,409,600	\$ 11,839,072	\$ 11,839,072
Title Fees	9,034,844	9,038,844	9,277,381	9,034,844
Rental Car Surcharge	2,800,000	2,836,911	2,877,144	3,015,352
Good Driving Surcharge	600,000	400,000	600,000	400,000
License and Registration Transfer	-	-	13,191,835	-
Rhode Island Capital Plan Fund	-	-	-	20,000,000
Total	\$ 22,939,644	\$ 23,685,355	\$ 37,785,432	\$ 44,289,268

Consistent with current law, the Department requests \$37.8 million from these sources.

The Governor includes Article 21 of 2015-H 5900 which delays the transfer of transportation related fees collected by the Division of Motor Vehicles to the Department of Transportation. Current law provides that 25 percent of these fees, or \$13.2 million, are transferred in FY 2016, with 75 percent in FY 2017, and all fees transferred in FY 2018. The FY 2016 transfer would be eliminated, with the remaining transfers unchanged. The Governor proposes additional Rhode Island Capital Plan funding to offset the impact.

Other Funds. These funds are derived from the sale of department owned surplus property and equipment, proceeds from the state infrastructure bank and proceeds derived from the sale of outdoor advertising at the Department's maintenance facilities. The Department's request includes \$110,000 from these sources. *The Governor recommends funding as requested.*

Gasoline Tax Proceeds. The distribution of proceeds derived from the gasoline tax remained the same from FY 2009 through FY 2015. However; as previously noted, FY 2016 is the first year the gasoline tax is related to changes in the Consumer Price Index, commonly referred to as inflation. This is projected to increase the gasoline tax by one cent, for a total of 34 cents. The Department's request reflects this change by including the equivalent of one additional cent, which is projected to be \$4.2 million in FY 2016. The distribution of the gasoline tax is illustrated in the following table. *The recommendation maintains the current distribution of gasoline tax proceeds.*

Entity	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
Department of Transportation	18.25	18.25	19.25	19.25
Rhode Island Public Transit Authority	9.75	9.75	9.75	9.75
Turnpike and Bridge Authority	3.5	3.5	3.5	3.5
Elderly Transportation	1.0	1.0	1.0	1.0
Underground Storage Tank Fund	0.5	0.5	0.5	0.5
Total (in cents)	33.0	33.0	34.0	34.0

Department of Transportation Gasoline Tax. Section 31-36-7 of the Rhode Island General Laws sets the gasoline tax at 33 cents per gallon. The disposition of proceeds is outlined in Section 31-36-20 of the General Laws. Upon receipt, all gasoline proceeds are deposited into the Intermodal Surface Transportation fund from which statutory transfers are made to the Department of Transportation, the Rhode Island Public Transit Authority (RIPTA) and the elderly/disabled transportation program.

The FY 2015 enacted budget was based on a per penny yield of \$4.2 million; however, for FY 2016 the estimate was reduced by approximately \$10,000 per penny. The Department utilized this estimate in its request, as well as a total receipt of 19.25 cents from gasoline tax proceeds. The estimate is consistent with the raise in the tax related to a projected increase in the Consumer Price Index, consistent with projections provided by the state's Department of Revenue.

The following table shows the recent history of available gasoline tax proceeds and other funds included in the Governor's recommendation:

Other Funds	FY 2015 Enacted	FY 2015 Revised	FY 2016 Request	FY 2016 Recommended
<i>Gas Tax Yield per Cent</i>	<i>4.195</i>	<i>4.299</i>	<i>4.185</i>	<i>4.275</i>
<i>RIDOT Cents</i>	<i>18.25</i>	<i>18.25</i>	<i>19.25</i>	<i>19.25</i>
<i>RIPTA Cents</i>	<i>9.75</i>	<i>9.75</i>	<i>9.75</i>	<i>9.75</i>
<i>Turnpike and Bridge Authority Cents</i>	<i>3.50</i>	<i>3.50</i>	<i>3.50</i>	<i>3.50</i>
Transportation Revenues				
Balance Forward	\$ 1,034,900	\$ 3,875,565	\$ -	\$ -
Gas Tax	132,127,065	135,421,619	136,001,678	138,934,640
Motor Vehicle Fee Transfer*	34,292,404	35,034,115	53,902,470	41,391,607
Surplus Property & Outdoor Advertising	160,000	125,000	110,000	110,000
Restricted Receipts	1,000,000	1,000,000	1,000,000	1,000,000
Interstate 195 Land Sales	19,800,000	16,200,000	9,300,000	9,300,000
Land Sales	1,500,002	1,500,000	1,500,000	1,500,000
Rhode Island Capital Plan Funds	36,323,529	32,447,370	38,531,000	52,300,000
Total Revenues	\$ 226,237,900	\$ 225,603,669	\$ 240,345,148	\$ 244,536,247
Transportation Expenses				
General Maintenance	\$ 18,617,726	\$ 23,660,899	\$ 25,166,963	\$ 20,152,659
Winter Maintenance	13,215,263	19,100,269	17,373,253	17,071,324
Vehicle Maintenance	3,795,817	5,384,446	6,329,149	6,254,149
Other Operations	17,975,211	8,947,694	20,414,276	14,024,223
Highway Drainage	-	-	-	3,661,421
GARVEE Bond Debt Service	8,389,020	8,598,198	8,369,334	8,549,824
G.O. Debt Service	46,078,667	46,180,792	48,483,265	46,011,342
State Match - Gas Tax	1,376,507	2,731,619	2,778,696	2,616,814
State Match - RICAP	27,650,000	27,650,000	28,200,000	27,650,000
One-Time RICAP for DMV Fee Delay*	-	-	-	20,000,000
Internal Services Funds Transparency	2,428,900	2,764,320	2,847,250	3,272,327
Restricted Receipts	1,000,000	1,000,000	1,000,000	1,000,000
Interstate 195 Land Sales	19,800,000	16,200,000	9,300,000	9,300,000
Land Sales	1,500,002	1,500,000	1,500,000	1,500,000
Surplus Property & Outdoor Advertising	160,000	125,000	110,000	110,000
Equipment Replacement	2,500,000	2,500,000	5,331,000	2,000,000
Facilities	6,173,529	2,297,370	5,000,000	2,650,000
RIPTA - Gas Tax	40,896,473	41,916,215	40,800,503	41,680,392
RIPTA - Highway Account - 5%*	-	-	2,695,124	2,069,580
Turnpike and Bridge Authority	14,680,785	15,046,847	14,646,335	14,962,192
Total Expenditures	\$ 226,237,900	\$ 225,603,669	\$ 240,345,148	\$ 244,536,247
Surplus/Deficit	\$ -	\$ -	\$ -	\$ -

*Reflects changes contained in Article 21 of 2015-H 5900.

The Governor's recommendation utilized a gas tax yield estimate of \$4.3 million, \$0.1 million more than enacted based on a revised estimate from the Office of Revenue Analysis. The increase provides an additional \$1.8 million to the Department for its operations.

Rhode Island Public Transit Authority Gasoline Tax. Under existing statute, the Rhode Island Public Transit Authority receives 9.75 cents of the 33 cent gasoline tax. The funds are transferred to the Authority but reflected in the Department of Transportation's budget as a grant to the Authority in order to account for the gas tax in the state's accounting structure, since the Authority is a quasi-public corporation.

The FY 2015 enacted budget was based on a per penny yield of \$4.2 million; however, for FY 2016 the estimate was reduced by approximately \$10,000 per penny. The Department utilized that same estimate for its transfer to the Authority in its FY 2016 request. Net of debt service for its share of general obligation bond proceeds, the Authority is estimated to receive \$40.8 million for FY 2016.

It should be noted that FY 2016 is the first year that the Authority will receive its share of funding from the Highway Maintenance Account. The share is based on 5 percent of all fines and fees to be collected into the account. This is projected to add \$2.7 million to the Authority to be used for operating expenditures.

The recommendation utilized a gas tax yield estimate of \$4.3 million, \$0.1 million more than enacted based on a revised estimate from the Office of Revenue Analysis. The increase provides an additional \$0.8 million to the Authority for its operations. This is offset by a decrease of \$0.6 million due to the impact of Article 21, for a net addition to the Authority of \$0.2 million. The Authority's budget includes the use of general revenue for debt service, and includes a projected deficit of \$5.0 million for FY 2016. The result of the changes described above would result in a deficit projection of \$4.8 million for FY 2016.

Expenditures

Federal Highway Administration Projects. The Department's request includes \$130.2 million from federal funds matched by \$16.8 million from motor vehicle surcharges and \$28.2 million from Rhode Island Capital Plan funds for highway projects in FY 2016. This is \$85.9 million less than enacted to reflect planned receipts and a revised construction schedule. The Department notes it must submit its projected federal fund expenditures before the end of the federal fiscal year, and budgets the projected expenditures in anticipation of the actual federal award. The Department notes that this practice can lead to adjustments both during and prior to the state's fiscal year.

For FY 2016, expenditures include \$19.6 million for the five GARVEE funded projects, \$18.0 million for repairs and maintenance on bridges, \$3.9 million for congestion mitigation and road enhancements, \$11.0 million for highways, \$7.2 million for interstate projects, \$12.2 million for pavement and resurfacing and \$13.8 million for traffic safety improvement projects. The following table shows program expenditures and their proportionate share of total Federal Highway Administration fund expenditures.

Program Area	FY 2016 Recommended	Share of Total
Administrative Program	\$ 4,277,549	3%
Bike/Pedestrian Program	3,912,968	3%
Bridge Program	18,009,377	14%
CMAQ Program	3,898,941	3%
Highway Program	11,013,455	8%
Interstate Program	7,157,034	5%
GARVEE Projects	19,637,264	15%
Federal Highway Earmark Projects	13,020,054	10%
Pavement Management Program	12,228,131	9%
Traffic Safety Program	13,828,813	11%
Transit	19,203,496	15%
Other Programs	4,013,461	3%
Total	\$ 130,200,542	100%

The Governor recommends \$83.3 million less than enacted, \$2.6 million more than requested to reflect a correction to the state match portion of the program. There are no changes to expenditures for the federal highway projects.

GARVEE Bonds Debt Service. The Department requests \$52.6 million from federal funds, \$4.3 million more than enacted for debt service on the state's Grant Anticipation Revenue Vehicle Bonds, which are referred to as GARVEE bonds. These bonds are part of a program approved by Congress that allows states to borrow funds, which are then backed and repaid by the annual allocation of Federal Highway Administration construction funds. The debt service amount for these bonds has remained relatively flat since their issuance; however, the Department is requesting an increase in the debt service to reflect the actual amount to be paid in FY 2016. *The Governor recommends funding as requested.*

Salaries and Benefits. The Department requests \$75.3 million, \$2.2 million more from all funds for salaries and benefits. This includes increases of \$2.3 million from federal funds and \$1.8 million from other funds, offset by a decrease of \$1.9 million from restricted receipts. The request includes \$3.6 million of funding for cost-of-living adjustments. The Department's request includes these costs and increased turnover savings. The request assumes turnover for about 34 positions; however, as of the final pay period in January, the Department had 92.6 vacant positions, which is the highest level of vacancies maintained by the Department through the first half of FY 2015. It appears the Department may have more turnover savings than identified in the request. *The Governor recommends \$0.5 million less than requested for overtime expenses.*

National Highway Transportation Safety Administration Grants. The Department's revised request includes \$7.5 million, \$0.8 million less than enacted from the National Highway Transportation Safety Administration for FY 2016. The request reflects updated federal awards and expenditures. Major changes include decreases of \$0.7 million for highway safety, \$0.5 million for impaired driving prevention programs, \$0.2 million for racial profiling prevention and \$0.2 million for primary seatbelt law enforcement, offset by an increase of \$1.0 million for distracted driving countermeasures. *The Governor recommends funding as requested.*

Commuter Rail. The Department requests \$23.8 million or \$3.8 million more than enacted from federal transit funds for the Commuter Rail project, which will extend commuter rail service along Amtrak's northeast corridor south of Providence. Service operates between Providence and North Kingstown, with stops at T.F. Green Airport and the Wickford Junction. The Department notes the request also reflects new projects at Kingston and Providence, as well as plans for future stops at Cranston and East Greenwich. The request for the Commuter Rail project reflects an updated construction schedule and is consistent with the Department's requested capital plan. *The Governor recommends funding as requested. This project is explained in greater detail in the Capital Budget section of this publication.*

Equipment. The Department requests \$1.4 million from land sale revenue for equipment purchases in the Infrastructure Engineering Division. The request is \$0.1 million more than enacted to reflect anticipated land sale revenue during FY 2016. Funding would be used for purchases related to the Department's materials testing facility on Jefferson Boulevard, which is currently being built out. It should be noted that these land sale revenues are separate and distinct from land sales associated with the relocation of Interstate 195. *The Governor recommends funding as requested.*

Interstate 195 Relocation. The Department requests \$9.3 million in its FY 2016 request to reflect updated payments for the relocation of Interstate 195. The Department sold the land made available

from the relocation to finance approximately \$40.0 million of project expenses. The 2011 Assembly enacted 2011-H 5994, Substitute A, as amended, which provided that after the appraisal of the parcels, they would be purchased by the Commerce Corporation through the issuance of bonds. The payment of the bond proceeds to the Department has allowed it to complete the relocation project, while the Corporation is eligible to sell the parcels at its own pace. *The Governor recommends funding as requested.*

Public Transit Authority Operations. The Department requests \$2.7 million from other funds to reflect a transfer from the Highway Maintenance account to the Rhode Island Public Transit Authority to support its operations. FY 2016 is the first year of the scheduled transfer, which is comprised of 5 percent of all motor vehicle related funds collected into the account and then distributed by the Department. This transfer is part of the transportation funding reform passed by the 2014 Assembly, and will be used by the Authority to support its operations. *The Governor recommends \$2.1 million, \$0.6 million less than current law due to the exclusion of \$13.2 million from the fund, pursuant to Article 21. The Governor does include \$1.7 million in the Department of Administration's budget to fund debt service.*

Rhode Island Capital Plan Fund Projects. The Department requests \$10.3 million, \$1.9 million more than enacted from Rhode Island Capital Plan funds for six ongoing projects at the Department. The largest change from the enacted budget included in the request is an additional \$2.8 million for maintenance equipment purchases, for which the enacted budget includes \$2.5 million. This reflects the Department's desire to expedite the replacement of its heavy vehicle fleet. Requested funding is consistent with the Department's capital request. *The Governor recommends \$4.7 million, \$5.7 million less than requested to reflect the delay of funding for departmental infrastructure projects. These changes are explained in greater detail in the Capital Budget section of this publication.*

Highway Drainage. The state has approximately 25,000 catch basins; however, the Department is only able to maintain approximately 1,000 each year. The enacted budget includes \$0.5 million for catch basin cleaning, inspection, and repair, and the Department has requested an additional \$1.0 million in its capital request for FY 2016.

The Governor recommends \$3.7 million for catch basin inspection and cleaning. Pursuant to the state's sewer systems permit, the Department must inspect and clean the state's 25,000 catch basins annually; however, the Department of Justice has cited the state for being out of compliance with the permit. Funding would be derived from a dedicated portion of the Highway Maintenance Account. Although the funding is identified in the recommendation, the ongoing dedication of these funds is not specified.

Maintenance Operations. The Department requests \$17.6 million from other funds for maintenance operations, excluding activities associated with winter maintenance. These include activities such as trash and debris removal, landscaping, sand removal, graffiti removal and catch basin cleaning. The request is \$10.7 million more than enacted primarily to reflect increased resources made available from additional funding provided to the Department by the 2014 Assembly as part of transportation funding reform. The funding is intended to expand all operations of the Department, including resurfacing, bridge work and road repairs; however, the Department's request does not allocate expenditures to specific activities, nor does it include a list of additional work that will be performed with the additional funding. *The Governor recommends \$6.6 million more than enacted, \$4.1 million less than requested primarily to reflect the dedication of \$3.7 million of funding available specifically for highway drainage maintenance.*

Vehicle Maintenance. The Department requests \$6.4 million, \$1.1 million less than enacted from other funds for vehicle maintenance throughout the Department. The Department notes that vehicle maintenance costs have decreased with recent new vehicle purchases, which has impacted all divisions, and includes vehicles such as dump trucks, pavers, tractors, grading equipment, backhoes and street sweepers. *The Governor recommends \$2.4 million more than enacted for maintenance on its non-heavy equipment fleet. The increase aligns expenditures more closely with historical spending levels, despite the increase in new vehicles. It appears the recommendation reflects maintenance that will be due as a result of the severe winter of 2015.*

Winter Maintenance Operations. The Department requests \$15.6 million for operating expenses related to the winter maintenance program for FY 2016. Funding is used to pay for vendor contracts, as well as to purchase salt, sand and liquid de-icers. The average annual cost for winter maintenance operations from FY 2010 through FY 2014 is \$13.0 million, and the current request is \$2.5 million above that. The current request is \$2.4 million more than enacted to reflect anticipated increases in material costs and vendor contracts during the winter of FY 2016. *The Governor recommends \$0.1 million less than requested to reflect projected winter maintenance expenditures for FY 2016.*

Turnpike and Bridge Authority Transfer. Consistent with the enacted budget, the Department's request includes \$14.6 million of gasoline tax revenue to be transferred to the Rhode Island Turnpike and Bridge Authority for operations related to the four bridges under its purview: Newport Pell, Sakonnet River, Mount Hope, and Jamestown bridges. Funding was provided by the 2014 Assembly in lieu of placing a toll on the newly constructed Sakonnet River Bridge. The funding is generated from 3.5 cents of the gasoline tax previously dedicated to the Department, which is able to make the transfer based on additional fund sources made available for infrastructure. These sources are discussed in greater detail in the *Fund Sources* section of this analysis. *The Governor recommends \$0.3 million more than enacted and requested to reflect an upward revision in the gasoline tax yield.*

All Other Expenses. The Department requests \$10.3 million, \$2.3 million more than enacted from all sources for all other operating costs. Funding includes \$8.4 million for debt service on motor fuel tax revenue bonds along with other expenditures for computer and office supplies. The requested changes reflect minor adjustments to operating expenditures, changes from federal grants for small scale capital improvements and disbursements of pass-through gasoline tax funding to the Rhode Island Public Transit Authority. *The Governor recommends \$0.8 million more than requested, primarily to reflect an increased transfer to the Rhode Island Public Transit Authority to reflect an upward revision in the gasoline tax yield.*

